

FATF



Anti-money laundering and counter-terrorist financing measures

Indonesia

Mutual Evaluation Report





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Executive Summary

1. This report summarises the AML/CFT measures in place in Indonesia as at the date of the on-site visit from 17 July to 4 August 2022. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Indonesia's AML/CFT system and provides recommendations on how the system could be strengthened.

Key Findings

- a) Indonesia has good understanding of its ML/TF risks, which is reflected in its public national risk assessments (NRAs) and thematic and sectoral risk assessments. National AML/CFT policies, strategies and activities seek to address the risks identified. National co-ordination and co-operation on AML/CFT issues at both the policy and operational levels is strong. Assessment of ML risks of environmental crimes (e.g., forestry and illegal logging) and organised crime networks as well as NPOs needs a deeper consideration.
- b) Indonesia proactively investigates, prosecutes and convicts a range of TF activity, in line with its identified risks in this area. Foreign terrorist fighters returning home following the collapse of the ISIS caliphate feature prominently in the CT and CFT strategy. Indonesia employs a multi-pronged approach focused on de-radicalisation and counter-radicalisation, which has elements of CFT measures.
- c) Indonesia has put in place a legislative framework for the implementation of TFS, although challenges related to implementation of TF-TFS without delay remain. The process for the domestic implementation of UN 1267/1988 listings on the AQ/ISIL Sanctions List and Taliban Sanctions List (and for designations under the UNSCR 1373) requires the DTTOT Task Force (consisting of the MoFA, PPATK, Special Detachment 88, BIN and BNPT) agreement, and subsequent approval by the Central Jakarta District Court (CJDC). NPO risks have not been wholly understood and at-risk NPOs have not been targeted for outreach or proportionate measures, on an ongoing and systematic basis.
- d) Indonesia has taken steps to address shortcomings in their legal framework for PF-TFS; however, some gaps remain. Indonesia have designated all Iranian individuals/entities listed in the UNSCR 2231 to the WMD list, and

DPRK-related individuals and entities listed on the UNSCR 1718 sanctions list. The time gap between UN listing of persons and entities, domestic designation by Indonesia, and the implementation of the freezing obligation by financial institutions was less than 24 hours over the review period.

- e) LEAs have access to financial intelligence from the Indonesian FIU (PPATK) on request and through proactive disseminations, which is used extensively to support ML/TF and related predicate offences investigations and trace assets. PPATK has access to a wide range of public and private sector databases and information, uses a variety of tools and techniques to enhance the value of the information to build financial intelligence, and has a sound analytical process which includes a prioritisation framework. The low number of STRs submitted by some DNFBPs and those relating to environmental/forestry crime are some of the challenges in this area.
- f) Indonesia has its strong legal and institutional framework to investigate ML which it uses to pursue ML activity, although this is primarily used as a means of asset identification and recovery rather than parallel to the predicate investigation. The number of ML investigations is relatively low considering the risk and context of Indonesia, especially in some key categories of predicate offences, as well as ML involving foreign predicates, stand-alone cases and legal persons.
- g) Indonesia has a legal and organisational framework for asset recovery which is well socialised among LEAs and public prosecutors. The Asset Recovery Centre (ARC) in the AGO effectively supports, coordinates, and enhances LEAs' asset tracing and recovery efforts domestically and internationally and also manages seized assets to preserve their value until final confiscation. There is also strong national coordination to support pursuit of illicit proceeds. Indonesia is less effective in recovering assets located abroad and the statistics show that the total sums relating to transnational asset recovery confiscated are not in line with the risks in this area. Confiscation figures for forestry and environmental crime is relatively small considering the size of proceeds expected to be generated from both the predicate crimes and related ML offences. In total, less than 10% of assets identified for confiscations have been realised to the state.
- h) Understanding of ML/TF risks and obligations varies across FIs and DNFBPs. This is generally high for banks, larger FIs and VASPs, but lower for DNFBPs, particularly for real estate agents. Understanding of TF in the DNFBP sector is underdeveloped and limited to screening of client information against the DTTOT list. Reporting by all DNFBP sectors, most notably in the real estate, notary and lawyer professions is not commensurate with Indonesia's risk profile.
- i) The key financial supervisory authorities have a very good understanding of ML risk, while the understanding of TF risk is not at the same level as for ML. There are some good elements of risk-based supervision. Some sanctions are imposed in the financial sector and there is scope to take a more robust approach. This also applies for the DNFBP sector, where even though remedial measures ranging from warnings to license revocation exist, the majority of the sector constituents has been subject to warnings only.

- j) Indonesia has assessed and developed a comprehensive understanding of the ML/TF risks of legal persons and legal arrangements through a number of SRAs, which have been widely disseminated to competent authorities and the private sector. Indonesia has a central registry of legal persons managed by the MLHR which contains basic and, where available, BO information on all types of legal persons. The relatively low number of BO registrations raises concerns on the overall effectiveness of the system. Although available in law to some extent, Indonesia is not applying sanctions for failures to comply with the requirements regarding disclosure of basic and BO information.
- k) Indonesia has a strong framework for international cooperation and has entered into a number of bilateral and multilateral agreements for providing and seeking MLA and extradition. The MLHR, as the central authority, administers an integrated electronic case management system for MLA and extradition requests. A strong feature of the system is timely and proactive informal cooperation, especially on TF given the time-sensitive nature of such cases. PPATK and most LEAs play a vital role in exchanging information with foreign counterparts on outgoing/incoming requests and spontaneous disseminations.

Risks and General Situation

2. Indonesia ML risk primarily stems from domestic proceeds. In particular, higher risks are associated with predicate offences of narcotics, corruption, banking crimes and taxation. Forestry crimes also generate significant proceeds. Proceeds from these predicate crimes are primarily laundered through the banking, capital markets and real estate sectors. Proceeds are also laundered off-shore in regional jurisdictions and then repatriated to Indonesia. However, Indonesia is not a major destination jurisdiction for foreign illicit proceeds. The main foreign predicate offences involving laundering of proceeds in Indonesia are corruption, fraud and narcotics.
3. Indonesia faces high TF risk due to the presence of terrorist organisations and their supporters in the country. Indonesia's key terrorism threats are domestic organisations (e.g., Darul Islam (DI) and Jemaah Islamiyah (JI)). TF threats associated with these groups are from a range of domestic and foreign sources including direct support and donations, membership fees, self-funding, abuse of NPOs, and legitimate and criminal activities. Funds are mostly moved abusing the banking system including online banking, mobile payments and formal and informal money value transfer systems. More recently, the use of social media to call for and facilitate donations has increased. The emerging trends in TF include use of online cross-border payments and cross-border cash movement.

Overall Level of Compliance and Effectiveness

4. Indonesia's AML/CFT is effective in some areas. Particularly good results are being achieved in the areas of understanding the ML/TF risks facing the country, use of financial intelligence for investigation of ML/TF and associated predicate offences, investigation and prosecution of TF offences and co-operating domestically and internationally to facilitate action against criminals and their assets. However, major improvements are needed in a number of other areas, including supervision, effective implementation of preventive measures and targeted financial sanctions, preventing the misuse of legal persons and arrangements for ML/TF and investigation and prosecution of different types of money laundering activities as well as confiscation of criminal proceeds, particularly proceeds that have been moved offshore.
5. Indonesia has particularly strong legal, regulatory and institutional framework, resulting in a robust technical compliance in a number of areas. However, significant improvements are needed in areas such as implementation of TFS to terrorism/TF without delay, risk-based approach for NPOs and supervision of the DNFBP sector.
6. Indonesia has taken steps to strengthen its AML/CFT framework since its last APG evaluation particularly in relation to stronger risk assessment tools and processes and ensuring transparency and beneficial ownership information of legal persons. One important issue which is outstanding from the previous assessment is the need to enhance the targeted outreach and oversight activity for the NPOs identified as most vulnerable to terrorist financing abuse and the implementation of targeted financial sanctions.

Assessment of risk, coordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

7. Overall, Indonesia has a good understanding of its ML/TF risks, as reflected in NRAs and a number of thematic and sectoral risk assessments (SRAs). Indonesia carried out their first NRA for ML and TF in 2015, updated them in 2019, 2021 and 2022. A notable feature of the mechanism is Indonesia's significant efforts to identify, assess and understand internal geographical risks across different provinces. NPO risk assessment will benefit from a more robust approach and a deeper consideration of ML risks of environmental crimes (e.g., forestry and illegal logging) and organised crime networks is needed.
8. National policies/objectives have been established through national strategies, which are supported by annual action plans. Coordination and monitoring of this framework is undertaken by the National Coordination Committee and is generally strong.
9. Authorities have taken a wide range of concrete and positive steps to address ML/TF risks specific to Indonesia. The steps have been structural and operational in nature and have been taken throughout the AML/CFT system. Operational co-operation and co-ordination for both ML and TF is generally strong. While there is no written strategy in relation to PF, co-ordination is well established. Substantial efforts have been made to inform reporting entities about the existence of the NRAs and SRAs.

*Financial intelligence, ML investigations, prosecutions and confiscation
(Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)*

Use of financial intelligence (Immediate Outcome 6)

10. Financial intelligence is regularly used by competent authorities to support ML/TF and related predicate offences investigations, including the tracing of assets for confiscation. LEAs have access to financial intelligence from the Indonesian FIU (PPATK) on request as well as through proactive disseminations. LEAs also use a vast array of internal and external sources to generate financial intelligence. PPATK produces and disseminates a wide range of financial intelligence products, including strategic analysis products, which are widely used by LEAs to successfully identify and detect wider networks of criminals and their associates and for asset tracing.
11. PPATK uses a wide variety of IT tools and techniques. However, the limited number of STRs from DNFBPs and those related to environmental crimes do not seem fully consistent with the Indonesian risk profile. Furthermore, a significant number of reporting entities are not yet registered with the goAML system, which is the most efficient way to submit reports. This may limit the financial intelligence available to the PPATK. PPATK and other competent authorities share information domestically and with international counterparts through a number of systems and platforms. PPATK has made commendable efforts in facilitating domestic coordination between competent authorities through regular coordination meetings, participation in inter agencies task forces and deployment of liaison officers.

ML Offence (Immediate Outcome 7)

12. Indonesia has a strong legal and institutional framework to investigate ML. Investigations are mainly in relation to and consistent with the predicate crimes identified as high-risk in the 2021 NRA, namely corruption, narcotics and fraud/economic crime. However, the number of ML investigations is relatively small considering the risk and context. In particular, ML investigations for environmental crime is low, although recent developments that establish the mandate of the Ministry of Environment and Forestry to investigate ML is encouraging. In general, the LEAs designated and empowered to investigate ML seem to prioritise the investigation and prosecution of the predicate offence. ML investigations are often only initiated at a later stage of the predicate offence investigation to support asset recovery rather than parallel to the predicate investigation.
13. Case studies presented by Indonesia reflect LEAs' ability to effectively conduct ML investigations. However, in general, the types and number of ML cases prosecuted are not fully aligned with the risk profile of Indonesia. Convictions over the last five years mostly relate to self-laundering, third-party laundering to a limited extent, and very few stand-alone ML cases or those involving foreign predicates. Sanctions imposed for convictions of natural persons are effective, proportionate and dissuasive. There has been only one conviction of a legal person during the last five years.
14. Confiscation (Immediate Outcome 8)

15. Indonesia has a legal framework for seizure and confiscation of criminal proceeds, instrumentalities of crimes and assets of corresponding value. Indonesia seeks to prioritise asset recovery as a national strategy, primarily as a mechanism for victim and State restitution. The Asset Recovery Centre (ARC) in the AGO effectively supports, co-ordinates and enhances LEAs' asset tracing and recovery efforts domestically and internationally. The ARC also demonstrates its expertise in the management of assets to preserve their value. The planned elevation of the ARC to the level of a Directorate in the AGO should enhance the resources of the agency.
16. The Indonesian authorities have seized and confiscated a wide range of assets and has shown examples domestically and, to some extent, abroad. Overall, the value of assets seized and finally confiscated to the State appears relatively small in light of Indonesia's risk and context. Indonesia has implemented a cash declaration system at all its ports of entry with administrative fines being imposed in cases of default, though their number appears low, given the risk and context.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5-8, 30, 31 & 39.)

17. TF Offence (Immediate Outcome 9)
18. Indonesia has a strong legal and institutional framework to combat TF. Indonesia's competent authority for the investigation of terrorism and TF is Detachment 88, the specialised counter terrorism unit of the INP. A number of case studies presented by the Indonesian authorities demonstrates their ability to investigate and prosecute complex TF cases, including those related to misuse of NPOs. TF prosecution and convictions is generally consistent with Indonesia's risk profile, although the focus on TF prosecution in relation to the abuse of NPOs should be enhanced.
19. TF is identified usually in parallel to a terrorism investigation. Co-ordination mechanisms are strong and produce good outcomes. To handle counter terrorism operations, Indonesia has organised a Task Force led by the National Counter Terrorism Agency and comprising a number of other agencies including the State Intelligence Agency, National Police, BNPT, PPATK, and the Attorney General Office. PPATK leads the development of the national CFT Strategy and risk assessment. The strategy is in line with the risks and vulnerabilities identified. The BNPT is responsible for developing and coordinating the implementation of a comprehensive national strategy to combat terrorism across 48 government agencies.
20. Indonesia has a strong focus on de-radicalisation and counter-radicalisation. Consistent with the national strategy to counter terrorism, the national CT agency conducts disruptive operations to incapacitate the operational capabilities of terrorist groups in Indonesia. Indonesia is also utilising platforms shared across relevant authorities and the private sector, to obtain information domestically, including financial information on terrorists to be able to identify TF.
21. Preventing Terrorists from Raising, Moving and Using Funds (Immediate Outcome 10)

22. Indonesia has put in place a legislative framework for the implementation of TF-TFS, though the challenges of implementation without delay remains. The process for the domestic implementation of UN 1267/1988 listings on the AQ/ISIL Sanctions List and Taliban Sanctions List (and for designations under the UNSCR 1373) requires the DTTOT Task Force (consisting of the MoFA, PPATK, Special Detachment 88, BIN and BNPT) agreement, and subsequent approval by the Central Jakarta District Court (CJDC). The CJDC intervention in the process is limited to verify the procedural steps set out in the domestic framework. No instances where the CJDC has refused a listing were reported by Indonesia.
23. The updated 2022 NPO SRA identifies 32 NPOs as high risk. Indonesia reinforced its legislative and regulatory framework and has conducted some outreach to raise awareness about potential TF vulnerabilities. However, NPO risks have not been wholly understood and at-risk NPOs have not been targeted for proportionate measures, on an ongoing and systematic basis.
24. Proliferation Financing (Immediate Outcome 11)
25. Indonesia has taken steps to address the shortcomings in their legal framework for PF-TFS. Indonesia reports that they have designated all of the Iranian individuals/entities listed in the UNSCR 2231 to the WMD list, and DPRK-related individuals and entities listed on the UNSCR 1718 sanctions list since the 2017 APG assessment. However, concerns exist about the coverage as the TFS obligations do not extend to all natural and legal persons within the country.
26. According to authorities, Indonesia has financial/trade activity linked to DPRK and Iran but has had no exposure to persons or entities-designated under the relevant UNSCRs. 197 PF related STRs had been filed by FIs, none of which were found by the authorities to have ties to designated persons or proliferation related activities. Consequently, no funds or other assets of designated persons/entities had been identified or frozen. Banks and capital market entities demonstrated a sound understanding of their obligation to conduct list-based screening of designated persons and entities and of sanctions evasion risk. Smaller institutions, DNFBPs were less clear about their exposure to such risk.
27. OJK, BI and CoFTRA are monitoring PF-TFS compliance during their inspections. Monitoring of and outreach to DNFBPs to ensure effective compliance with PF obligations needs further improvements.

Preventive measures (Chapter 5; IO.4; R.9–23)

28. Generally, banks have a good understanding of ML/TF risks, while other FIs exhibited a mixed understanding of ML risk and less developed understanding of TF risk. VASPs appear to have a good understanding of the specific ML risks to which they are exposed with less developed understanding of TF risk. DNFBPs rely predominantly on the SRA findings in developing their general understanding of the risk present in their industry, although the level of understanding of risks specifically arising out of client interactions needs to be developed further. The notary profession did, however, demonstrate a heightened TF risk in their services due to their involvement in the creation of foundations (NPOs).

29. Banks and security firms demonstrated good understanding and implementation of the risk-based approach, customer/enhanced due diligence, STR filing, record-keeping and TFS measures. However, the identification of the beneficial ownership needs to be enhanced, in particular as banks seem to rely heavily on the beneficial ownership register and self-declarations in order to meet their obligations. Other FIs demonstrated an evolving level of implementation of the AML/CFT requirement. More focused guidance will help institutions better implement mitigating measures. VASPs have taken steps to implement their obligations, but they are in the early stages of implementing AML/CFT requirements (e.g., on the travel rule). In the DNFBP sector, the application of the risk-based approach needs to be developed. Compliance with TF obligations seems limited to screening against the DTTOT list.
30. Generally, STR filing by banks is strong, with NRAs, SRAs and other external/internal sources informing the development of red flags. STR reporting by other FIs also seems consistent with the risk profile. There are no STR filings by lawyers, accountants, land title registers and financial planners for the last six years. STR filings by dealers in precious metals and stones and notaries are also limited. This is not consistent with the risk and context of Indonesia.

Supervision (Chapter 6; 10.3; R.14, R.26–28, 34, 35)

31. The three main financial supervisory authorities (OJK, BI and CoFTRA) have proactively developed their AML/CFT frameworks. The measures to prevent criminals from controlling FIs through ownership are sound. In the DNFBP sector, the licensing/registration provisions of professionals (notaries, lawyers and accountants) are regulated through the professional standards and are generally sound. The general registration and trade licensing requirements allow for some general understanding of the regulated sector; however, it does not provide a barrier to entry by criminal elements within the remaining DNFBP constituents.
32. Financial supervisors have a very good understanding of ML risk. The understanding of TF is not at the same level as for ML. Financial supervisors have IT tools and capacity to assess ML/TF risk and risk rate licensees for ML/TF. Off-site and on-site supervision includes good elements of risk-based supervision, with the OJK having the most advanced framework. CoFTRA has taken commendable steps to identify and assess the risk of, and supervise, VASPs.
33. For the DNFBP sector, PPATK is the lead and other supervisory bodies have contributed to NRAs and SRAs and as such have a conceptual understanding of the broader risks. However, the understanding of individual institutional risks is less developed. PPATK uses a sound methodology for risk determination based on self-assessments and supplemented by reporting and inspection data where available.
34. While some sanctions are imposed in the financial sector, there is scope to take more robust approach. This also applies for the DNFBP sector, where even though remedial measures ranging from warnings to licence revocation exist, it is only in the accountant sector that wide-ranging sanctions have been applied, with the remaining DNFBP constituents having been subject to warnings only.

Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)

35. Information on the creation, nature and obligations of the different types of legal persons is widely available in Indonesia. Indonesia does not recognise express trusts although waqfs, largely used for religious and humanitarian purposes, can be categorised as legal arrangements for the purpose of this assessment. Indonesia has assessed and developed a comprehensive understanding of the ML/TF risks of legal persons and legal arrangements through a number of risk assessments, which have been widely disseminated to competent authorities and the private sector.
36. Indonesia has recently transitioned from a system of multiple registries for different types of legal persons to a central registry. The registry contains basic information on all types of legal persons, with notaries involved in the formation of most legal persons (with the exception of Single Partner Limited Liability Company- SPLLC). Beneficial ownership is required to be submitted within seven days of obtaining the operational licence and any changes to beneficial ownership must be reported within three days. The relatively low number of BO registrations (approximately 28.5% of the entire universe of legal persons is populated in the registry) raises some concerns on the overall effectiveness of the system.
37. Indonesia uses a combination of mechanisms to ensure beneficial ownership information is available to the competent authorities. Law enforcement and other competent authorities have direct access to basic and beneficial ownership information held in the central registry and can also request information held by FIs and DNFBPs. Indonesia does not allow bearer shares/warrants or nominee shareholders/directors, though the use of “strawmen” has been observed in a number of ML/TF cases. Sanctions for failures to comply with the requirements were not effective or dissuasive.
38. Indonesia is not applying available sanctions options for failures to declare basic and BO information. MLHR as the supervisory authority of notaries, has not imposed any sanctions relating to their role in the process of incorporation and registration of legal persons

International cooperation (Chapter 8; IO.2; R.36–40)

39. Indonesia has a strong framework and has entered into a number of bilateral and multilateral agreements for providing and seeking MLA and extradition. The MLHR, as the central authority, administers an integrated electronic case management system for MLA and extradition requests. Generally, Indonesia has received positive feedback from counterparts on the exchange of information, although delays were reported in some instances.
40. A strong feature of the system is proactive informal cooperation, especially on TF given the time-sensitive nature of such cases. PPATK and most LEAs play a vital role in exchanging information with foreign counterparts on outgoing/incoming requests and spontaneous disseminations.

Priority Actions

- a) Indonesia should increase targeted outreach to high risk NPOs. Outreach should be conducted immediately upon assessing they are high risk and on a reoccurring basis to ensure appropriate supervision and risk mitigation. The process to identify high-risk NPOs needs to be refined.
- b) Indonesia should develop high level operational policy across competent authorities on initiating parallel ML investigations when investigating relevant predicate offences so as to better identify and pursue ML, in particular stand- alone ML. In view of the substantial amounts of proceeds of crime generated, more ML investigations and prosecutions for forestry and environmental crimes should be pursued in coordination with other competent authorities, especially when such crimes also relate to corruption.
- c) Indonesia should fully conduct risk-based AML/CFT supervision and monitoring. Specifically, the supervision programme, including on-site, off-site inspections, monitoring and follow-up measures, should be implemented according to the identified ML/TF specific risk level of individual supervised entities. Supervisory authorities should make full use of their sanctioning powers and respond to regulatory violations with proportionate and dissuasive sanctions, in addition to written warnings.
- d) Indonesia should establish stronger mechanisms to collect accurate BO information from all legal persons active in Indonesia and to impose effective, proportionate and dissuasive sanctions for non-compliance with BO registration and reporting requirements.
- e) Indonesia should continue to enhance the capacity and capability of the ARC and LEAs to confiscate criminal assets in line with risk and context, as well as put in place policies and resources to enhance their ability to realise assets subject to a court ordered confiscation. In particular, Indonesian authorities should continue to develop and update their expertise in pursuing illicit assets disguised through the use of complex corporate vehicles or third-party facilitators.
- f) Indonesia should continue to implement targeted financial sanctions pursuant to UNSCR1267 and UNSCR1373 without delay and continue to support reporting entities' ability to identify sanctions evasion activity beyond list-based screening practices, including through the regular dissemination of typologies reports and network analysis training.
- g) Indonesia should continue to monitor the implementation of risk-based mitigating measures by financial institutions and DNFBPs, in particular, on beneficial ownership obligations, PEPs, targeted financial sanctions and sanctions evasion. Indonesia should make further efforts to develop TF risk understanding of all sectors, including financial institutions, DNFBPs and VASPs.

- h) LEAs should make active use of formal international cooperation in a systematic manner to recover proceeds of crime committed within Indonesia being laundered in other countries and to effectively investigate and prosecute ML activities having cross-border aspects.

Effectiveness & Technical Compliance Ratings

Table 1. Effectiveness Ratings

IO.1 - Risk, policy and co-ordination	IO.2 International co-operation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Substantial	Substantial	Moderate	Moderate	Moderate	Substantial
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	Moderate	Substantial	Moderate	Moderate	

Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

Table 2. Technical Compliance Ratings

R.1 - assessing risk & applying risk-based approach	R.2 - national co-operation and co-ordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
LC	LC	C	LC	LC	PC
R.7 - targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
PC	PC	LC	LC	LC	LC
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 –New technologies	R.16 –Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
LC	C	LC	LC	LC	C
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
LC	C	LC	LC	LC	LC
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
PC	LC	LC	PC	C	C
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
LC	LC	LC	LC	LC	LC
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international co-operation		
LC	LC	LC	LC		

Note: Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.

MUTUAL EVALUATION REPORT

Preface

This report summarises the AML/CFT measures in place as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the evaluation team during its on-site visit to the country from 17 July- 4 August 2022.

The evaluation was conducted by an assessment team consisting of:

- Ms Ashleigh Mooij (Financial Intelligence Centre, South Africa)
- Mr José Carapinha (Macao Financial Intelligence Office, Macao, China)
- Mr Richard Walker (Financial Crime and Regulatory Policy, Guernsey)
- Mr Robert Obayda (Department of the Treasury, the United States)
- Mr Steven Meighan (An Garda Síochána – National Police, Ireland)
- Mr Suliman Ali Alzabin (Central Bank, Kingdom of Saudi Arabia)
- Dr Waleed Alhosani (Central Bank of the United Arab Emirates)

The assessment process was supported by Mr Ashish Kumar, Dr Claire Leger and Ms Ravneet Kaur of the FATF Secretariat.

The report was reviewed by the APG Secretariat, Mr Ian Collins (UK) and Mr Gavin Cheung (Hong Kong, China).

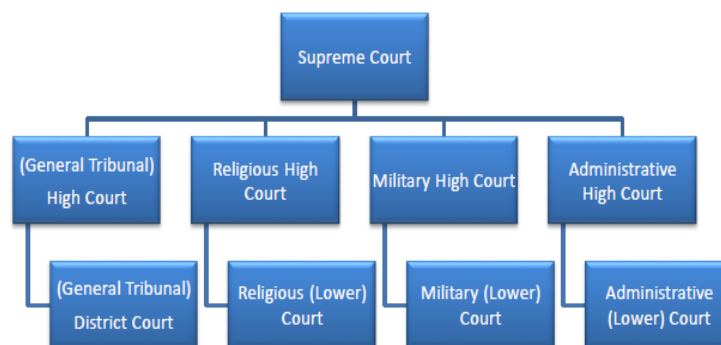
Indonesia previously underwent an APG Mutual Evaluation in 2018, conducted according to the 2013 FATF Methodology. The 2018 evaluation has been published and is available at www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/Mer-indonesia-2018.html.

That Mutual Evaluation concluded that the country was compliant with six Recommendations; largely compliant with 29 Recommendations; partially compliant with four Recommendations and non-compliant with one Recommendation.

Chapter 1. ML/TF RISKS AND CONTEXT

41. The Republic of Indonesia (Indonesia) is a country in Southeast Asia between the Indian and Pacific Oceans and bordering East Timor, Malaysia and Papua New Guinea. Indonesia comprises over 17 000 islands with an approximate area of 1.9 million square kilometres. With over 269 million people living across 1 000 islands, Indonesia is the fourth most populous country in the world. The most populous island is Java, where the capital city of Jakarta is located. Despite its large population and densely populated regions, Indonesia has vast areas of wilderness that support one of the world's highest levels of biodiversity.
42. Indonesia proclaimed its independence on 17 August 1945. The sovereign State of Indonesia is a presidential, constitutional republic with an elected legislature. It has 34 provinces, of which five have special status. The Constitution of Indonesia is the supreme law and it sets out Indonesia's political system including the powers of the executive, legislative and judicial branches. The President is directly elected and is both the Head of State and Head of Government. Indonesia's bicameral legislative branch is People's Consultative Assembly (Majelis Permusyawaratan Rakyat, MPR) consisting of the People's Representative Council (Dewan Perwakilan Rakyat, DPR) and Regional Representative Council (Dewan Perwakilan Daerah, DPD).
43. The Judiciary of Indonesia comprises the Supreme Court, the Constitutional Court and public courts (district courts at the first level and provincial high courts at the appellate level), religious courts, military courts and administrative courts. The Supreme Court is independent (following the third amendment to the constitution in 2001). It sits at the top of a system of courts that hear most cases in Indonesia and is also the final court of appeal. ML cases are heard by the district and high courts and then the Supreme court in the final instance. All terrorism and TF cases are tried in Jakarta (due to security reasons), with most cases being tried in the East Jakarta District Court.

Figure 1.1 Judiciary system in Indonesia



- 1
44. Indonesia's GDP in 2019 was 1120 billion USD with real GDP growth of 5.5%. Indonesia experienced its first recession in over two decades in 2020 (due to the impact of the COVID-19 pandemic), although large-scale fiscal stimulus and monetary support limited its depth and impact. The GDP contracted slightly to 1 060 billion USD in 2020 and again increased to 1 190 billion USD in 2021. As Indonesia's economy is now recovering, the country's GDP growth is projected to increase by 5.1% in 2022, supported by growing commodity exports and accommodative fiscal policy to withstand the pandemic.¹ Indonesia has a mixed economy and as the only G20 member State in Southeast Asia, it is the largest economy in the region. Per capita GDP in PPP is USD 14 020, while nominal per capita GDP is USD 4 120. The services are the economy's largest sector and account for 43.4% of GDP, followed by industry (39.7%) and agriculture (12.8%). In 2021, Indonesia's principal export destinations were China 24%, the U.S. 12%, Japan 8%, India 5.9%, Malaysia 5.4% and Singapore 5.2%. Indonesia's principal import sources (2021) are China 29%, Singapore 8.1%, Japan 7.6%, the U.S. 5.9% and Malaysia 4.9%.

ML/TF Risks and Scoping of Higher Risk Issues

Overview of ML/TF Risks

45. According to the NRA, Indonesia's ML risk primarily stems from domestic proceeds, with higher risks being associated with predicate offences of narcotics, corruption, banking crimes and taxation; and to a lesser extent, forestry and capital market related crimes. Proceeds from these predicate crimes are primarily laundered through the banking, capital markets and real estate sectors. Proceeds are also laundered offshore in regional jurisdictions and then repatriated to Indonesia. Notwithstanding the above, Indonesia is not a major destination jurisdiction for foreign illicit proceeds. The main foreign predicate offences involving laundering of proceeds in Indonesia are corruption, fraud and narcotics.
46. Indonesia faces high TF risk because terrorist organisations and their supporters are active in the country. Indonesia's key terrorism threats are domestic organisations (e.g., *Darul Islam (DI)* and *Jemaah Islamiyah (JI)*). TF threats associated with these groups are from a range of domestic and foreign sources including direct support and donations, terrorist group membership fees, self-funding, abuse of NPOs, and legitimate and criminal activities. Non-material support is primarily in the form of cash and moved by physical transportation (including cross-border). Funds are also moved via the banking system including online banking, mobile payments and formal and informal money value transfer systems. More recently, the use of social media to call for and facilitate donations has increased. The emerging trends in TF include use of online cross-border payments and cross-border cash movement.

¹ www.worldbank.org/en/country/indonesia/overview

47. Indonesia has identified individuals or groups owing allegiance to or directly affiliated with the ISIL. Indonesia has an established history of foreign terrorist fighters (FTFs). The FTF handling Task Force has identified around 1251 Indonesian citizens who are still in the main conflict zones of Syria and Iraq. Authorities have verified 535 citizens and 716 are yet to be verified. As of 2019, around 625 Indonesian citizens had been deported by foreign authorities. At the same time, citizens from these jurisdictions and Malaysia participated in terrorism activities in Indonesia. More recently, foreign citizens have travelled to Indonesia and joined *Mujahidin Indonesia Timur* (MIT). Furthermore, Indonesia is becoming a transit point for funds, weapons, and fighters moving from other conflict zones (e.g., Syria) to Southeast Asia.

Country's Risk Assessment & Scoping of Higher Risk Issues

48. Indonesia has drawn upon a range of assessments to identify, assess and understand its ML/TF risks. In May 2019, Indonesia published its second updates to the separate national risk assessment (NRA) of ML and TF. These updates build on Indonesia's ML and TF NRAs conducted in 2015 and 2017. In 2021, Indonesia conducted a holistic risk assessment of ML/TF/PF, with the involvement of a number of ministries, law enforcement authorities, supervisory agencies and regulators, reporting entities and trade bodies and associations. Indonesia also engaged with academics and subject matter experts in developing the 2021 risk assessment.
49. In addition, since 2015 to 2022, Indonesia have undertaken eighty seven separate NRAs, regional risk assessments and sectoral or strategic risk assessments (SRAs), including red flag indicators and typologies on, for example, NPOs, banks, securities and other financial institutions such as money changers and MVTs, futures traders, goods and services providers, accountants, auction houses, election funds, customs and excise, cross-border ML, legal persons and arrangements, cooperatives and lawyers and notaries.
50. Indonesia has established a National Coordination Committee (NCC) to coordinate actions to assess and mitigate ML/TF risks by completing NRAs, updates to the NRAs and sectoral RAs. The NCC is a coordinating body made up of sixteen government AML/CFT agencies led by the Coordinating Minister for Political, Legal and Security Affairs, with the Head of PPAATK as the secretary of NCC.
51. The NRA and other risk assessments also classified risk on a geographic/provincial basis, with Jakarta, East Java, West Java and Central Java identified as the higher-risk provinces. Indonesia also considered the interconnectedness of specific crimes, TF and financial sectors.
52. In deciding what issues to prioritise for increased focus, the assessors reviewed material provided by Indonesia on their national ML/TF risks and information from reliable third-party sources (e.g., reports of other international organisations). The assessors focused on the following priority issues that are broadly consistent with the issues identified in the NRA:
- **Terrorism and terrorism financing:** Indonesia faces a high threat of domestic funding, transfer and use of funds to provide support to local terrorist groups with links to Al Qaida and Taliban, including *Jamaah Ansharut Daulah* (JAD) and *Mujahidin Indonesia Timur* (MIT), and to a lesser extent international terrorist groups, such as ISIL. A number of terrorist attacks in

Indonesia have occurred over the last few years and hundreds of Indonesian individuals are known to have travelled to conflict zones in support of ISIL and Al-Qaeda affiliates. Assessors focused on the adequacy of Indonesia's measures to investigate and disrupt TF commensurate with its risk profile, implementation of TFS related to terrorism and TF and the measures being taken to protect NPOs from TF abuse.

- **Corruption:** Indonesia's 2015 and 2019 NRAs identify corruption as the most dominant proceeds generating predicate offence. Assessors focused on the extent to which the law enforcement (including Indonesia's anti-corruption commission) and the private sector have a good understanding of the ML risks linked to corruption and are taking measures to address it. Assessors also focused on the measures being taken to prevent misuse of domestic legal persons and arrangements.
- **Laundering of proceeds from other domestic predicates (in particular tax crimes, narcotics and forestry crimes):** Indonesia's 2015 NRA identifies tax crimes and narcotics as the second and third largest proceeds generating offences respectively. Likewise, the 2015 NRA identifies a number of factors, which increase Indonesia's vulnerability to forestry crimes, including Indonesia's geographic position as an archipelagic State, and the weak supervision of natural resources use. Assessors focused on the adequacy of measures taken to identify and disrupt domestic laundering of such crimes, and to proactively identify and trace illicit proceeds moved offshore.
- **Use of cash and movement of illicit funds** – While use of cash seems to be declining in Indonesia, a large proportion of the population remains outside the formal banking system. Assessors focused on how well authorities understand and mitigate the ML/TF risks emanating from the use of cash and movement of illicit flows. Adequacy of measures by competent authorities, including customs to detect and disrupt illicit flows was another area of focus.
- **Implementation of targeted financial sanctions related to proliferation** – Historically, Indonesia has maintained bilateral relations with DPRK. It has exposure to DPRK related financial activities and potential sanction evasion. Indonesia also has some commercial, trade and financial links with Iran. Assessors, therefore, focused on how effectively Indonesia implements DPRK and Iran related TFS.
- **Banking sector** – Banks are the key constituent of Indonesia's financial sector with about 78% of total financial sector assets. Both the 2015 NRA and the updated 2019 NRA highlight the high risk of the banking sector. Given the size of the sector and identified risks, assessors focused on the extent to which preventive measures were being implemented by the sector and how well the sector was being supervised for AML/CFT.
- **Use of real estate** – The real estate sector has been growing over the years and now constitutes about 3% of GDP. The NRA rates property companies/agents as high ML risk with instances of the real estate being used to launder domestic and foreign proceeds. Given this, assessors identified the level of understanding of the sector regarding ML/TF risks and obligations and taking commensurate measures to manage and mitigate such risks as a key area of focus.

53. Through the scoping exercise, assessors identified two areas of lesser focus. Indonesia does not permit gambling activities, including casinos. Assessors therefore restricted their focus only on the extent to which illegal casinos activity might be occurring in Indonesia. Secondly, pension funds sector is relatively small in Indonesia and is identified as low ML/TF risk in the 2015 NRA, considering the ML typologies, patterns of STRs and regional risk factors.
54. Beyond the scoping exercise, assessors also explored how entities and authorities have identified, assessed and understood the emerging ML/TF risks due to the impact of COVID-19, the extent to which the pandemic has led to a change in the overall ML/TF risk profile in Indonesia, and how Indonesia has responded to these emerging risks.

Materiality

55. As of 2021, Indonesia is the world's third largest democracy, seventeenth-largest economy by nominal GDP, tenth-largest economy by purchasing power and a leader in ASEAN. Furthermore, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to under 10 percent in 2019 before the onset of the COVID-19 pandemic. Indonesia assumed the G20 Presidency in 2022, with a focus on collective efforts to achieve a stronger and more sustainable recovery from the pandemic's impacts.
56. Indonesia borders the South China Sea, which has the world's busiest sea lanes; more than USD 5 trillion in cargo and as much as 50 percent of the world's oil tankers pass through the South China Sea every year. However, Indonesia is not an international financial hub or a centre for company formation and registration. Indonesia is a middle-income country with an open economy and a well-diversified financial sector. The banking sector is the dominant financial sector accounting for 78% of total financial sector assets. Indonesia also has a vibrant civil society sector, carrying out a range of activities.

Structural Elements

57. Indonesia has all the main structural elements required for an effective AML/CFT system including, political stability; a high-level commitment to address AML/CFT issues; stable institutions with accountability, integrity and transparency; the rule of law; and a capable, independent and efficient judicial system. World Justice Project, Rule of Law Index ranks Indonesia at 64 out of 140 countries included in the index, with overall score for 2022 at 0.53.² This is an improvement of four places since 2021.

Background and Other Contextual Factors

58. Indonesia has a well-established AML/CFT legal framework with regular reforms to address the gaps and the evolving ML/TF risks. The financial supervisors and major LEAs have mature systems, processes and supervisory approaches. Relatively, DNFBP supervisors have less developed systems with the exception of the PPAATK (FIU).

² <https://worldjusticeproject.org/rule-of-law-index/global/2021/Indonesia/ranking>

59. Corruption is considered a significant domestic issue and was rated as a high ML threat in the country's NRA. In 2021, Indonesia had a Corruption Perception Index of 38 out of 100, according to Transparency International.³ Public sector corruption in particular is recognised as an ongoing problem, with authorities launching a number of investigations and prosecuting high-ranking politicians and government officers for corruption as well as related ML in recent years.
60. Indonesia is considered a cash-intensive economy, which exposes the country to certain inherent ML/TF risks. Cash remains the dominant currency in transactions but demand for non-cash transactions is increasing. The level of financial literacy and inclusion has continued to move positively over the past five years. Based on the results of the National Financial Literacy Survey conducted by OJK in 2019, the financial inclusion index reached 76.2%.

AML/CFT strategy

61. Indonesia developed a National Strategy for the Prevention and Eradication of ML and TF for the Period 2020-2024. This is in continuation of and builds upon the National Strategy for 2017-19. The National Strategy steers and directs the development of the AML-CFT regime in Indonesia for the next 5 years, in accordance with the policy objectives and the identified risks. It also acts as a framework of reference for all relevant agencies to co-operate and co-ordinate regarding the development and implementation of policies and activities related to AML/CFT/CPF. The National Strategy for 2020-24 focuses on five key elements, which are i) capacity enhancement of the private sector; ii) improving implementation of preventive measures; iii) improving efforts to eradicate ML, taking into account risk assessments; iv) optimizing asset recovery efforts; and v) ensuring the effective implementation of TF and PF targeted financial sanctions.
62. In order to implement the overall national strategy, Indonesia has developed Annual Action Plans (e.g., Action Plans for 2020, 2021 and 2022), which have more granular details of individual action points to be carried out by different agencies. The key areas of focus of these annual action plans include mitigating the gaps observed in the AML/CFT framework, preparing updates to the national risk assessments, and greater coordination between PPATK and supervisory and regulatory agencies to enhance the quantity/quality of STRs filed by reporting entities in line with the results of the national risk assessments.
63. To monitor the effectiveness and achievement of national strategy actions, Indonesia has developed a national strategy reporting information system (SIPENAS), which can be accessed and monitored in real time and submits a report on the implementation of the national strategy action plan every year to the Head of the Institution responsible for that action plan item.

³ A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean).

64. Financial inclusion was one of the main focus areas of Indonesia's 2022 G20 Presidency. Indonesia has set a target to achieve 90% financial inclusion by 2024 with involvement of all key stakeholders. Expanding financial inclusion is also part of Indonesian Financial Services Sector Master Plan 2021-2025 under the broader objective of the recovery of the national economy and enhancing the resilience and competitiveness of the financial services sector. OJK has a proactive approach in its implementation including through supporting FinTech and innovation. Increasing the level of financial inclusion was also a key element of the National AML/CFT Strategy for 2017-19.

Legal & institutional framework

65. The legal framework for AML/CFT measures is comprehensive comprising laws, regulations, decrees, Presidential and Ministerial regulations, circulars and directives. The key instruments are AML Law 2010, CFT Law 2013 and sector specific regulations covering financial and non-financial activities. The institutional framework for AML/CFT is broad, involving a range of authorities, supervisors and ministries. A brief overview of key ministries, agencies and authorities responsible for formulating and implementing the government's AML/CFT and proliferation financing policies is as follows.

- ***Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK)***, or the ***Indonesian Financial Transaction Report and Analysis Centre (INTRAC)***, is Indonesia's FIU established as an independent government institution accountable directly to the President with the mandate to prevent and eradicate ML/TF. PPATK also has supervisory responsibility for the AML/CFT supervision of Post Indonesia, real estate companies or agents, motor vehicle dealers, diamond and jewellery/gold traders, art and antique goods traders, lawyers and financial planners.
- ***Attorney-General's Office (AGO)***: The AGO is led by the Attorney General, who is appointed by and responsible to the President. The AGO has a dual role as an investigative and prosecutorial body. The Special Crimes and Money Laundering Unit of the AGO investigates ML associated with special crimes (which includes corruption offences, fisheries, economic offences (customs offences) and violations of human rights). The High Public Prosecution Office and the District Public Prosecution Office of the AGO execute powers of prosecutions, and prosecute all ML cases, except corruption cases being investigated by the KPK.
- ***Indonesian National Police (INP)*** is Indonesia's main law enforcement body and is responsible for investigating all crimes under the Criminal Code, ML, and TF. The Special Economic Crime Directorate of INP has responsibility for investigating ML. Special Detachment 88/Anti-Terror, a specialised counter terrorism unit of the INP, is responsible for investigating TF.
- ***Komisi Pemberantasan Korupsi (KPK) or Corruption Eradication Commission*** is mandated to eradicate corruption. It is responsible for the investigation and prosecution of corruption cases and related ML cases involving State losses above IDR one billion (Euro 66 146) i.e., cases with high public impact and/or high-level State officials. Corruption-related cases outside of KPK's jurisdiction are handled by the INP or AGO. In addition to

enforcement actions, the KPK carries out preventive measures including education and socialisation programs and for monitoring State governance.

- **National Anti-Narcotics Board (BNN)** is responsible for investigating narcotic offences and related ML.
- **Directorate General of Taxation (DG Tax)**, under the Ministry of Finance, is mandated to formulate and implement Indonesia's tax policy and for investigating tax offences and related ML.
- **Directorate General of Customs and Excise (DG Customs)**, under the Ministry of Finance, is mandated to formulate and implement Indonesia's customs and excise policy and to investigate customs offences and related ML. In addition, DG Customs is responsible for implementing Indonesia's cross-border declaration system.
- **Ministry of environment and forestry (KLHK)** is the government ministry responsible for managing and conserving nation's forests. Since 2021, KLHK is empowered to investigate ML related to environment and forestry crimes.
- **Civil Service Investigators (PPNS)**: Following the judicial review of Article 74 of the AML Law by the Constitutional Court, all investigators of predicate crime now have the authority to investigate ML.
- **Ministry of Law and Human Rights (MLHR)** is responsible to the President and administers laws and human rights in Indonesia. In relation to the AML/CFT regime, MLHR is mandated: (i) to regulate and conduct AML/CFT supervision of notaries, (ii) as the company registrar for companies, associations and foundations, and (iii) as the central authority for MLA and extradition.
- **Otoritas Jasa Keuangan (OJK)** or the Financial Services Authority, is mandated to regulate and conduct prudential and AML/CFT supervision of banks and other financial institutions, except those trading in commodity futures, non-bank payment and non-bank money changing service providers.
- **Bank Indonesia (BI)** is the Central Bank of Indonesia and mandated to formulate monetary policy, and to regulate and conduct prudential and AML/CFT supervision of non-bank payment and non-bank money changing service providers.
- **Badan Pengawas Perdagangan Berjangka Komoditi (Bappebti/CoFTRA)**, under the Ministry of Trade, is mandated to regulate and conduct prudential and AML/CFT supervision of futures trading. Bappebti is also responsible for regulating and supervising virtual assets and virtual assets service providers (VASPs).
- **Ministry of Cooperatives and Small Medium Enterprises (MCSME)** is mandated to regulate and conduct AML/CFT supervision of cooperatives.
- **Ministry of Finance (MoF)** is mandated to regulate and conduct AML/CFT supervision of accountants, public accountants, and auction houses.

66. Indonesia has the co-operation and co-ordination mechanisms to assist the development of AML/CFT policies, and policies for combating the financing of proliferation. There is a national co-ordination and co-operation committee (NCC), comprising a number of relevant Ministries and other agencies. NCC meets both at Ministerial and Working Group levels to strengthen the national co-ordination and information exchange on AML/CFT issues. In addition, the PPATK, the Indonesian National Police, the Nuclear Energy Supervisory Agency, the Ministry of Foreign Affairs and other relevant agencies co-ordinate at policy and operational level on proliferation financing issues.

Financial sector, DNFBPs and VASPs

67. This section gives general information on the size and make-up of the financial, DNFBP and VASP sectors in Indonesia. Not all of these sectors are of equal importance, given the specific risks and context in Indonesia. The level and types of ML/TF risks affecting individual financial institutions, DNFBPs and VASPs vary greatly, as do the ML/TF risks facing particular sectors.
68. The financial sector assets equal to 75% of GDP as on 30 June 2022. The banking sector plays a dominant role in the Indonesian financial sector. As on 31 March 2022, banking assets constitute 78.1% of the total financial sector assets and 59% of GDP and the equity market capitalisation constitutes 49% of GDP. The position of financial and non-financial sectors in Indonesia is as follows:

Table 1.1. Make up of financial and non-financial sectors in Indonesia⁴

Financial institutions	Number (30 June 2022)	Assets as on 30 June 2022			Non-financial sectors	Number (30 June 2022)
		IDR (trillion)	EURO (billion)	In %		
Banks	1 726	10 743.00	710.58	100.00	Real estate agents	2 015
Commercial banks	95	9 849.57	651.49	91.68	Lawyers	2 766
Shariah banks	12	703.55	46.53	6.55	Notaries (company service providers)	19 328
Rural banks	1 454	172.13	11.38	1.60	Accountants and public accountants	1 120
Shariah Rural banks	165	17.71	1.17	0.16	Dealers in precious metals and stones	87
Capital market	215	8 526.00	563.94	100.00	Art and antique goods dealers	75
Securities Company	94	78.78	5.21	0.92	Auction house	107
Investment Manager	97	10.97	0.73	0.13	Financial planners	49
Custodian Bank	24	8436.18	558.00	98.95	Motor Vehicle dealers	1 178
Non-bank financial institutions	129 741	2 007.00	132.75	100.00	Land Register Officers	22 098
Life insurance companies, including Shariah insurance companies	138	806.76	53.36	40.20		
Saving and loan cooperatives	127 846	250.98	16.60	12.51		
Financing companies	157	449.79	29.75	22.41		
Infrastructure financing companies	2	129.58	8.57	6.46		
Pension funds, including Shariah pension funds	26	117.52	7.77	5.85		
Export import financing companies	1	88.84	5.87	4.43		
Pawn shops	111	70.41	4.66	3.51		
MVTS	177	43.78	2.89	2.18		
Venture capital companies	58	23.99	1.59	1.20		
Insurance brokers	155	10.65	0.70	0.53		
E-money and E-wallet	54	6.46	0.43	0.32		
Commodity futures traders	64	2.60	0.17	0.13		
Card based payment	4	2.23	0.15	0.11		
VASPs	25	2.06	0.14	0.10		
Non-bank money changers	923	1.26	0.07	0.06		

69. The assessors ranked the sectors on the basis of their relative importance in the Indonesian context given their respective materiality and level of ML/TF risks. The assessors used these rankings to inform their conclusions throughout this report, weighting positive and negative implementation issues more heavily for important sectors than for less important sectors. This approach applies throughout the report but is most evident in Chapter 6 on IO.3 and Chapter 5 on IO.4.

- **Banking sector** was weighted as the most important sector because it has by far the largest share of the financial sector's total assets, undertakes the vast majority of cross-border transactions, and faces risks from high transaction volumes, a broad customer base, vast geographical footprints and varied products and services offered.

⁴ This includes financial and non-financial sectors such as pawn shops, auction houses, art dealers and car dealers which are not DNFBPs according to the FATF definition. Although these sectors are not reviewed under IO.1, 3 and 4, they are listed in the table as they are reporting entities in the Indonesian regime and are included to provide a holistic view of Indonesia's regime.

- Capital market, real estate agents, notaries and non-bank MVTs are weighted as highly important sectors based on their materiality and risks in Indonesia.
 - i. **Capital markets** due to speed and huge volume of transactions and a number of cases in Indonesia where the sector has been abused for generation of criminal proceeds through market manipulation, as well for laundering the criminal proceeds generated elsewhere. Custodian banks hold almost 99% of the sector's assets.
 - ii. **Real estate agents**, due to identified cases involving laundering of proceeds of crimes through the real estate sector in Indonesia. Use of cash for purchase of real estate is common and the sectoral risk assessment has identified the sector as high ML risk.
 - iii. **Notaries**, because of their gatekeeper role in establishment of legal persons and the facilitation of property transactions in Indonesia.
 - iv. **Non-bank MVTs** due to their role in facilitating cross-border transactions in the context of Indonesia, which receives significant remittance flows from abroad as well as a number of cases of unlicensed operations unearthed by the Indonesian authorities.
- Dealers in precious metals and stones, life insurance sector, VASPs, non-bank currency exchangers and lawyers are weighted moderately important based on their risk and materiality.
 - i. **DPMS**: Although not materially significant, the NRA identifies DPMS as having medium ML risk. Not many dealers carry out functions that fall within the FATF definition of DPMS.
 - ii. **Life insurance**: There are 53 life insurance companies in Indonesia, with aggregate assets size of around IDR 1295 trillion (approximately EUR 7.5 billion). Some companies provide investments and Islamic Takaful insurance (life insurance). The sector's exposure to ML/TF risks is relatively moderate.
 - iii. **Non-bank currency exchangers**: There are 923 non-bank currency exchangers. The sector was weighted moderately important considering the scale of their operations.
 - iv. There are around 2766 **lawyers** in Indonesia. In practice, they are observed to be involved in the operation and management of companies and management of client funds. Considering the inherent risk of their activities, the sector is weighted as moderately important.
 - v. There are 25 **VASPs**, who seem to have a good understanding of their obligations and ML/TF risks. This is an emerging risk and there is not yet evidence to suggest that there is widescale ML/TF in Indonesia through this sector.
- **Pension funds, accountants and financial planners** are weighted as relatively less important based on their risk and materiality.
 - i. Twenty-three pension funds in Indonesia hold around IDR 281 trillion (approximately 1.6 EUR billion) of financial assets. NRA rated the sector as low ML risk.

- ii. There is a large accountancy sector, which comprises 1 120 accountants and public accountants. The term accountant covers a wide range of activities and these entities range from large firms offering multi-national businesses to much smaller book-keeping activities. The NRA rated the sector as low risk.

70. Indonesia is not a regional or international financial centre or a tax haven.

Preventive measures

71. Indonesia has a comprehensive AML/CFT framework comprising AML and CFT laws, Mutual Legal Assistance (MLA) Law, Law on Civil Society Organisations (CSO), sector specific regulations and Decrees and circulars, directives and guidelines, which set out preventive measures covering financial institutions, DNFBPs and VASPs. Indonesia has also issued regulations for supervisors to provide guidance on implementing the risk-based approach in their supervisory activities.
72. In addition to the AML Law, CFT Law, MLA Law and CSO Law, the following are some of the key instruments through which enforceable preventive measures have been set out for various categories of FIs and DNFBPs.
 - Government Regulation No. 43 Year 2015 on reporting parties.
 - OJK AML/CFT Regulation No.12 01/2017 for reporting entities.
 - Bank Indonesia AML/CFT Regulation No.19 10/2017 for Non-Bank Payment and Non-Bank Money Changing Service Providers.
 - Bappebti/CoFTRA KYC Regulation No. 8 Year 2017 for Futures Traders.
 - Ministry of Cooperatives KYC Regulation No. 6 Year 2017 for Cooperatives.
 - PPATK KYC Regulation for Postal Providers No. 9 Year 2011.
 - PPATK KYC Regulation for Other Goods and Service Providers No.7 Year 2017.
 - Minister of Finance CDD Regulations No. 156 06/2017 for Auction House.
 - Minister of Law and Human Rights KYC Regulation for Notaries No.9 Year 2017.
 - PPATK KYC Regulation for Advocates (Lawyers) No.10 Year 2017.
 - PPATK KYC Regulation for Land Titles Registrar No.11 Year 2017.
 - Minister of Finance CDD Regulations No. 55 01/2017 and 155/2017 for Accountants and Public Accountants.
 - PPATK KYC Regulations for Financial Planners No. 6 Year 2017.
 - Commodity Futures Trading Regulatory Agency Regulation No. 4 Year 2019.
 - PPATK Decree No. 122 Year 2017 (“PPATK Decree No. 122”).
 - Joint TF Freezing Regulations Year 2015.
 - Regulation of Minister of Trade General Policy of Implementing Crypto Asset Futures Trading No. 99 Year 2018.
 - Regulation of National Agency Commodity Futures Trading Crypto Asset Physical Market –No. 5 Year 2019.

73. All thirteen categories of FIs and DNFBPs are subject to AML/CFT preventive measures, though the extent of specific obligations vary between sectors. Indonesia has also extended the application of AML/CFT preventive measures to additional sectors such as auction houses, motor vehicle dealers, art and antique dealers and pawnshops.
74. Indonesia has considered the findings of NRAs and SRAs for setting out simplified due diligence measures for some sectors and activities. For example, the simplified CDD measures can be applied to sectors that fall into the low-risk category and to promote financial inclusion objectives in situations where ML/TF risks are low. This includes close loop e-money products, subject to monetary limits on transactions and value that can be stored in these cards. Customer verification measures are not required for unregistered non-bank electronic money products, having a maximum value of USD 150.

Legal persons and arrangements

75. Indonesia permits the registration and formation of a number of types of legal persons including limited liability companies (LLC), cooperatives, foundations and associations (both are not-for-profit legal persons).

Table 1.2. Types of legal persons and other enterprises in Indonesia

Types of business enterprises	Total number (June 2022)	Source of law
LLC	1 145 832	Company Law 2007. LLCs may be public with additional governance under the Capital Market Law of 1995
Foundation	309 913	Foundations law
Association	204 142	Associations law
Limited liability partnerships (CV)	481356	Commercial Code
Cooperative	241 085	Cooperatives law
Sole trader	8 624	Commercial Code
Civil partnership	8 958	Commercial Code
Firms	4 770	Commercial Code

76. Express trusts cannot be formed under Indonesian law (see R.25 for further discussion); however, there is nothing preventing a trust or trustees created under the law of another country from operating in Indonesia. It is not known how many foreign trusts are operating in Indonesia or the extent to which foreign legal persons hold assets or are used in the country. Based on the 2019 SRA on legal arrangements, as of 31 July 2018, there were three foreign investors in the Indonesian capital market, which were trust companies with a total investment of approximately 21 million Euros.

Supervisory arrangements

77. Indonesia has seven AML/CFT supervisors to monitor and supervise all FIs and DNFBPs. OJK and BI are the two main financial sector supervisors. PPATK, MLHR and Ministry of Finance are the AML/CFT supervisors for DNFBPs. PPATK does not license the DNFBPs (including lawyers/advocates) it supervises. PERADI (Indonesian Advocates Association) is the SRB for lawyers and advocates and licenses the profession. Supervisors have powers to effectively monitor and supervise relevant persons in their own sectors as well as take necessary measures to secure compliance. Supervisors draw their supervisory powers from AML and CFT Laws, sector specific regulations, decrees and Joint TF and PF Regulations. The supervisory arrangement in Indonesia is set out below (and is analysed in more detail in R.27 and R.28).

Table 1.3. AML/CFT supervisors for FIs, DNFBPs and VASPs

Supervisors	Types of services supervised (by FATF definition)
Financial supervisors	
OJK	All 13 FATF categories of financial institutions, except non-bank payment, non-bank money changing services and trading in commodity futures trading
BI	Non-bank payment and non-bank money changing services
CoFTRA (also known as Bappebti)	Commodity future trading, VAs and VASPs
PPATK	Post Indonesia
MCSME	Cooperatives
DNFBP supervisors	
PPATK	Real estate/property company or agent, motor vehicle trader, diamond and jewellery, art and antique good trader, lawyer, land titles registrar, financial planner
MoF	Auction house, accountant and public accountant
MLHR	Notary (company service provider)

78. There is no casino supervisor as gambling is illegal in Indonesia. MLHR is the registering authority for companies, associations, foundations and cooperatives.

International cooperation

79. The MLHR is the central authority for MLA and extradition in accordance with the MLA Law of 2006 and Extradition Law of 1979. The MLHR has issued guidance in 2022, which replaced 2017 Guidelines, for the handling of MLA in criminal matters that outlines the process for the transmission and execution of requests.
80. Production of documents and the taking of evidence are the most common types of assistance for MLA requests made to Indonesia. Other key MLA requests received by Indonesia relate to service of judicial documents and attendance of persons. The majority of MLA requests submitted by Indonesia are concerned with information and documents relating to individuals and companies and banks, in addition to the demand for asset information and demand for blocking/freezing of proceeds of crime of corruption.

81. Since the 2015 NRAs on ML and TF, Indonesia has continued to develop its international ML and TF understanding (and response) including through updates to NRAs and a number of sectoral or strategic risk assessments. Indonesia has MLA treaties with Australia; China; and Hong Kong, China, and a multilateral MLAT with ASEAN jurisdictions including Singapore. In addition, Indonesian Police has liaison officers in Australia; China; East Timor; Hong Kong, China; Malaysia; the Netherlands; the Philippines; Singapore; Saudi Arabia; Thailand; Türkiye; and the U.S.



Chapter 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key findings

- a) Indonesia has demonstrated strong political commitment to establishing and maintaining a robust AML/CFT system, which is subject to proactive development. Overall, Indonesia has a good understanding of its ML/TF risks, as reflected in NRAs and a number of Thematic and Sectoral Risk Assessments (SRAs). Indonesia carried out their first NRA for ML and TF in 2015, updated them in 2019, and further published an updated NRA on ML and TF/PF in 2021. Many of the financial institutions communicated they are aware of, and broadly in agreement with, the conclusions of NRAs and SRAs. The ML risks of environmental crimes (e.g., forestry and illegal logging) and the risk of the involvement of organised crime networks in criminal activity, leading to ML and in the ML itself need a deeper consideration.
- b) Indonesia has made significant efforts to identify, assess and understand internal geographical risks across different provinces. Notwithstanding the undertaking of an NPO risk assessment shortly after the APG assessment in 2018 and the recent update to it, the AT has a concern that the NPO risk assessment is not comprehensive and that NPO risks are not wholly understood.
- c) National policies/objectives have been established through national strategies, the current strategy being for 2020 – 2024. These strategies have been supported by annual action plans. Coordination and monitoring of this framework is undertaken by the National Coordination Committee, though a more comprehensive approach on monitoring the timely implementation of the recommendations contained in SRAs is needed.
- d) Authorities have taken a wide range of concrete and positive steps to address ML/TF risks specific to Indonesia. The steps have been structural and operational in nature and have been taken throughout the AML/CFT system. For example, there have been legal and other initiatives to deal with Foreign Terrorist Fighters, including the establishment of a working group comprising relevant authorities, internet service providers and social media companies.
- e) Operational co-operation and co-ordination for both ML and TF is generally strong. While there is no dedicated written strategy in relation to proliferation financing, Indonesia' national strategy to counter illicit finance does include PF and co-ordination is well established. Substantial

efforts have been made to inform reporting entities about the existence of the NRAs and SRAs. A deeper engagement and outreach with NPOs and the donor community will raise further awareness of TF issues.

Recommended Actions

- a) Indonesia should develop deeper understanding of ML related to environmental and forestry crimes; as well as the involvement of organised criminal groups in criminal activity leading to ML and in the ML itself.
- b) Indonesia should develop a better understanding of the risks of how NPOs can be abused for terrorist financing.
- c) Indonesia should continue to develop its understanding of risk arising out of TBML and other emerging areas, including e-commerce.
- d) Indonesia should improve the collection and use of statistics and other relevant information, in particular, from the supervisory agencies to further enhance its risk understanding.
- e) Indonesia should continue to monitor the timely implementation of action plans covered under national strategies on ML/TF/PF and formalise the system to ensure that recommended actions included in SRAs are monitored and implemented.

82. The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34, and elements of R.15.

Immediate Outcome 1 (Risk, Policy and Coordination) *Country's understanding of its ML/TF risks*

83. Indonesia has demonstrated strong political commitment to establishing and maintaining a robust AML/CFT system, which is subject to proactive development. This commitment is underpinned by, and reflected in, the significant work undertaken for almost ten years to identify, assess and understand ML/TF risks. The PPATK leads risk assessment work for the NRAs; this has been facilitated by the establishment of a risk department since the last ME.

84. Overall, Indonesia has a good understanding of its ML/TF risks, as reflected in NRAs and a number of sectoral and thematic risk assessments (SRAs). Indonesia carried out their first NRAs for ML and TF in 2015, updated them in 2019, and further published an updated NRA on ML/TF/PF in 2021. This systematic and routine approach to updating the NRAs is commendable. Since the APG assessment, Indonesia has not only undertaken two NRAs each for ML and TF but also a significant number of revised SRAs on ML threats and vulnerabilities, as well as relating to various sectors. These include risk assessment on ML related to narcotics crime, corruption, tax crimes and forestry crimes, banking crimes, and the laundering of the proceeds of foreign predicate crimes. In addition, Indonesia has produced a number of separate SRAs of crypto assets, financial services, fintech, commodity futures trading, non-bank payment services providers and money changers, accountants, cooperatives, legal persons, legal arrangements, the NPO sector, auction houses, notaries, other goods and service providers, crowdfunding and the customs and excise sector.
85. These NRAs and SRAs have helped develop the understanding of ML/TF risks among competent authorities, including on sectoral risks. Varied risk factors (e.g., geographic and customer risks) have been considered. Indonesia has made significant efforts to identify, assess and understand internal geographical risks across different regions within the country. Jakarta is the highest risk region considering its population, wealth and the presence of most FIs; other regions in Java are also seen as high risk. In a few of the SRAs, other regions are also categorised as high risk based on consideration of specific factors.
86. A key change to the data used for the NRAs took place in 2019. From that time, FIs were required to report all financial transactions to and from other countries, irrespective of value, to the PPATK. This data (known as IFTI data) is making a tangible, positive difference to risk assessment, understanding of the typologies and development of red flags. Even before the introduction of IFTI data, Indonesia had assessed not only the risks of laundering wholly within Indonesia (e.g., predicate criminality within Indonesia and laundering within Indonesia) but also the risks of the proceeds of crime abroad being laundered in or through Indonesia and the proceeds of crime within Indonesia being laundered in other countries. Similar considerations have applied in respect of TF. Specific countries have been identified as high risk.
87. The good level of understanding of risk is supported by the variety of information sources used for the NRAs, including information held and used by the authorities, reporting parties and domestic and foreign experts. All AML/CFT authorities (other than the Ministry of Environment and Forestry (KLHK)) have been included in the NRA process. Nevertheless, KLHK, along with INP and PPATK, was involved in the sectoral risk assessment of ML though forestry crimes. The process is long established, the outcomes and reports generated are well used, and the overall approach has served Indonesia well. The depth of discussions with the AT emphasised that understanding was greater than the contents of the numerous risk assessments and reports published by Indonesia. Comments made below are aimed at enhancing the existing successful approach.

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88. In the model itself, threats are graded for materiality on a grading of one to five, with five being the most material score. The grading starts from the point in the AML/CFT system at which STRs are filed (STRs have a grading of one); the gradings become more material as cases move through the criminal justice system, with convictions having a grade of five. Significant FIU and criminal justice information is used. While the case was made to the AT team that issues concerning reporting entities are reflected in STRs, there is scope for the qualitative information on supervisory analysis and findings (e.g., inspection findings, analysis from other supervisory process), and the findings of other non-FIU/criminal justice bodies to be more comprehensively included in the NRA.
 89. A task force comprising eight agencies (INP, AGO, BNN, DGT, DGCE, KPK, PPATK and the Supreme Court Registry) was established in 2021 and is responsible for the compilation of statistics from a number of sources for the NRA process. Regarding TF, information within the ASEAN region has been taken into account. The national strategy also encourages the compilation of statistics. Notwithstanding this, the assessment team (AT) has a concern that statistics provided by supervisory and other authorities not part of the FIU and criminal justice system may be under-represented.

COVID-19

90. The AT considers that there is a strong understanding of the effects of the COVID-19 pandemic on risk. Fraud, corruption, narcotics, fund transfer crime and embezzlement have been the highest risk of ML. This criminality is particularly reflected through social grants and medical supply cases. Shell companies have been a feature of fraudulent procurement of medical supplies in what is described as “business email compromise” (BEC), as well as in cases of corruption related to social assistance. The pandemic has changed the pattern of criminality more generally and this has been facilitated by digital services offered by FIs (specifically on-boarding of new customers), the use of digital platforms (in relation to both ML and TF) and an increase in cash transactions.

ML

91. According to the NRA, Indonesia’s ML risk primarily stems from domestic proceeds, with higher risks associated with the predicate offences of narcotics, corruption, banking crimes and taxation. Proceeds from these predicate crimes are primarily laundered through the banking, capital markets and real estate sectors. Proceeds are also laundered outside Indonesia in regional Asian jurisdictions and then repatriated to Indonesia. Nevertheless, Indonesia is not a major destination jurisdiction for foreign illicit proceeds. The main foreign predicate offences involving laundering of proceeds in Indonesia are corruption, fraud and narcotics.
92. The AT agrees that narcotics (in practice all illegal trafficking of drugs, not only narcotics), corruption and banking crimes are high risk predicate crimes for ML.

93. Environmental crime (e.g., forestry and logging) was rated as high risk for ML purposes in the first two iterations of the NRA but was reduced to medium risk in the 2021 iteration. A range of factors was suggested to the AT as leading to the lowering of the risk level, including a conclusion that forestry crime is not significant in terms of ML, better detection of environmental crime, increased powers for civil investigators, the success of mitigation measures and the support for the green economy. On the other hand, the AT was also advised of the significant size of illegal logging cases, (one of which was described as dwarfing all corruption cases) and involvement by OCGs in illegal logging. In addition, the AT was advised that there is an overlap with corruption cases, with some 39 corruption cases over a period of 2013-20, involving illegal logging but which had been logged as corruption. It is possible that bribery and fraud cases (which are also separate crimes, considered separately within legislation and the NRA) might also include environmental crime. The AT has concluded that a deeper consideration is required to ensure that the quantum of, and typologies for, cases of environmental crime are articulated in one place, the risks comprehensively assessed and a common understanding of risk reached by the authorities and the private sector. In this regard, the AT considers that the empowerment of the KLHK by the Constitutional Supreme Court in Indonesia, to investigate ML in 2021, has already had benefit in deepening focus on illegal logging and that a significant role by KLHK in risk assessment will allow for better consideration of environmental crime risk.
94. The rating for tax crime has also reduced since the last NRA. This is more understandable and is based on the voluntary tax compliance (VTC) programme and the success of mitigating measures. Indonesia introduced a new VTC scheme that applies over the period between 1st January and 30 June 2022. The aim is to improve tax compliance and increase national revenues by providing a mechanism for individual and corporate taxpayers to disclose repatriated or foreign assets or previously undisclosed funds or other assets. The VTC legislation has transparency and other safeguards to prevent ML/TF risks arising from the implementation of the scheme. Most importantly, the scheme does not prevent law enforcement action where there is indication of any criminal activity involving the assets, including related ML activity.
95. The degree of involvement by organised crime networks in criminality leading to ML and ML itself would also benefit from a deeper and discrete consideration. The 2021 ML NRA contains very brief reference to organised crime groups/syndicates in relation to environmental crime and narcotics. However, during the on-site visit, the AT was advised both that there is very limited presence by OCGs and also that OCGs are tangibly present in criminality, including corruption. In addition, the types of high-risk predicate crime for ML include not only examples which typically engage OCGs internationally (such as drug trafficking) but also other crimes, which feature in Indonesia which are not high risk for predicate criminality, such as human trafficking and migrant smuggling. External commentary also suggests the tangible presence of OCGs in Indonesia.

- 2
96. Indonesia has assessed the ML/TF risks of legal persons and legal arrangements and developed a good understanding of the threat profile, vulnerabilities and impact of legal persons and arrangements through the NRAs and SRAs, i.e., Risk Assessment on Legal Persons 2017, Risk Assessment on ML/TF by Using Legal Arrangement Schemes 2019, and ML Sectoral Risk Assessment on Foreign Limited Liability Companies 2020. Indonesia also issued a document on Gap Analysis on Beneficial Ownership of Legal Person/Legal Arrangement in Indonesia towards International Standards in 2017. This combined analysis is very positive but would benefit from greater detail. With regard to legal arrangements, there would be merit in adding analysis of the degree to which legal arrangements feature in the customer bases of banks and relevant DNFBPs and also a view on the overall scale of criminality using legal arrangements. In addition, *waqfs* are not included within the SRA on legal arrangements (see detailed analysis in IO.5) and as noted in the analysis, while the Indonesian framework has measures to ensure transparency and good governance, a risk assessment in relation to *waqfs* as a legal arrangement will be useful to further develop understanding.
 97. The authorities advised that the vulnerabilities arising out of the use of cash are understood and they plan to undertake further work to address this area. The shadow economy has been considered in the 2021 NRA for ML with some mitigation steps already added as part of the 2021 National Strategy. This area is still developing and will require a more comprehensive approach, in part due to the nature of that part of the economy. The NCC, in particular, PPATK, DGT and DGCS have had concerns about this risk and there is in any case a wider concern to maximise State revenue. The intention is to expand both risk assessment and coverage by the NCC of the shadow economy.
 98. TBML is not comprehensively included in the 2021 NRA for ML. Nevertheless, there is some understanding of this. The PPATK noted anomalies in the IFTI data, with some corporations having no substance and seeming to have been established to receive the proceeds of crime; there are also beneficial ownership issues attached to those corporations. An SRA was undertaken in 2021 and the intention is for the PPATK to work further with DG Tax and other authorities to enhance risk assessment of TBML. The PPATK also has a concern about e-commerce, with the IFTI data indicating that there is a mismatch between the values of remittances and the services in relation to remittances offered by a number of corporations. It is planned to carry out a SRA on e-commerce to develop a deeper understanding.
 99. Understanding of the risk of VASPs is also developing. Risk assessment via a SRA is being led by CoFTRA. This authority spoke well about its understanding of the risks of VASPs, both in terms of what it knows and having a view on where information is lacking regarding the anonymity and complexity offered within crypto trading processes. CoFTRA is particularly concerned to ensure that chain analysis can be undertaken by firms.
 100. Indonesia has also taken steps to identify emerging threats, which have been articulated in the NRA. These include the practice of buying, selling and using accounts by syndicates and unlicensed peer to peer lending via financial technology.

TF

101. The analysis above in this core issue 1.1 applies also to assessment and understanding of TF risk, in particular, by key authorities such as INP/Detachment 88, BIN, BNPT and PPATK. TF risk in Indonesia is high as terrorist organisations and their supporters are active in the country. Indonesia's key terrorist threats are domestic organisations (e.g., *Darul Islam* and *Jemaah Islamiyah*) with links to international organisations such as Al-Qaida. TF threats associated with these groups are from a range of domestic and foreign sources including direct support and donations, terrorist group membership fees, self-funding, abuse of NPOs, and legitimate and criminal activities.
102. In light of Indonesia's elevated TF risks a separate NRA report on TF is very positive. The risks of collection, movement and use have been considered. Since the APG evaluation the main risk has shifted from ISIL to Jemaah Islamiyah. While Indonesia undertook a white paper on ISIL in 2021, the authorities concluded it was unnecessary to repeat the exercise in light of a reduced threat from that quarter.
103. The authorities demonstrated a strong understanding of the specific risks facing certain sectors and are responding accordingly. For example, LEAs are aware of the specific TF risks arising out of the abuse of NPOs (by senior management, founders and treasurers), FTFs as well as TF activity through social media. Intelligence and law enforcement agencies have focused their operational efforts on these areas to address the risks identified.
104. Notwithstanding the undertaking of an NPO SRA shortly after the 2018 APG assessment and an update to it in 2022, the AT has a concern that both assessment and understanding of NPO risk is not comprehensive even though NPO risk has been increased from medium to high in the latest NRA and SRA. There are positive elements to the SRA. The highest risks are seen as stemming from social-humanity, charity and religious NPOs with an emerging risk developing from legal persons which are business entities seeking donations. However, the scope of high risk is not sufficiently comprehensive and generally, only NPOs which have actors with a known history of investigatory concern are rated as high risk. There are more than 480 000 NPOs in Indonesia and, of these, 32 have been rated as high risk. While there has been some identification of the features and types of NPOs likely to be at risk of TF, this is not comprehensive. In addition, not all regions of Indonesia have been included in the SRA and the assessment has considered donations by the public but not by other sources.
105. The TF risk assessment notes the recent weakening of the influence of ISIS globally and consequently in Indonesia, although it remains a threat, particularly in relation to returning FTFs (see IO.9). Hawala are illegal in Indonesia and the Indonesian authorities advised that there are no indications from any source of any value transfer providers operating in the country. Indonesia positively contributed to a Southeast Asia CFT Working Group study on use of hawala dealers in financing of ISIL and other high threat terrorist organisations in Southeast Asia in 2018. Nevertheless, in light of the wider TF context and the potential threat, there would be merit in undertaking a discrete assessment and articulation of the risks.
106. Indonesia is seeing a move away from cash and the emerging threats of TF as arising from financiers searching for alternative and electronic routes for funding that tend to be difficult to track, including by way of illustration virtual assets and online loans.

National policies to address identified ML/TF risks

107. Indonesia has had national AML/CFT strategies since 2007. These are specified in presidential regulations. The current national strategy covers the period 2020 to 2024 and includes PF. The strategy is high level as follows:

- Strategy I: Improving the capacity of the private sector in detecting indications and/or potential for money laundering, terrorist financing crime and funding for proliferation of weapons of mass destruction.
- Strategy II: Increasing efforts to prevent the occurrence of money laundering, terrorist financing crime and funding the proliferation of weapons of mass destruction by applying a risk-based approach.
- Strategy III: Increasing efforts to eradicate the occurrence of criminal acts of money laundering, criminal acts of financing terrorism and funding the proliferation of weapons of mass destruction by applying a risk-based approach.
- Strategy IV: Optimizing asset recovery by applying a risk-based approach; and
- Strategy V: Increasing the effectiveness of targeted financial sanctions to disrupt terrorist activities, terrorists, terrorist organizations and financing activities for proliferation of weapons of mass destruction.

108. The strategy is implemented by means of annual action plans, each item of which is given a target month in that year for completion. These plans are developed to address the ML/TF risks identified and are monitored with individual agencies responsible for the action plan reporting progress against each of the action items. The National Strategy for 2017-2019, consists of seven strategies, 44 program targets and 167 actions. Some 84% of the 2017 to 2019 strategy action plan items had been completed at the end of 2019, with some actions plan items included in the 2020-24 National Strategy. These include actions to keep the risk assessments up to date, addressing ML arising out of high-risk predicates (e.g., corruption and narcotics) and optimising asset recovery located in foreign jurisdictions. The action plans for 2020 and 2021 in the current National Strategy have been completed to the extent of around 81% and 75% respectively at the end of each of those years. Realisation of the achievement of the action plan is measured quarterly and at the end of the year for each item.

109. Updating by authorities of their progress in meeting deadlines is carried out via an intranet system (SIPENAS). The overall approach to deadlines is ambitious. The fact that a number of items are not completed within the specified period might be over-ambition but, while respecting the independence of individual authorities, overall, there is scope for a more intense approach to monitoring. This might allow, for example, a staff shortfall in a particular area to be dealt with more rapidly and easier monitoring of the extent to which individual authorities are acting in line with national risks.

110. Authorities have taken a wide range of concrete and positive steps to address ML/TF risks specific to Indonesia. The steps have been structural and operational in nature and have been taken throughout the AML/CFT system. For example, there have been legal and other initiatives to deal with FTFs, including the establishment of a working group comprising relevant authorities, internet service providers and social media companies. This has helped authorities to take timely action, e.g., removal of terrorism/TF/radicalisation related content on the social media and internet platforms. Evidence was provided to AT on how these initiatives have helped Indonesia address these threats.

Exemptions, enhanced and simplified measures

111. Indonesia has not exempted regulated entities from the application of any of the FATF Recommendations. The regulatory framework requires incorporation of the conclusions of NRAs/SRAs in obliged entities' individual risk assessments and application of enhanced measures when higher risks are identified. Some of the higher risk scenarios set out in regulations include PEPs, transactions with customers originating from higher-risk countries, higher-risk products, and businesses or geographical areas and transactions not aligned with customers' profiles. Regulated entities are required to have an adequate risk management system for determining whether any prospective customer, customer or beneficial owner meets the higher risk criteria and take appropriate measures. FIs and DNFBPs which met with the AT were aware of these regulatory provisions and took steps to mitigate their higher risks.
112. The Indonesian regulatory framework permits simplified CDD measures if the account is for the payment/receipt of salaries or is related to government programmes, or if the customer is a publicly listed company, government-owned company, government agency or State institution, or has a simple and low ML/TF risk profile. Simplified CDD measures do not apply whenever there is a suspicion of ML/TF, or specific higher-risk scenarios apply. Simplified CDD measures (e.g., obtaining basic information on the customer, such as the name, date and place of birth, address, ID number with supporting identity documents) are also set out in regulations.
113. Specified scenarios where simplified due diligence can be applied have not been subject to a formal risk assessment, though in practice, elements of risk are considered by FIs and DNFBPs for simplified measures in case of lower risks.

Objectives and activities of competent authorities

114. The NRAs and SRAs provide a strong basis for the objectives and activities of the authorities to be consistent with evolving national policies and identified ML/TF risks. Significant action has been taken by the authorities to address risks in practice and they are well placed to undertake operational activity in line with risks. The objectives and operational activities of the authorities in general, whether articulated by way of strategies, policies, action plans or other mechanisms, largely reflect the NRAs and SRAs as well as the broader and evolving ML/TF risks faced by Indonesia.

115. On the law enforcement side, LEA and other relevant authorities' objectives and activities largely align with the ML/TF risks identified in the NRAs and SRAs and are consistent with national AML/CFT policies. LEAs generally demonstrated a consistent understanding of risks and were sensitive and responsive to evolving risks and new and emerging threats. LEAs' prioritisation and allocation of resources were broadly consistent with the risk areas identified.
116. Authorities have taken steps to address some of the recent and emerging higher-risk areas, also in the context of specific threat of criminal activities in the COVID-19 context (e.g., business email compromise, potential for higher instances of fraud in a digital environment etc.). An area for improvement going forward is the need for greater focus on combating ML related to environmental/forestry crimes, to address the risks faced by Indonesia from such criminal activities, and their scale and impact in their context.
117. Optimising asset recovery is one of the five key elements of Indonesia's national strategy for the period 2020 to 2024. This policy objective to go after perpetrators' assets has been well integrated in the activities of LEAs and prosecutors, who are supported by the PPATK in their efforts. In particular, there is a strong focus on recovering State loss from corruption activity. Authorities further highlighted during the on-site that confiscation of criminal proceeds and instrumentalities is a key component of their strategy to combat predicate criminality, with ML investigations often being used as a vehicle for asset recovery when other measures are not available.
118. On TF, the national CFT strategy is informed by NRAs and SRAs with relevant authorities involved in the development of these risk assessments, strategies and action plans. The strategy and action plans are broadly in line with the country's risks and take advantage of the broad suite of tools and authorities available to comprehensively address TF. Agencies work in a task force environment, with clear responsibilities and areas of work. This ensures a shared and consistent approach with policies and activities of the respective agencies responding to the evolving nature of risks.
119. Generally, the objectives and activities of all three financial supervisors (OJK, BI and CoFTRA), are consistent with national AML/CFT policies and the ML/TF risks identified. Supervisors use the NRAs/SRAs to inform their understanding of risk and focus their supervisory activities. Supervisors' view of ML/TF risk is also aligned to that of the NRAs/SRAs, and they generally pay more attention and apply greater resources to the areas of highest risk. For example, the OJK establishes strategy maps each year to strengthen its AML/CFT programme. These maps, which comprise strategic objectives and key performance indicators, are discussed with the PPATK and are drafted to align with the National Strategy and relevant action plan.
120. Bank of Indonesia follows a similar approach with key performance indicators linked to the achievement of the action plans under the National Strategy. A more comprehensive risk-based approach in the supervisory process (see IO.3) would lead to better outcome. In addition, a more comprehensive understanding of the institutional risks with a wider use of information sources should lead to a more robust approach in the DNFBP sector. Indonesian authorities are aware of these issues and are taking steps to move in this direction.

National coordination and cooperation

121. Operational co-operation and co-ordination for both ML and TF is generally strong. While there is no written strategy in relation to proliferation financing, co-ordination is well established. Substantial efforts have been made to inform reporting entities about the existence of the NRAs and SRAs. A deeper engagement and outreach with NPOs and the donor community will raise further awareness of TF issues.
122. The NCC coordinates implementation of the National Strategies, including the current National Strategy for 2020 to 2024. The AT was advised that the current strategy includes not only AML/CFT but also measures to combat proliferation financing and that, in 2020, these measures were extended to cover persons other than FIs and DNFBPs. Supervisory authorities are not included.
123. The Committee consists of several levels, administered by the PPATK. The highest level comprises Ministers, which addresses strategic matters such as whether there are challenges in meeting the Strategy. Ministers have met on the following number of occasions: 2017: 2; 2018: 3; 2019: 2; 2020: 2, 2021: 2 and 2022: 2. The next level down is the working group level, which has met on the following number of occasions: 2017: 4; 2019: 2; 2020: 7; 2021: 2 and 2022: 4. At this level, consideration is more technical and covers programmes or actions to be carried out by individual authorities. If necessary, issues at working group level are raised at the Ministerial level. Examples of issues escalated at the Ministerial level include acceleration of bills and regulatory reforms, optimisation of the follow-up and analysis of examination results of PPATK, priority of asset forfeiture and developing coordination on cross-cutting cases involving different agencies.
124. The working level has established two task forces. These task forces report to the working level and therefore the NCC has sight of their work and the extent to which they are fulfilling their objectives. There are sixteen other task forces, which have not been established under the NCC, including two dealing with narcotics crime (one concentrating on prevention and support within wider society and one concentrating on the handling of narcotics crime) one on corruption, one on taxation (with three teams) and one on counter terrorism. Objectives for these task forces can be established by presidential instruction or by the authorities setting them up. The PPATK has a role in a significant number of these task forces. In general, the PPATK and the secretariats for each of the task forces liaise from time to time in relation to the activities of the task forces. When the PPATK considers it appropriate, issues are provided to the working level of the NCC for information or consideration. In this regard, the AT has concluded that systems of provision of information to, and discussion by, the NCC of task force activities and the degree to which they are meeting their objectives should be formalised and routine in recognition of the importance of the task forces and to enable their activities, and their connection to Indonesia's wider AML/CFT activities and framework, to be articulated and considered in the round.

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125. As indicated above, in addition to the ML and TF NRA reports there are a considerable number of SRAs. These risk assessments contain a substantial body of material on AML/CFT challenges and recommended actions. They are prepared by individual authorities or a group of authorities. However, while the PPATK has a role in preparing these or assisting other authorities with their preparation, there is scope for periodic consideration by the NCC of the prospective and actual SRA activity. This will allow the NCC to form a judgment on the totality of the risk assessment framework and consider where additional assessment and understanding might be needed. Information on progress on addressing the challenges and recommended actions in SRA is not systematically collected by the PPATK and not provided to the NCC. The AT considers that there should be a formal system for routine provision of information to the NCC on the challenges and the extent to which they and recommended actions are being addressed. This will enable important activities which have been identified to be articulated and considered in the round.
 126. The foregoing would also allow for a more integrated approach to consideration of risks within Indonesia's regions. All of the SRAs involve coordination and cooperation between domestic authorities. The PPATK is at the centre of this, and the role it occupies is an important contributory factor in the very good quality of cooperation.
 127. A significant number of MOUs has been signed. The authorities have pointed to a number of successful initiatives arising from cooperation, including the development by the PPATK of a domestic PEP database with data from multiple sources, including KPK, MoHA and the State Civil Service Agency; liaison between the PPATK and the KLHK to improve information quality and its flow, enabling better understanding of the risks from illegal logging; liaison by the PPATK with private sector institutes to facilitate training for the banking and securities sectors; and the revised framework to address NPO risks (which included a NPO task force as well as cooperation in law enforcement activity). The authorities also point to the joint PPATK, INP, Nuclear Energy Supervisory Agency and MoFA regulation in relation to proliferation financing. This regulation has led to significant cooperation between authorities engaged in combating proliferation financing (see IO.11).

Private sector's awareness of risks

128. Indonesia has undertaken extensive outreach to ensure that the private sector is aware of and responsive to the results of NRAs and SRAs. Private sector entities are involved in the development of NRAs and SRAs, including their updates. This helps build a shared understanding of risks and the underlying factors. Upon completion, these NRAs are published on PPATK website. There is a confidential version of the TF NRA, which has been made available to selected staff in each competent authority. A public version, setting out key findings for FIs and DNFBPs, has been made available on the same basis as the ML NRA. In addition, authorities have made substantial efforts to share the conclusions of NRAs and SRAs with reporting entities through outreach activities, training programmes, reporting platform (GRIPS and goAML), specialised sessions and webinars and involvement of associations (e.g., for banking and securities companies). Reporting entities are also engaged in the development of risk mitigating strategies and action plans to combat ML/TF. Many of the FIs communicated to the AT that they are aware of, and broadly in agreement with, the conclusions of the NRAs and SRAs.

129. The NRAs and SRAs are also disseminated through a wide range of government and supervisory mailing lists. The PPATK has developed suspicious financial transaction indicators on high-risk predicate crimes and related ML to further develop the understanding of reporting entities. Indonesia has also conducted a number of risk-based mentoring programmes during 2022 in various regions in Indonesia, in physical and hybrid formats. The target audience of these programmes comprises LEAs and supervisors, as well as FIs and DNFBPs. These mentoring programmes aim to increase understanding and awareness of the development of the national risk map for ML and related offences, improve the capacity of the private sector to detect STRs, improve the capability of LEAs in handling ML cases through use of case studies and typologies and create a national and regional network of experts.
130. Finance sector regulators, in particular, the OJK have also conducted substantial outreach activities to disseminate the results of NRA and SRAs to their regulated community. These reports are also used for in-house training programmes for capacity building of supervisors and shared with the board of commissioners, heads of working units and regional offices. In turn, supervisors review the extent to which NRAs and SRAs have informed the individual risk assessments carried out by the reporting entities.
131. Authorities have also taken proactive steps to raise awareness in the private sector about new and emerging risks. For example, in the COVID-19 context, supervisors have disseminated their insights on increasing trends of digital transactions crime during the pandemic related to business email compromise (BEC) and misuse of NPOs. This has helped risk understanding of reporting entities on emerging issues, which are being tackled by LEAs. Private sector entities met during the on-site reported using the NRA when conducting their own risk assessments. Most of the reporting entities were also articulate in their responses on how the results of NRAs and SRAs have informed the determination of risk factors in their individual risk assessments of customers' profile, products and services, regions and distribution channels.
132. Certain NPOs were also involved in the development of the NRAs and the sectoral risk assessment on NPOs. Authorities have also engaged with the NPO sector to some extent in dissemination of the outcomes of these reports. However, a deeper engagement and outreach with a wider NPO and the donor community will raise further awareness of TF issues. Authorities are aware of this issue and are encouraged to make further efforts to engage with wider breadth of the sector.

Overall Conclusion on IO.1

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Overall, Indonesia has a good understanding of its ML/TF risks, as reflected in NRAs and a number of SRAs. However, the NPO risk assessment is not comprehensive and NPO risks are not wholly understood consistently by authorities. In addition, ML risks of environmental crimes (e.g., forestry and illegal logging) and organised crime networks could benefit from a deeper consideration. National policies/objectives been supported by annual action plans and their coordination and monitoring are undertaken by the NCC, though a more comprehensive approach on monitoring the recommendations contained in SRAs is needed.

Authorities have taken a wide range of concrete action to address ML/TF risks specific to Indonesia. The steps have been structural and operational in nature and have been taken throughout the AML/CFT system. Operational co-operation and co-ordination for both ML and TF is generally strong. A deeper engagement and outreach with NPOs and the donor community will raise further awareness of TF issues.

Indonesia is rated as having a substantial level of effectiveness for IO.1.

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 6

- a) LEAs have access to financial intelligence from the Indonesian FIU (PPATK) either on their request or through proactive disseminations by PPATK. This is used extensively by most LEAs to support ML/TF and related predicate offences investigations and trace assets for confiscation, but less so by BNN and KLHK. LEAs also obtain financial intelligence from a wide range of sources including through financial investigations and analysis conducted by within their own units.
- b) PPATK produces and disseminates a wide range of financial intelligence products, including strategic analysis products, which are of high quality and useful to identify and trace assets and to detect wider networks of criminals and their associates.
- c) PPATK has access to a wide range of public and private sector databases and information and uses a variety of tools and techniques to enhance the value of the information to build financial intelligence. However, some DNFBPs, particularly notaries, do not appear to be reporting suspicious transactions in a manner fully consistent with Indonesia's risk profile. PPATK is also not receiving STRs relating to forestry and environmental crime in line with Indonesia's risk profile.
- d) A number of reporting entities are not yet registered with the goAML system. Since this is the only way to submit STRs, this might limit the financial intelligence available to the PPATK.
- e) PPATK and other competent authorities cooperate and share information domestically and with international counterparts through a number of systems and platforms. PPATK has made commendable efforts in facilitating domestic coordination between competent authorities through regular coordination meetings, participation in inter agencies task forces and deployment of liaison officers.

Immediate Outcome 7

- a) Indonesia has a strong legal and institutional framework for the investigation and prosecution of ML. LEAs designated to investigate ML are sufficiently staffed by well-trained investigators and there is strong Inter-agency coordination in the financial investigation for ML and predicate

offences. However, the authorities may benefit from better resourcing into the development of more sophisticated forensic experts and training in investigations techniques in relation to the use of emerging technology in ML offences.

- b) Competent authorities prioritise the investigation and prosecution of the predicate offences, while ML investigations are initiated at a later stage of the investigations to support the investigation into the predicate offence or asset recovery rather than parallel to the predicate investigation.
- c) ML investigation and prosecutions in Indonesia in relation to narcotics and fraud/economic crime are broadly in line with the predicate crimes identified as high-risk in the 2021 NRA. However, ML investigations and prosecutions related to corruption, forestry and environmental crime and tax crime are not in line with its ML risk. Overall, the number of ML investigations is relatively small considering the risk and context of Indonesia.
- d) Most ML investigations and prosecutions relate to self-laundering and to a lesser extent, third party laundering. There are very few investigations and prosecutions for stand-alone ML cases and transnational ML cases. This appears to be a result of LEAs' seeing the value of ML investigations primarily to support the pursuit of asset recovery. Only one legal person has been prosecuted for ML in Indonesia.
- e) Although sanctions imposed for ML by natural persons are generally proportionate and dissuasive, the fine imposed in the single conviction of a legal person for ML is not proportionate nor dissuasive.

Immediate Outcome 8

- a) One of the key elements of Indonesia's ML/TF strategy is to optimise asset recover efforts. LEAs are well aware of the value in tracing, recovering, and seizing assets that represent the proceeds of criminal conduct and this features regularly in investigations. However, the authorities do not maintain and monitor comprehensive statistics in a consolidated manner to enable Indonesia to develop a mature understanding at the operational policy level that would feed into concrete asset recovery goals that take into account the statistics.
- b) Indonesia has a strong legal and organisational framework for the seizure and confiscation of criminal proceeds, instrumentalities, and to some extent, assets of corresponding value (See R.4). To this end, the Asset Recovery Centre (ARC) in the AGO effectively supports, coordinates, and enhances LEAs' asset tracing and recovery efforts domestically and transnationally. There is also strong coordination among Indonesian authorities to share information to support LEAs' pursuit of illicit proceeds.
- c) The ARC has demonstrated its expertise and capability in the management of illicit assets, such as through timely auctioning of seized assets to preserve their value until the conclusion of the case.
- d) The Indonesian authorities have seized and identified a wide range of assets confiscation. However, less than 10% of these confiscations have

been realised to the State. Approximately half of these relate to corruption offences and their assets, which is a significant risk area in Indonesia. However, there is no evidence that asset recovery in relation to other risk areas, including forestry and environmental crime, narcotics and fraud, and their proceeds are in line with its risk. Although Indonesian authorities pursue illicit assets laundered abroad, the amounts recovered transnationally are low.

- e) Indonesia has implemented a CBCC declaration system at all of its ports of entry to detect under/non-declared cash/BNIs as well as through other means such as the use of intelligence searches. DGCE submits these cases as well as all CBCC reports to PPATK. Both applicable sanctions for under/non-declared cash/BNIs and the number of administrative fines issued for this are low given Indonesia's risk and context.

Recommended Actions

Immediate Outcome 6

- a) PPATK, in collaboration with other DNFBP supervisors (e.g., MLHR), should enhance its outreach activities to DNFBPs, in particular to notaries, to improve their STR reporting.
- b) PPATK should further develop its operational cooperation with KLHK and BNN to ensure that they are optimising the use of financial intelligence from PPATK in their investigations relating to forestry/environmental crimes and narcotics investigations respectively.
- c) PPATK, in collaboration with other FI and DNFBP supervisors, should proactively reach out to reporting entities that have not yet registered with goAML so that they understand their reporting obligations and proceed with their registration on goAML.

Immediate Outcome 7

- a) Indonesia should develop a high-level operational policy across competent authorities to ensure that parallel ML investigations are conducted for all appropriate cases.
- b) Indonesia should identify and pursue more ML investigations and prosecutions relating to third-party, stand-alone ML cases, and cases involving legal persons.
- c) In view of the substantial amounts of proceeds of crime generated, KLHK, supported with appropriate training and resourcing as well as through the adoption of robust internal policies, mechanisms and procedures, should enhance its capability to conduct more ML investigations and prosecutions for forestry and environmental crimes.

- d) In view of ML risks relating to corruption, KPK should use its expertise and resources to pursue more ML investigations, particularly complex third party, stand-alone ML cases and ML involving legal persons.
- e) Indonesia should enhance the capability of specialist ML investigators and experts in forensic accountancy and forensic examination of digital devices, as well as updating ML training in investigations techniques in relation to the use of emerging technology in ML offences.

Immediate Outcome 8

- a) In coordination with all relevant competent authorities, Indonesia should maintain and monitor comprehensive seizure and confiscation statistics in a consolidated manner that allows its authorities to better understand the strategic effectiveness of its AML regime in relation to asset recovery. Based on this, Indonesia should also consider formally developing concrete national and operational policy goals, to be able to monitor and develop confiscation and asset recovery policies that are proactive, optimal and effective.
- b) To ensure assets are permanently disengaged from criminals, Indonesia should address challenges faced by LEAs and put in place policies and resources to enhance their ability to seize, ultimately confiscate, and realise assets subject to a court ordered confiscation.
- c) Indonesia should enhance its efforts to seize, confiscate and recover proceeds of crime moved offshore.
- d) Indonesia should develop the technical and operational capability of KLHK and other civil service investigators to trace criminal assets, pursue asset seizure to effectively overcome operational difficulties in ultimately recovering criminal assets related to forestry and environmental crimes.
- e) Indonesia should expand its ability to confiscate property of corresponding value to all types of offences and consider the development of a comprehensive non-conviction based legal framework to add to its asset recovery capability and encourage the use of this by all LEAs as an additional tool to pursue criminal assets.
- f) Indonesia should ensure that effective, proportionate and dissuasive sanctions be applied for under/non-declared transportation of cash at all borders, and relevant authorities should regularly follow-up on all suspicion of ML activity arising out of this.

133. The relevant Immediate Outcomes considered and assessed in this chapter are IO.6-8. The Recommendations relevant for the assessment of effectiveness under this section are R.1, R.3, R.4 and R.29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

Immediate Outcome 6 (Financial Intelligence ML/TF)*Use of financial intelligence and other information*

134. PPATK is Indonesia's FIU and it is established under article 37 of the AML Law, as an independent government institution accountable directly to the President of Indonesia. The Head and Deputy Head of PPATK are nominated and dismissed by the President of Indonesia and causes for dismissal are clearly stated in articles 56 and 57 of the AML Law. PPATK's budget for 2022 of approximately IDR 212 billion (EUR 14 million) is deployed and executed independently.
135. Since 2021, PPATK has used goAML as the online reporting facility for data collection and storage, analysis and dissemination of STRs and for secure communication between itself and, competent authorities and reporting entities. The LEAs that conduct ML/TF investigations and obtain financial intelligence from PPATK are Indonesia National Police (INP), Corruption Eradication Commission (KPK), National Narcotics Board (BNN), Attorney General's Office (AGO), Directorate General of Customs and Excise (DG Customs), Directorate General of Taxation (DG Tax) and Ministry of Forestry and Environment (KLHK)⁵. PPATK provides financial information through financial intelligence products spontaneously disseminated as well as in response to requests for information through a generic inbox, which the LEAs use to log the requests.
136. PPATK can access a wide range of other resources as it has power under Article 41(1a) of AML Law and via 133 Memoranda of Understanding (MoU) and Memoranda of Agreement (MoA), to request and obtain data and information from government agencies and private institutions. This includes information on domestic financial institutions, Indonesian nationals, immigration information on foreign nationals in Indonesia, basic and beneficial information of entities registered with the MLHR, domestic PEP data, vehicle, land and property data as well as tax related data from DG Tax. These MoUs and MoAs provide PPATK direct access to these databases and indirect access to information held by other public entities (i.e., information on request). PPATK reported that they manage to obtain the information within three days on average. PPATK can also request LEAs to provide criminal intelligence and records if needed to support the analysis process. In order to obtain information on foreign trusts registration, PPATK can make the request to foreign counterparts (FIUs) via the Egmont Secure Web, as well as to foreign company registers or foreign LEAs. (see IO.2).
137. A review of the case studies shows that LEAs have sought PPATK's cooperation in obtaining and using financial intelligence across a spectrum of investigations relating to different types of predicate offences, including corruption, fraud, narcotics, tax offences, related ML, as well as terrorism and TF, in accordance with Indonesia's risk profile. PPATK's intelligence reports are also used by LEAs for asset tracing and asset recovery, as the financial data assists with the tracing of assets concealed or disguised for ML. Since 2017, PPATK responded to over 3 000 requests from LEAs relating to ML, of which, more than 91% were followed up. The remaining requests did not meet the formal and material requirements. Table 3.1 shows that some authorities (INP, KPK, DG Tax) are seeking intelligence reports more extensively than others (BNN and KLHK).

⁵ KLHK only started to investigate ML in 2021 (see IO.7).

Table 3.1. Requests to PPATK relating to ML

LEAs	2017	2018	2019	2020	2021	2022 (to June)	Total
INP	205	260	314	248	303	150	1 480
AGO	53	65	36	63	61	28	306
KPK	100	138	160	47	66	28	539
BNN	11	21	10	4	7	1	54
DG Tax	61	184	273	144	107	89	858
DG Customs	1	7	29	7	10	0	54
KLHK	1	5	9	1	0	3	19
Total	432	680	831	514	554	299	3 310

138. PPATK also disseminates a significant amount of financial intelligence to LEAs, including intelligence contained in Suspicious Activity Reports (SARs) related to targets of their investigations. The disseminations have been reasonably followed up and used by authorities at various stages of criminal investigation and prosecution. Data provided by Indonesia showed these are used mostly at the investigation stage and that very few were used to support prosecution. Table 3.2 shows that some authorities (AGO, DG Tax) are using the intelligence reports more extensively than others (BNN, KLHK). None of the competent authorities identified any deficiencies in PPATK disseminations as a reason for not following-up on them. KLHK is not yet registered in the goAML system. However, PPATK responds to their enquiries through a liaison officer.

Table 3.2. Proactive Intelligence Reports from PPATK to LEAs

LEAs	2017	2018	2019	2020	2021	2022 (to June)	Total	Instances followed-up (%)
INP	45	65	97	69	163	72	511	310 (60.7%)
AGO	14	13	18	37	28	14	124	65 (52.4%)
KPK	74	68	59	60	28	19	308	212 (68.8%)
BNN	2	11	13	7	17	14	64	42 (65.6%)
DG Tax	9	19	26	47	50	49	200	199 (99.5%)
DG Customs	13	8	6	5	8	7	47	37 (78.7%)
KLHK*	0	0	0	0	5	1	6	0 (nil)
Total	157	184	219	225	299	176	1 260	865 (68.6%)

139. * For the period of 2017-2020 KLHK received financial intelligence in the form of Information, while for 2021-2022 the KLHK received intelligence in the form of proactive Analysis Results as a consequence of the 2021 Constitutional Court's decision regarding the expansion of ML offenses investigators.

140. LEAs acknowledge that PPATK is a significant source of financial intelligence, which they use to assist their investigations, and in most cases presented during the on-site, it was clear that information from PPATK was used to substantially support financial investigations. However, LEAs also develop their own financial intelligence internally through their own investigation and analysis in order to support investigations into ML/TF and related predicate offences, trace assets, enforce forfeiture orders and identify risks (see also IO.7). For this, they also seek information directly from other government authorities through their investigative powers as well as cooperation arrangements formalised by MOUs. Such information includes basic and beneficial ownership information of legal entities from Directorate General of General Law Administration, MLHR, tax information from DG Tax, bank information from financial institutions, property and vehicle ownership information from land and vehicle registries, CBCC information from DGCE etc. Some LEAs also reported obtaining information from open sources (social and traditional media), dedicated complaints hotlines (KPK) and information obtained from their foreign counterparts. KPK keeps a public official asset declaration database, from which it can profile the wealth and source of income of suspects who are public officials. This information has been shared with other LEAs on request to support their investigations. BNN has a separate directorate that conducts financial investigations into profits and payments made by suspects in narcotics cases in order to reach the financier. The Asset Recovery Centre based in the AGO extensively conducts financial investigation using information from extensive sources to trace, recover and confiscate assets relating to ML and predicate offences (see IO.8). That LEAs initiate and develop their own financial intelligence is supported by the data in table 3.1 that reflects the extent to which LEAs request information from PPATK to further develop their own intelligence (more than three times as compared with proactive disseminations by PPATK in table 3.2).
141. Indonesia's competent authorities involved in the investigation of TF, which include BIN, BNPT and Detachment 88 also rely on financial intelligence from PPATK disseminations and other sources such as information from foreign counterparts and information from social media. This information is used to trace transactions as part of their financial investigations. This is used to trace TF activity (see Kresno (2021) IO.9) as well as in the monitoring of FTFs who have returned from conflict areas (see IO.9). Financial information from FIs and DNFBPs through PPATK's SIPENDAR platform is also used by Detachment 88, BIN, BNPT, DGCE and DG Immigration to support their TF investigations. (see IO.9 on SIPENDAR) as these authorities can directly submit a request for information on SIPENDAR based on their own investigations.

Box 3.1. Examples of cases where LEAs used financial information in their investigations**Erriq Levianto (2021)**

This was an INP investigation into an organised narcotics network involved in smuggling drugs between Indonesia and Malaysia. Several suspects were indicted for drug smuggling but ML investigations were challenging as the illicit transactions were made in cash. Nevertheless, the INP worked together with PPATK (PPATK provided assistance in the form of expert witnesses to support the investigations) and also obtained ownership information from the land registry as well as information from the population civil registry to build a financial profile of Levianto. INP found that his assets were not consistent with his employment profile and this information supported both the ML investigation and the asset recovery efforts. Levianto was convicted for ML and sentenced to eight years and six months imprisonment, and all the assets laundered including money were confiscated.

IR Wijaya (2022)

This was an investigation by DG Tax which was triggered by corruption activity. Corruption proceeds were laundered using Wijaya's company through fake VAT invoices. Both DG Tax and KPK analysed the electronic evidence and financial transactions between Wijaya and the company. Ownership information from DNFbps and banks was obtained to trace and pursue assets, which had been transferred from a dormant company to bank accounts and property within and outside Indonesia. The financial investigations conducted by KPK and DG Tax together resulted in Wijaya being convicted for ML and sentenced to four years imprisonment. Asset recovery is ongoing.

STRs received and requested by competent authorities

142. PPATK receives STRs largely from banks, money changers and money remitters, and to a very limited extent from DNFbps.

Table 3.3. STRs by type of reporting entity

Sectors	2017	2018	2019	2020	2021	2022 (to June)	Total
Banking sector	31 085	32 816	39 934	39 758	42 184	23 403	209 180
Non-banking sector	25 064	34 149	38 089	29 977	37 123	20 094	184 496
Money changer	11 508	20 835	22 203	13 628	11 076	6 202	85 452
Money remittance	3 673	3 802	6 564	8 440	9 222	9 131	40 832
Financing company	3 140	3 899	3 747	1 669	1 507	817	14 779
Insurance/insurance broker	4 632	3 578	3 365	3 588	12 201	2 172	29 536
E-money/E-wallet provider	6	5	60	362	1 040	510	1 983
Others	2 105	2 030	2 150	2 290	2 077	1 262	11 914
DNFBPs	97	47	41	35	236	264	720
Auction houses	6	0	0	1	42	4	53
Vehicle dealers	10	17	5	15	158	213	418
Property agents	81	30	13	17	21	24	186
DPMS	0	0	23	0	2	0	25
Notaries	0	0	0	2	13	23	38
Total	56 246	67 012	78 064	69 770	79 543	43 761	394 396

143. Since 2017, DNFBPs are required to submit STRs and have submitted 720 STRs since then. The frequency of reporting of STRs by DNFBPs is still low, although the numbers have been increasing since 2021. The ease with which reporting entities are able to submit STRs under the goAML system introduced in February 2021 together with training and coordination efforts by PPATK, have shown good results and in particular an uptick in the number of STRs reported from many DNFBPs since 2021. In particular, the AT observed that there was no significant decrease in STR reporting in the financial sector during the period of the COVID-19 pandemic, which shows that the reporting mechanism has the capability to continue working well despite extraneous circumstances. While this is encouraging, the low reporting by notaries is of particular concern considering the special duties these professionals have as gatekeepers in the process of incorporation of legal persons (see IO.5). In order to mitigate this shortcoming, PPATK continues to conduct coordination meetings as well as training session with the MLHR, and MLHR has also increased supervision on notaries.
144. STR reporting is to some extent in line with Indonesia's key ML risks as identified in the NRA. Corruption and embezzlement attract substantial number of STRs in line with Indonesia's risk profile. On the other hand, reporting for narcotics, forestry offences and banking offences (including banking fraud) appears to be low and not in line with the risk. Specifically for terrorism and TF, out of the 5 433 STRs filed since 2017, two thirds of STRs are from the banking sector and the remaining from non-banking sectors, including DNFBPs. Since 2013, only 40 STRs were filed relating to NPOs and 113 STRs were filed relating to FTFs.

Table 3.4. STRs by predicate offences

Offence	2017	2018	2019	2020	2021	2022 (to June)	Total (%)
Terrorism/TF	1 107	840	663	1 190	1 321	312	5 433 (1.35%)
Corruption	3 348	4 360	5 227	4 315	9 435	2 158	28 843 (7.23%)
Narcotics	399	2 773	1 243	1 701	1 901	929	8 946 (2.24%)
Tax offences	581	1 124	1 475	1 649	4 641	3 680	13 150 (3.29%)
Forestry	57	4	28	19	66	22	196 (0.05%)
Banking offences	369	902	561	622	3 068	2 149	7 671 (1.92%)
Capital markets offences	12	27	52	451	1 096	703	2 341 (0.59%)
Embezzlement	6 213	7 899	9 746	14 387	35 494	16 919	90 658 (22.72%)
Illegal gambling	1 156	1 345	2 892	1 093	3 446	3 484	13 416 (3.36%)
Other predicates	1 461	2 425	2 572	1 268	17 716	15 407	40 849 (10.24%)
Suspicious transactions (Art 1(5)(a) AML Law)	41 543	45 313	53 644	43 084	4 000	0	187 584 (47.01)
Total	56 246	67 012	78 103	69 779	82 184	45 763	399 087*

* The total of table 3.4 (STRs by predicate offences) is higher than the total of table 3.3. (STRs by reporting entity) because with goAML, reporting parties can assign more than one predicate to each STR.

145. The migration from the previous reporting and information processing application known as GRIPS to goAML took place in February 2021. To register for goAML, reporting entities send a request to PPATK, and most reporting entities have proactively registered. However, not all reporting entities have done so, and at the time of the on-site visit, PPATK reported that only 32.75% had registered. The data shows that except for cooperatives, financial institutions are generally better covered than DNFBPs (see IO.4, table 5.1). Entities that showed lower number of registrations (DPMS, arts & antiques dealers, savings and lending cooperatives and lawyers (excluding notaries)) did not represent significant material risks to the system.
146. There are no barriers to registering with goAML. If a reporting entity was already registered under the previous GRIPs system, they would only have to register a username and password to migrate to goAML. PPATK should nevertheless aggressively pursue the migration of all reporting parties to the goAML system, actively engaging other supervisors where needed (e.g., MLHR), as there remains a concern that these entities will not be able to report promptly and this may lead to a gap in the financial intelligence available to the FIU. DNFBP regulators, namely the MLHR and MoF assist in collaborative socialisation (training) efforts.
147. All reports entered in the goAML system (including STRs) go through a process of double verification. First, there is an automated process that requires all the fields of the template to be properly populated. Second, the report is screened via a set of 142 legislative and regulatory requirements and other parameters (known as “business rules”) embedded in the system. These business rules are put in by PPATK based on its experience with GRIPs. Immediate feedback is generated to the reporting party when a report is rejected, prompting the need for correction within three days, after which the report will be definitively rejected. While there is a concern that this process risks valuable and actionable financial intelligence being lost, PPATK provided data showing that between January and June 2022, only 5.82% of STRs and 0.66% of all reports received by the system were rejected.

148. Aside from STRs, PPATK also receives Currency Transaction Reporting (CTRs) from all reporting entities as well as International Funds Transfer Instruction reports (IFTIs), Integrated Customer Information System (SIPESAT) Reports from banks, the non-banking sector and DNFBPs and CBCC Reports from DG Customs. Through SIPESAT reports, PPATK is able to identify accounts of suspects (individuals and legal persons) quickly and without having to conduct 'fishing expeditions' with financial institutions. PPATK was generally satisfied with the quality of the reports and incorporated them well into their database and was able to demonstrate that based on the information in its database, it can generate financial linkages to identify suspects through cash flow as well as to follow the movement of illicit assets.

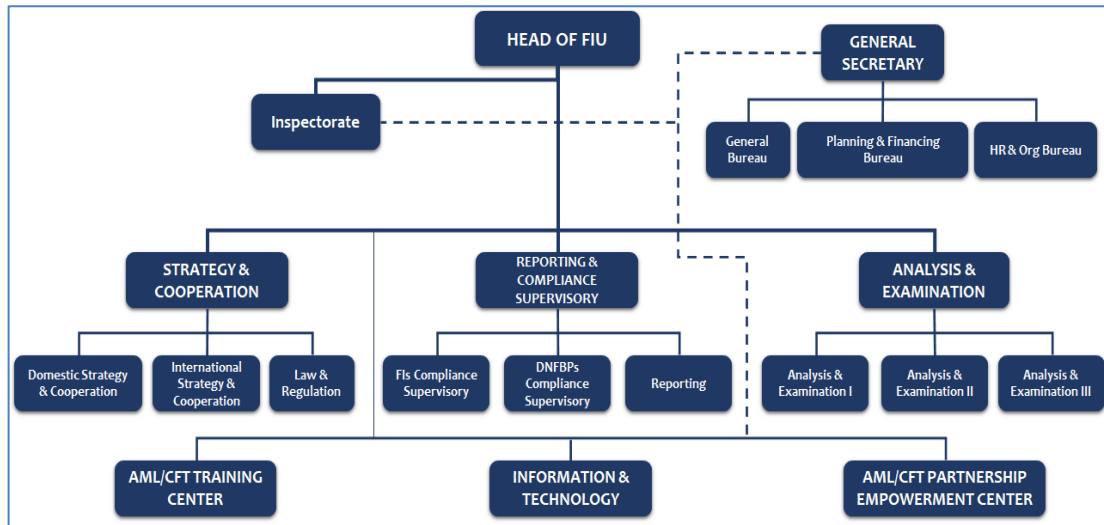
Table 3.5. Types of reports received by PPATK

Type of report	2017	2018	2019	2020	2021	2022 (to June)	Total
Suspicious Transaction Report	56 246	67 012	78 064	69 770	79 543	43 761	394 396
Cash Transaction Report	2 850 093	3 184 153	3 270 474	2 738 598	2 435 707	1 667 966	16 146 991
Goods and/or Services Transaction Reports	41 072	46 183	41 024	32 239	47 623	38 077	246 218
Cross Border Cash Carrying Reports	1 071	4 907	5 047	1 318	4	26	12 373
International Funds Transfer Instruction (IFTI) Reports	26 044 423	33 064 672	35 749 183	29 730 344	22 568 784	11 138 870	158 296 276
Integrated Customers Information System (SIPESAT)	155 991 998	103 006 023	104 016 939	146 029 314	196 227 190	132 450 162	8 371 626

Operational needs supported by FIU analysis and dissemination

149. PPATK has a total of 602 staff. PPATK's core function is assumed by the Analysis and Examination Directorate that has 81 analysts. All FIU staff undergo specific training on AML/CFT, FIU operations, functions and analysis at various forums including the PPATK AML/CFT Training Centre. The PPATK is organized into the following administrative structure:

Figure 3.1. Administrative structure of PPATK



150. Based on discussions with all the competent authorities during the on-site visit, it is clear that the PPATK is providing high-quality financial intelligence to support Indonesia's counter terrorism, AML/CFT and predicate crime investigations. PPATK supports the operational needs of LEAs through proactive and reactive disseminations, all of which are developed through a robust analysis process, which is supported by IT tools that connect the relevant data in its database.
151. PPATK is also supporting the operational needs of LEAs through strategic analysis of key ML/TF risks, operational tasks forces, and the provision of expert advice on the use of its financial intelligence products. These strategic analysis products are widely disseminated to competent authorities. Although the follow-up rate of proactive disseminations by PPATK as reflected in Table 3.2 shows that some authorities are using these disseminations to a larger extent than others, the case studies reflect that financial intelligence by PPATK is used where needed for investigations into ML/TF and predicate crime. LEAs also informed that these disseminations are also used in updating operational policies regarding new and emerging risks. Through regular bilateral meetings facilitated by liaison officers, PPATK also engages LEAs to obtain feedback in order to improve the use of its disseminations. These could be used to further develop the capability of the LEAs who are not sufficiently using PPATK disseminations in their investigations.

Box 3.2. Examples of PPATK's support in investigations**Altea (2020) (see also IOs 7 and 8)**

During the Covid-19 pandemic, the shortage of medical supplies and equipment in various countries was exploited using a business email compromise scheme targeting pharmaceutical and medical industries. The offenders posed as a legitimate company to siphon of proceeds through their bank account.

PPATK uncovered the embezzlement offence and followed the various paper companies and related bank accounts set up by the criminals. In a consecutive period, incoming funds received in the paper company were transferred into 72 bank accounts of companies and individuals. Working with PPATK, the bank suspended transactions of funds amounting IDR 56.1 billion (EUR 3.7 million). PPATK followed up through coordinating with INP.

152. The timeliness of response for information requests by competent authorities varies depending on the complexity of the information requested. If only a simplified analysis is needed using data available in PPATK's database, the response may take two to five days. If additional data needs to be obtained from reporting entities, the average response time taken is 28 days. Requests relating to terrorism and TF are prioritised, especially those related to terrorist incidents. PPATK provides response in such cases within 24 hours. LEAs were satisfied with the timeliness of the PPATK's response to their requests for information.
153. PPATK's analysis commences by reviewing STRs as the main trigger of analysis. A scoring process is carried out where a score of 1 to 10 is attributed to each STR based on connections it has with the information contained in the system database as well as risk factors according to the NRA (narcotics and corruption), materiality of the case (amount involved) and social relevance. This is used to assess the STRs with certain parameters to determine the priority of the STRs. Based on the scoring result, an STR with a score of 6 and above will be prioritised for further analysis. STRs rated medium or low are added to the database and used in the analysis of other reports.
154. The prioritised STRs will be distributed to an analyst who will enrich the analysis using data contained in the system, data accessed from other relevant databases as well as information received from reporting entities. As was demonstrated to the AT during the on-site, the system used by PPATK is able to draw connections from the information from various sources and consequently assist with identifying asset ownership and tracing asset movement. The analyst will conduct profiling on the parties, review financial product owned by the parties, review the asset ownership, analyse the source of funds and the purpose of using of the funds, and compare the consistency between profiles and transactions. In urgent and complex cases, the analysts may conduct on-site examinations at the reporting party's office to accelerate the collection of required information and to ensure the completeness and accuracy of information in accordance. Since 2017, on-site examinations were conducted on 224 occasions.

155. For proactive analysis, the analyst indicates the potential criminal offence and draws the legal construction of the case. For reactive analysis, the analyst will explain the association between financial transactions with alleged criminal act investigated by LEA. Post-analysis activity is also carried out periodically by evaluating STRs and other reports received and evaluating the investigator's feedback.
156. As demonstrated under core issue 6.1, between 2017 and June 2022, PPATK has made 1260 proactive disseminations to LEAs that investigate ML/TF, and 192 proactive disseminations to other authorities. Although close to 400 000 STRs were filed within the period. PPATK's disseminations would be built on a solid case, based on the robust prioritisation and analysis process as described above. PPATK disseminations are somewhat in line with Indonesia's ML/TF risks with the majority of its disseminations to INP (40.5%), KPK (24.4%), DG Tax (15.9%). However, only limited disseminations were made to BNN (5.1%) and KLHK (only 6 disseminations). PPATK has also made both proactive and reactive disseminations for TF in line with its risks.

Table 3.6. PPATK intelligence reports relating to TF

Agencies		2017	2018	2019	2020	2021	2022 (to June)	Total
INP	Proactive	18	22	47	32	89	33	241
	Reactive	7	0	12	12	33	12	76
DG Customs	Proactive	0	0	0	0	0	1	1
	Reactive	0	0	0	0	1	5	6
BIN (State Intelligence Agency)	Proactive	0	0	0	25	5	6	36
	Reactive	1	1	10	13	64	37	126
BNPT (National Counter Terrorism Body)	Proactive	0	0	0	25	4	0	29
	Reactive	0	0	1	5	0	1	7
Total	Proactive	18	22	47	82	98	40	307
	Reactive	8	1	23	30	98	55	215

157. PPATK also provides direct assistance in TF investigations. This type of assistance translates in that prior to further investigation, the investigator holds bilateral meetings with PPATK to better understand PPATK's initial dissemination. Since 2017, more than 750 meetings have been arranged between PPATK and LEAs and PPATK has provided more than 60 assistance activities for LEAs (for both ML and TF). Another way in which PPATK provides valuable support to LEAs is through the provision of expert witnesses to support investigations and prosecutions. The following case study illustrates the important role PPATK's intelligence has played in TF investigations.

Box 3.3. Example of PPATK's TF analyst team quick response (case of Surabaya Attack)

On 13-14 May 2018, five coordinated bomb explosions and two attempted bomb attacks took place in Surabaya. Soon after the incidents happened, PPATK immediately established communication with Special Detachment 88 Anti-Terror (INP) to obtain the identity of the suspects and relevant parties. On 14th May, PPATK received the names and other information on the three families (suicide bombers). On the same day, PPATK immediately conducted database checks and sent enquiries to reporting parties to collect STRs and other relevant documents on the suspects and relevant parties.

The reporting parties provided good support and assistance. On 15th May, based on the information from reporting parties, PPATK started analysing the transactions. To optimize the analysis and to accelerate the flow of information, PPATK worked together with Detachment 88 to jointly analyse the bank accounts and financial records. Some key information was identified, as follows:

The transactions confirmed the connection of the 3 families.

ATM cards under the name of the 3 families but was held by 1 suspect.

Purchasing transactions through e-commerce, such as materials for making bombs.

Time and location of cash withdrawals prior to the incidents.

Some affiliated parties received funds transfers from the suicide bombers, and conversely.

Hypothesis that the financing of Surabaya attacks was self-funding.

PPATK continued to conduct analysis on some other relevant targets following the progress of investigation on Surabaya incidents. Finally, 11 PPATK Analysis Reports were disseminated to the Detachment 88.

Example of PPATK's coordination both domestically and internationally (TOBPI (2021))

PPATK and Australia conducted bilateral cooperation and information exchange on investigation into the alleged TF by collection and distribution of donations carried out by several NPOs with global operational activities, in Indonesia and Australia, including TOBPI, an NPO registered in Australia. Between 2019 and 2021, three parties in Indonesia were identified to have received approximately IDR 280 million (EUR 18 600) in fund transfers from TOBPI. In July 2021, PPATK coordinated with INP to convey indications that one of the recipients, SRU, was supporting a terrorist group linked to ISIS using funds derived from NPOs and individuals from Australia, including TOBPI. SRU was subsequently arrested for TF and was found to have made two fund transfers to this end. In depth analysis by PPATK revealed others who also received funding through TOBPI. SRU is currently being prosecuted for TF.

Co-operation and exchange of information/financial intelligence

158. PPATK cooperates closely with financial supervisors to support their risk-based supervision. This is done through sharing of STR and CTR data, pre and post on-site inspection communication as well as joint inspections where necessary (See IO.3). OJK, BI and CoFTRA also seek information relevant to licensing applications from PPATK and INP.
159. The wide range of strategic analysis products produced and disseminated by PPATK such as risk assessment, typologies, and other useful documents, are developed through strong engagement and collaboration with other competent authorities through dedicated secure systems. Aside from goAML which is a two-way communication tool for all ML/TF information, PPATK also has established the SIPENDAR platform in 2021, which is an integrated database consisting of data and information in relation to terrorism and TF suspects. INP (Special Detachment 88), BIN, BNPT, DG Tax and DG Customs as well as an increasing number of reporting entities are registered on SIPENDAR (see IO.9 for further detail on SIPENDAR).
160. PPATK has developed commendable domestic coordination with competent authorities through regular coordination meetings, participation in inter agencies task forces and deployment of liaison officers. Since 2017, PPATK has actively contributed to at least 10 task forces, which were formed to address current ML/TF risks.
161. The wide dispersal of LEAs across the archipelagic territories of the Republic of Indonesia presents a challenge to cooperation and coordination. To address this, PPATK organises focus group discussions and joint training in the different regions or invites participants to Jakarta.
162. PPATK has 59 MOUs with foreign FIUs and shares information with international counterparts through the Egmont Secure Web (ESW). Communication and information exchange with FIUs that are not members of the Egmont Group is done via encrypted and secure official e-mail. (See IO.2 for further details).
163. Finally, PPATK has also played a principal role in the coordinating and developing the NRAs that are crucial to the efforts of the competent authorities in pursuing ML/TF.

Overall conclusions on IO.6

LEAs have access to financial intelligence from PPATK either on their request or through proactive disseminations from PPATK, which is used extensively to support ML/TF and related predicate offences investigations and trace assets for confiscation. LEAs also obtain financial intelligence through financial investigations and analysis conducted within their own units. PPATK has access to a wide range of public and private sector databases and information, uses a variety of tools and techniques to enhance the value of the information to build financial intelligence, and has a robust analytical process which includes a prioritisation framework. Intelligence products disseminated by PPATK and available to competent authorities including LEAs and are generally disseminated in line with the risks identified by Indonesia. PPATK and other competent authorities cooperate and share information domestically and with international counterparts through a number of systems and platforms and through regular coordination meetings, participation in inter agencies task forces and deployment of liaison officers.

The low number of STRs submitted by some DNFBPs and those relating to environmental/forestry crime as well as the concern that valuable financial intelligence is being lost due to the incomplete migration of reporting entities to goAML are moderate deficiencies requiring moderate improvements.

Indonesia is rated as having a substantial level of effectiveness for IO.6.

Immediate Outcome 7 (ML investigation and prosecution)

ML identification and investigation

164. Indonesia's AML Act contains the core legal framework, which criminalises ML and outlines the predicate offences to which ML applies (See R.3). ML criminal proceedings are regulated by the Criminal Procedures Code and are divided into the following broad stages: (i) preliminary investigation where investigators evaluate available information and determine whether a crime has been committed; (ii) investigation where investigators identify possible suspects, obtain evidence, and compile a prosecution dossier; (iii) prosecution where public prosecutors examine the dossier and subject to legal requirements being met, move the case forward to prosecution; and (iv) conviction where the outcome of the case is that the defendant is guilty of the offence, the presiding judge imposes a suitable sentence and, where appropriate, the confiscation of assets is considered (See IO.8).
165. Indonesia's competent authorities have varying powers, to investigate ML (See R.30, 31) and seven of these actively pursue ML based on the types of crime they are authorised to investigate as follows:

Table 3.7. Authorities with responsibilities for investigating ML

Authority	Human resources	Predicate ML investigated	Investigative powers
Indonesian National Police (INP)	All investigators authorised to investigate ML. The Sub-Directorate of ML has 60 ML specialist investigators. However, all its 6883 personnel have the authority to investigate into ML of which 375 have ML investigation experience.	General offences (excluding customs, taxation, and capital market offences)	General powers under the CPC. Special investigative powers such as undercover operations, communication interceptions, wiretapping, accessing computer systems and controlled delivery.
Corruption Eradication Commission (KPK)	Directorate of enforcement and execution has 218 investigators (who have the authority to conduct ML investigation of which 114 who have ML investigation experience. No specialised ML directorate.	Corruption offences	General powers under the CPC. Special investigative powers such a wiretapping and communication interceptions.
National Narcotics Board (BNN)	Specific directorate for ML which has 49 However, there are 883 personnel who have the authority to conduct ML investigation of which 532 who have ML investigation experience.	Narcotic offences	General powers under the CPC. Special investigative powers such as undercover operations, communication interceptions, wiretapping, accessing computer systems and controlled delivery.
Attorney-General's Office (AGO)	The Sub-directorate of Corruption and ML has 96 investigators (both predicate & ML). However, there are 2841 personnel who have the authority to conduct ML investigation of which 1325 who have ML investigation experience.	Corruption predicate offences investigated by AGO	General powers under the CPC.
DG of Customs & Excise Direktorat (DGCE)	All 1362 personnel have the authority to investigate ML of which 640 have ML investigation experience. 333 investigators are specialists in Tactical and Analyst Intelligence. No specialised ML directorate.	Customs and excise offences	General powers under the CPC. Special investigative powers such as controlled delivery.
DG of Taxes (DGT)	692 tax investigators in the Directorate of Law Enforcement of which 346 who have ML investigation experience and 134 are digital forensics specialists.	Tax offences	General powers under the CPC and the Tax Code
Ministry of Environment and Forestry (KLHK) ⁶	There are 251 personnel who have the authority to conduct ML investigation of which 213 who have ML investigation experience. 45 personnel are attached to the Science and Technology Based Intelligence Centre which supports ML.	Forestry and related environmental offences	General powers under the CPC.

⁶ A 2021 Constitutional Court ruling interpreted the meaning of money laundering investigator in Art. 74 AML Law broadly to include Civil Servant Investigators with powers akin to the INP which allows investigators of environmental crime, for example at KLHK, to also investigate money laundering.

166. LEA investigators have a reasonably robust process for the identification, selection, and training and continual professional development for both predicate and ML. The LEAs and competent authorities effectively utilise financial intelligence received from PPATK (FIU) as well as from a variety of sources (see IO.6) to initiate and investigate predicate offences and pursue asset recovery, but to a lesser degree to support ML investigation and prosecution. Although the training syllabi are generally sound and sufficient, these would benefit from continuous update to reflect emerging technology (such as the misuse of social media and virtual assets in criminality). LEAs have collaborated with PPATK on training relating to the implementation of virtual assets and related emerging technology in ML in recent years and such collaboration should continue. LEAs are aware of emerging ML risks but would benefit from further training and resources to be able to effectively deal with launderers employing emerging technology to hide evidence or move their illicit assets. Based on discussions with the LEAs and the prosecutors at the on-site, they were able to show a good ability to deal with ML aspects of the cases, especially with the support of PPATK. However, it remains that most ML investigations conducted in Indonesia relate to self-laundering (see Table 3.10) There are some challenges with obtaining convictions for ML relating to corruption and narcotics as compared to other offences, but these did not arise from significant gaps in the training and expertise of the prosecution. On the other hand, the data shows a very high conviction rate for ML arising out of fraud, embezzlement and cybercrime, which suggests that Indonesian investigators and prosecutors are able to handle financial evidence resulting out of a money trail.
167. In many instances, ML investigations commence at a later stage in the investigation of the predicate offence (see Cengkareng case below), sometimes only after a conviction is achieved in the predicate offence investigation, in order to support asset recovery efforts, which means that ML investigations are not regularly conducted in parallel to the predicate offence. During the on-site, LEAs across agencies communicated to assessors that ML investigation is used to “make perpetrators as poor as possible” rather than to pursue ML prosecutions in itself. However, initiating ML investigation at a later stage could have a negative effect on asset tracing due to dissipation (see IO.8).
168. In 2017, a specific note was circulated to all branch heads of the AGO with operational policy requirement for any of the above authorities to initiate an ML investigation for predicate offence investigations. The note mentioned above communicated the instruction to pursue ML charges for where elements of ML are found in cases involving narcotics. Based on the data in Table 3.8 on ML investigations by crime type, this appears to have resulted in an increase in the number of ML prosecutions for narcotics offences. Similar notes were circulated for tax and customs, but these have not shown similar improvements. The documents illustrate the awareness and appreciation of pursuing ML investigations, but this has not translated into regular parallel ML investigations. There is also no data to show that these have resulted in more complex ML investigations as well as third party/stand-alone ML investigations.

Box 3.4. Cengkareng (2015-2021) - ML investigation to support predicate investigation and asset recovery

In 2015, a suspicious financial transaction obtained by regional investigators in collaboration with PPATK triggered an ML investigation. An investigation was conducted into a case of document forgery and bribery of government administrators, which had resulted in State loss of IDR 629 billion (EUR 41.6 million). The offender had placed the proceeds of crime into one account and thereafter moved the money to several different accounts, exchanged some of the funds into foreign currency, transferred assets to family members and purchased assets overseas. In 2021, INP initiated an ML investigation and obtained information from PPATK, KPK, MLHR and the population registry to trace and seize the assets amounting to IDR 700 billion (EUR 46.3 million). INP had to conduct company profiling and analysis of financial transactions as well as documents obtained from overseas to show the illicit origin of the transfers to third parties. The investigation is ongoing.

169. The case studies presented indicated strong inter-agency cooperation on information and intelligence sharing, to support each other's investigations, both informally and through formal arrangements such as MOUs. The AGO receives ML briefs from predicate crimes submitted by investigators from INP, BNN, DG Tax, etc, and provides legal advice at the investigation stage. On request, KPK regularly shares information in its database collected through compulsory asset declarations of public officials, with other LEAs to support their ML and asset recovery investigations. ML is investigated both by the home office in Jakarta as well as the regional offices of the INP. The home office in Jakarta will handle an ML investigation involving more than one region, ML conducted abroad, ML involving a PEP, or a large ML transaction. INP reported challenges relating to synchronising data and information between the regional offices and the Jakarta home office when handling ML, which is being addressed by greater use of online applications, developing case management systems as well as developing relationships through liaison officers, conducting real time communication as well as regional training opportunities.
170. Except for INP, AGO and BNN, the other LEAs do not have a specialised department or investigators that focus only on the identification of, and investigation of ML. As such, the number of specialist and experienced ML investigators in each agency is low in light of the risk and context of the country. For example, considering the risk relating to corruption, it would be expected that KPK would have greater ML investigation specialisation among its personnel. KLHK has recently set up a team to handle both predicate and ML. Sophisticated ML investigations require specialised support, such as by forensic accountants and forensic examiners of digital devices. This is currently sought from PPATK on an ad hoc basis. Investigations across agencies, would benefit from direct and regular access to such expertise, within their own departments that is, tailored to their own needs and typologies. This would encourage more sophisticated ML investigation, especially in the pursuit of ML activities of organised criminal groups and foreign predicate offences and initiate more stand-alone ML investigations.

171. The LEAs have broad investigative powers (see Table 3.7) to investigate both predicate offences and ML but more agencies could benefit from access to special investigation techniques such as to carry out surveillance, undercover operations, and utilisation of wiretaps in order to support Indonesia's information sharing mechanisms, and conduct more complex ML investigations, particularly those relating to third party/standalone ML and those involving the sophisticated use of legal persons. DG Tax has limited arrest and detention powers but may seek the assistance of INP where needed for their ML investigations. DG Tax has made 411 such requests over the period of 2017 and 2022 out of which 105 requests have been acceded to. In the remaining cases, persons whose arrest was sought, voluntarily surrendered to the DG Tax investigator and the request for assistance was withdrawn.

Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

172. The 2021 NRA lists corruption and narcotics offences as the highest risk predicate offences for domestic ML in Indonesia, followed by tax offences, banking and fraud as well as forestry and environmental crime. ML is perpetrated by both individuals and corporations, especially limited liability companies. ML often takes place through the use of third parties, including family members and the use of false identities. Money is laundered through banks, real estate, vehicles as well as laundered abroad, which is reflected in the case studies presented by Indonesia during the on-site.
173. Although ML investigations and prosecutions have significantly increased over the last five years, overall, the numbers, as reflected in Table 3.8, is still small in the context of Indonesia.

Table 3.8. Money-Laundering investigations – by crime type

Crime type	2017	2018	2019	2020	2021	2022 (to April)	Total (%)
ML Investigations							
corruption	32	31	39	53	38	20	213 (26.2%)
narcotics	19	50	64	38	37	19	227 (28.3)
fraud/embezzlement/ cyber crime	26	31	41	54	66	12	230 (28.7%)
forestry & environmental crime	1	1	1	3	4	3	13 (1.62%)
customs & excise crimes	1	1	1	1	3	1	8 (1%)
tax crime	0	1	9	2	4	1	17 (2.12%)
others	3	12	19	65	25	3	92 (11.5%)
Total	82	127	174	216	181	59	800
ML Prosecutions							
corruption	34	16	18	21	40	12	141 (24.06%)
narcotics	14	42	59	44	50	0	209 (35.67%)
fraud/embezzlement/ cyber crime	0	14	28	49	50	4	145 (24.74%)
forestry & environmental crime	1	1	0	0	2	0	4 (0.68%)
customs & excise crimes	2	0	0	4	1	0	7 (1.19%)
tax crime	1	1	4	2	1	0	9 (1.54%)
others	0	12	11	24	21	3	71 (12.12%)
Total	52	86	120	144	165	19	586
ML Convictions							
corruption	13	10	7	25	11	7	73 (17.1%)
narcotics	25	11	20	42	38	9	145 (34%)
fraud/embezzlement/ cyber crime	12	6	25	41	50	9	143 (33.5%)
forestry & environmental crime	1	0	0	0	1	0	2 (0.47%)
customs & excise crimes	1	0	0	0	0	1	2 (0.47%)
tax crime	1	1	1	3	0	2	8 (1.9%)
others	19	6	2	9	14	4	54 (12.65%)
Total	72	34	55	120	114	32	427

Corruption

174. Corruption is investigated in Indonesia by KPK, INP and AGO. The KPK is a highly specialised agency that reports directly to the President of Indonesia and has a broader mandate of eradicating corruption in Indonesia. KPK investigates and prosecutes corruption-related ML cases involving a State loss above IDR 1 billion (EUR 66 146), cases with high public impact, and/or high-level State officials. Corruption-related cases outside of KPK's jurisdiction are handled by the INP or AGO. INP and AGO are required to inform KPK (via a Commencement of Investigation Command or SPDP) within 14 days of starting a preliminary corruption investigation. KPK has its own prosecutors and thus conducts prosecutions independent of the AGO whereas INP and AGO prosecutions are conducted by AGO prosecutors.
175. Based on the statistics, the proportion of ML investigation, prosecution and convictions in relation to corruption is not fully in line with Indonesia's risks. Most of the ML investigations are conducted by INP and AGO with the KPK pursuing only a handful of ML cases. The data reflects that since 2017, KPK investigated only 31 ML cases (out of the 177 corruption investigations) and managed to get only 13 convictions (out of the 72 corruption convictions). The KPK has access to

sophisticated financial intelligence (both from PPATK and through its own sources) and investigative tools and utilises these effectively in its anti-corruption investigations and to pursue criminal assets (see IO.8), that could also be used to better pursue the ML aspect of the offences. During the on-site, KPK communicated to AT that while it prioritises investigation into the corruption offence, it would pursue ML investigations where ML investigation would maximise asset tracing and asset recovery. Considering the profile of corruption investigation conducted by KPK as well as the resources available to KPK, there is scope for KPK to use its expertise and resources to pursue more ML investigations. In light of the nature of cases it investigates that involve substantial amounts of illicit proceeds and complex forms of laundering of the proceeds, there is scope for KPK to pursue complex third party and stand-alone ML cases as well as ML involving legal persons.

Table 3.9. Money-Laundering investigations and convictions (KPK)

ML	2017	2018	2019	2020	2021	2022 (to June)	Total
Investigations	7	6	5	3	6	4	31
Convictions	1	2	1	1	8	0	13

Box 3.5. Jiwasurya (2020) - ML involving corruption/embezzlement

The investigation was triggered by a public complaint which revealed that Jiwasurya, a State-owned enterprise, was used by HT and BT to embezzle a total of IDR 16.8 trillion (EUR 1.1 billion). Layering and the disguising of the funds was done using other companies and accounts as well as through the purchase of vehicles in the names of the offenders, third parties and other companies. AGO worked with PPATK for financial information, DG Tax for information relating to the offenders' and the companies' wealth and assets, MLHR for company information and the Capital Market Authority for information on the ownership of shares and mutual funds. (see IO.8 for asset recovery efforts)

HT and BT were convicted of both corruption and ML. They were sentenced to life imprisonment and fined between IDR 6 and 10 billion (EUR 40 000 and 66 000). Five accomplices were convicted of corruption and sentenced to between 18-and 20-years' imprisonment and fines.

Narcotics

176. The proportion of ML investigation, prosecution and convictions in relation to narcotics offences is broadly in line with its risks. BNN recognises the importance of financial investigations to uncover narcotics networks and syndicates as well as to pursue the ML offence. BNN has a specific directorate that investigates ML cases, which are triggered by the investigation of the predicate offence as well as information from PPATK. Further, there are regulations that guide the pre-investigation and investigation of ML offences related to narcotics. The regulation also requires BNN investigators conducting ML investigations to prepare reports the results of their investigations for internal record. However, BNN could make more use of financial intelligence from PPATK to identify ML (see IO.6).

177. ML investigations are highly resource intensive and as noted by other LEAs, ML is prioritised where it will support asset recovery. From the point of view of BNN, the value of investigating ML is also affected by the severe penalties imposed for drug predicate offences in Indonesia, including long prison sentences and the death penalty, which may surpass penalties available for ML offence. BNN should nevertheless optimise the use of ML investigations, particularly to enhance the pursuit of organised narcotics syndicates that require complex and stand-alone ML investigations and to track down evidence across borders.

Box 3.6. Erriq Levianto (2021) - ML involving narcotics

Levianto was involved in a drug smuggling syndicate that smuggled drugs from Malaysia to Aceh and then to other parts of Indonesia. The vessel smuggling drugs was intercepted by Indonesia authorities and Levianto was investigated for drug smuggling. However, as the drugs were paid for in cash, there was insufficient evidence to link Levianto to the predicate offence. Based on information obtained from PPATK (see also IO.6), the land registry and population registry, INP was able to show that the assets of Levianto were not consistent with his employment profile. Levianto was convicted of ML, sentenced to eight years and six months imprisonment and his assets were confiscated.

Other crimes

178. The third highest risk predicate offence for ML in the 2021 NRA is fraud and economic crime and the statistics reflect that proportion of ML investigation, prosecution and convictions in relation to these crimes is broadly in line with the risks. However, in relation to other predicate offences, such as forestry and environmental crimes, customs and excise as well as tax offences, that also pose significant ML risks, the number of ML investigations, prosecutions, and convictions is relatively small. Indonesia has noted that tax investigators have limited capacity to handle ML investigations due to the complex structure of such investigations and this can be improved through better resourcing. Although the ML risk relating to environmental crime (particularly forestry) was recently reclassified as medium risk, the KLHK confirmed during the on-site that ML relating to forestry still results in very high levels of illicit proceeds that are laundered in a sophisticated manner. As such, these are the areas that require significant focus from the Indonesian authorities. Although the relevant case studies showed significant confiscations, they did not illustrate that complex ML structures were being regularly and effectively uncovered. KLHK authorities are well aware of the high volume of criminal proceeds that are laundered through forestry and environmental crimes and recent structural developments within KLHK to enhance parallel ML investigation and prosecution is encouraging and should be supported with appropriate training and resourcing as well as through the adoption of robust internal policies, mechanisms and procedures.

Box 3.7. RPS (2018-2021) - ML involving illegal logging

INP commenced pre-investigations based on public complaints and found that illegal logging had taken place. RPS had logged beyond the allowance provided by the forest concession. INP's investigation, coordinated with PPATK, revealed that IDR 6 billion (EUR 400 000) had been laundered through the company owned by RPS. While other participants were convicted for illegal logging, RPS was convicted for illegal logging and ML, and sentenced to 1 year and 6 months imprisonment and fined IDR 500 million (EUR 33 000). Assets amounting to IDR 6 billion (EUR 400 000) were identified for confiscation. The company was investigated and charged for corruption and ML. The company was fined IDR 7.5 billion (EUR 500 000).

Types of ML cases pursued

179. The statistics (see table 3.10) and case studies reflect that LEAs focus on self-laundering offences and to some extent on third party ML, with only a very small number relating to foreign predicate offences and stand-alone ML. This is despite the fact that Indonesia has tools to pursue ML for concealing or disguising the origin of funds (Art. 4 of the AML Law) on the basis of information of business registration in an official government database, reported tax or legal documentation relating to the business licenses. However, as noted above, generally, investigation into ML only takes place on the back of an and trailing behind the investigation into the predicate offence. This negatively impacts the ability to identify ML, independent of the conduct of the predicate offence. Thus, despite the fact that case studies illustrate Indonesian authorities' ability to conduct complex ML investigations, the statistics reflect that in practice, this is not being sufficiently conducted outside self-laundering cases. For example, although financial investigation is regularly conducted to trace assets that have been transferred to third parties, these third parties who assist with the laundering of the assets are not always prosecuted for ML.

Table 3.10. Types of Money-Laundering Convictions

ML	2017	2018	2019	2020	2021	2022 (to April)	Total (%)
Self-laundering	57	16	37	105	99	30	343 (80.5%)
Third party laundering	14	12	18	13	11	0	68 (16%)
Foreign predicate offence	0	5	0	2	2	2	11 (2.6%)
Stand-alone ML offence	1	1	0	0	2	0	4 (0.9%)
Total	72	34	55	120	114	32	426

Box 3.8. Altea (2020) - ML involving foreign predicate

During the pandemic, a company was set up in Indonesia, which was used to launder money that was proceeds of a medical equipment fraud. An Italian company entered into a sale and purchase agreement for ventilators and covid-19 monitors, with a Chinese company. However, payments amounting to IDR 58.8 billion (EUR 3.9 million) were diverted to an Indonesian bank account of a company set up in Indonesia. The funds in the account were transferred to several other accounts and then used to purchase assets such as houses and vehicles as well as for debt repayments. As a result of financial investigations conducted by Indonesian authorities, five offenders in Indonesia were arrested and charged for ML. The evidence of the foreign victims was admitted through signed statements as well as heard by the court electronically (due to travel restrictions during the pandemic). Four of the five offenders were sentenced to imprisonment of 5 years and 6 months and a fine of IDR 1 billion (EUR 66 146). Funds that were seized were repatriated to victims in Italy. (See IO.8).

180. LEAs are aware of the ML risk posed by legal persons but cited complexities involved in investigating and prosecuting these cases, preferring to focus on ML investigations of natural persons. Between January 2017 to April 2022, Indonesia secured ML convictions against 425 natural persons and only one legal person, which is not in line with its risk profile. A combination of concrete policies to pursue legal persons involved in ML, better operational training in uncovering ML through the use of corporate vehicles, more resourcing to facilitate this, as well as improved national corporate transparency procedures (see IO.5) would lead to more investigations, prosecutions and convictions of legal persons for ML. In addition, Indonesia is of the view that enhancing dissemination of the typology of ML offences committed by legal persons, especially to regional investigators would also be beneficial.

Effectiveness, proportionality and dissuasiveness of sanctions

181. Sanctions imposed for ML convictions are proportionate and dissuasive with prison sentences averaging approximately ten years. However, criminal sanctions imposed are often aggregated for both the predicate and the ML offence (when prosecuted together) and Indonesia was not able to provide figures for ML alone. For example, lengthy sentences are often imposed for predicate offences such as corruption and narcotics, and without data on the sentences imposed for ML as a separate offence, it is hard to fully assess the degree to which the sanctions imposed are proportionate and dissuasive.

Table 3.11. Sentencing for Money-Laundering Convictions

ML	2017	2018	2019	2020	2021	2022
Average prison sentence	8.5 years	10.5 years	10.5 years	10.5 years	10.5 years	9 years
Minimum sentence	1 year	1 year	1 year	1 year	1 year	2 years
Maximum sentence	16 years	20 years	20 years	20 years	20 years	16 years
Average fine	IDR 1.4 billion (EUR 93 000)	IDR 1.96 billion (EUR 130 000)	IDR 1.5 billion (EUR 100 000)	IDR 1.4 billion (EUR 93 000)	IDR 1.76 billion (EUR 117 000)	IDR 1.1 billion (EUR 73 000)

182. Indonesia's single ML conviction for a legal person in 2018, attracted a fine of IDR 5 billion (EUR 330 000). The case involved the mixing of funds in the accounts of the company to disguise IDR 23 billion (EUR 1.5 million) in corruption funds. Even taking into account the amount additionally ordered to be confiscated (IDR 6 billion (EUR 400 000)), the fine imposed on the company is low considering the amount of funds laundered through the company, and that the two amounts combined are less than the average fine imposed on natural persons (see table 3.11) above).

Use of alternative measures

183. Where there are challenges in obtaining an ML conviction, Indonesia will nevertheless pursue the prosecution of predicate offences, which also carry lengthy sentences, in order to disrupt the ML activity. As noted above, this does not address concerns relating to third party and stand-alone ML. Indonesia is able to use several asset confiscation tools where criminal convictions for ML cannot be obtained (See IO.8).
184. PPATK has the power to require financial service providers to suspend financial transactions where there is suspicion of criminal activity (see IO.8). If no party files an objection to the suspension within 20 days and after a 30-day period for the investigator to find the offender, if the offender is not found, the investigator may apply to the court to confiscate the sum involved, which also serves to disrupt money-launderers.

Overall Conclusions on IO.7

Indonesia has a strong legal and institutional framework to investigate ML which it uses to pursue ML activity and LEAs are generally well-trained to investigate ML. LEAs investigating ML would benefit from specialisation, including better access to forensic expertise in order to conduct more complex investigations. ML investigation is primarily conducted at a later stage of the predicate investigation rather than parallel to it. This shows that the pursuit of ML is to support asset identification and recovery rather than to punish ML criminal activity. This has resulted in investigations and prosecutions for mostly self-laundering, some third-party ML and very few investigations and prosecutions for stand-alone ML and ML conducted by legal persons. The overall number of ML investigations is relatively

low considering the risk and context of Indonesia, especially for corruption and forestry/environmental crime.

Indonesia is rated as having a moderate level of effectiveness for IO.7.

3

Immediate Outcome 8 (Confiscation)

Confiscation of proceeds, instrumentalities, and property of equivalent value as a policy objective

185. Optimising asset recovery efforts is one of the five key elements of Indonesia's National Strategy for the Prevention and Eradication of ML/TF for the period 2020 to 2024. During the on-site, competent authorities communicated to assessors the goal of ML investigations is to "make perpetrators as poor as possible", indicating that this policy objective to go after perpetrators' assets has been well socialised among LEAs and prosecutors. In particular, there is a strong focus on recovering State loss from corruption activity. ML investigators further highlighted that confiscation of criminal proceeds and instrumentalities is essential for the purposes of combating predicate criminality, with ML investigations often being used as a vehicle for asset recovery when other measures are not available (see IO.7). The lack of statutory ability to confiscate assets of equivalent value outside of cases involving State loss, corruption, and tax, was identified as an issue by some LEAs. However, the AT placed some weight on the fact that corruption is Indonesia's highest risk predicate offence and assets of equivalent value are often confiscated in these cases. (See R.4).
186. The Pusat Pemulihan Aset or the Asset Recovery Centre (ARC) which became operational in 2014 to coordinate Indonesia's asset recovery efforts, reflects the importance given to asset recovery in Indonesia. The ARC is located within the AGO, and since 2017, has established the following four working departments: (i) database and information exchange; (ii) seized and confiscated assets; (iii) national asset recovery; and (iv) transnational asset recovery. The ARC has 52 personnel at the head office in Jakarta and 2 564 personnel at the district offices. Since 2021, it maintains and manages a database known as the Asset Recovery Secured-data System (ARSSYS), which centralises information on seized/confiscated assets from close to 500 prosecutors' offices at the district levels from the point in time when the asset seized by the authorities and excludes seizures by KPK. However, the maintenance of this database is related to the asset recovery efforts of the authorities rather than for the purpose of maintaining and monitoring national seizure/confiscation statistics. There are plans to elevate this body to a directorate level in the AGO, which is a welcome development, as it may lead to more focus on asset recovery in Indonesia.

187. AGO has developed written guidelines to guide the work of the ARC. Based on these guidelines, for high-risk crime, the ARC will initiate asset seizure, management and pursue confiscation and recovery. For example, when dealing with confiscated stocks and shares in significant amounts, the ARC will work with the Ministry of Finance, OJK and an appointed member of the stock exchange to decide how to manage the stocks and shares to prevent loss of value. Where the management of assets presents substantive costs, ARC seeks the permission of the Ministry of Finance to auction the item. Case studies reflect that these guidelines are being put into practice. Indonesia has collected more than IDR 1.66 trillion (EUR 1.1 million) from this process since 2017. Seized items that are not auctioned may be stored in the physical custody of the ARC or elsewhere, until they are no longer required as evidence and can be confiscated.
188. In order to encourage asset recovery work at the district level, prosecutors at the district level are required to input their asset recovery efforts, which is taken into account in their performance assessment. LEAs have experience in asset-tracing and most have established dedicated units that often work in conjunction with the ARC. In order to seize assets, the ARC communicates with authorities in the districts and provinces through mandate letters and if necessary, by visit to the location to manage seizures and confiscations.
189. However, although Indonesia collected and collated statistics from different agencies for the purpose of the evaluation, it was not demonstrated that Indonesia is maintaining and monitoring these statistics in a coordinated and comprehensive manner, as a matter of routine, to get a deeper and strategic understanding of the effectiveness of its asset recovery regime and to help support implementation of operational policies by different agencies. The types of assets seized are conflated (e.g., assets seized as evidence, and assets seized as instrumentalities) and there is lack of clarity as to the extent to which assets that have been confiscated to the State relate to Indonesia's risk areas. While there is a broad recognition of the importance of confiscation and asset recovery across LEAs, Indonesia has not formally developed a mature understanding of the utility of statistics at the operational level that would inform the concrete goals of each agency and help determine whether current confiscation and asset recovery efforts are proactive, optimal and effective and the challenges they face in achieving the desired outcomes.

Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

190. PPATK is able to suspend or postpone financial transactions for up to five business days where there is suspicion of a criminal offence in order to avoid the flight of illicit assets (known as postponed transactions). This can be used as a means to preserve evidence as well as a prelude to asset confiscation. As displayed in Table 3.12 (below), PPATK has utilised this power in relation to a variety of offences and to some extent, in line with Indonesia's risks. Although there has been an increase in the use of this power in recent years, the number of such freezing actions remains small for Indonesia's risk and context. Since 2017, total of IDR 90 billion (EUR 6 million) has been confiscated using through this mechanism, relating mostly to offences involving fraud, embezzlement and cybercrime. Indonesia also explained that the significant increase in 2022 was due to a sharp increase in fraud cases as well as some high-level corruption cases.

Table 3.12. Freezing of financial transactions by PPATK (postponed transactions)

Predicate offences	2017	2018	2019	2020	2021	2022 (until June)
	Nos of postponed transactions					
ML	0	0	13	0	10	0
Corruption	8	0	0	0	0	130
Narcotics	0	0	19	1	54	0
Fraud, embezzlement, cybercrime	44	25	18	87	115	379
Tax offences	0	0	0	0	0	25
Forestry and environmental crime	0	0	0	0	0	0
TF	0	18	0	11	18	3
Other crimes	0	85	26	0	23	30
Total	52	128	76	99	220	567
Total value of the frozen transactions	No information	No information	IDR 233 trillion (EUR 15.4 billion)	IDR 138 trillion (EUR 9.11 billion)	IDR 55 million (EUR 3 637)	IDR 851.7 billion (EUR 56.3 million)
Total value of resulting confiscations	IDR 8.7 billion (EUR 580 000)	IDR 5.5 billion (EUR 370 000)	IDR 2 billion (EUR 130 000)	IDR 64 billion (EUR 4.2 million)	IDR 1.7 billion (EUR 110 000)	IDR 8.6 billion (EUR 570 000)

191. LEAs seize criminal proceeds and instrumentalities of crime during the investigation stage both to preserve evidence and/or to pursue confiscation and recover assets for restitution. At the conclusion of the case, the courts have the power to confiscate these assets. However, no separate data was provided by Indonesia to AT to show how effectively instrumentalities of crime are being confiscated in Indonesia, as data detailing the seizure and confiscation of instrumentalities is not maintained by Indonesia. Where further evidence of such property (i.e., proceeds of crime, property purchased from proceeds of crime or property belonging to the offender that can be used to recover State loss) emerges as the investigation progresses, further seizures are ordered by prosecutors or judges at a later stage. All seized property is liable to be confiscated upon conviction. The table below (Table 3.13) shows Indonesia's efforts at asset seizure across the offences. As mentioned in IO.7, ML investigations are often undertaken at a later stage or at the conclusion of a predicate offence investigation with a view to assist asset recovery which provides the opportunity for asset dissipation between the point in time when investigation into the crime begins and when ML investigations lead to the identification of assets related to the proceeds of crime.

Table 3.13. Seizures in Indonesia by crime type

Offence	2017	2018	2019	2020	2021	2022 (to June)	Total
Corruption and related ML (INP, KPK, AGO)	IDR 2.1 trillion (EUR 136 million)	IDR 3.2 trillion (EUR 210 million)	IDR 1.05 trillion (EUR 70 million)	IDR 927 billion (EUR 69 million)	IDR 12.68 trillion (EUR 840 million)	IDR 261 billion (EUR 17 million)	IDR 20 trillion (EUR 1.34 billion)
Narcotics and related ML (INP, BNN)	IDR 60 billion (EUR 4 million)	IDR 178.3 billion (EUR 12 million)	IDR 180.9 billion (EUR 12 million)	IDR 101 billion (EUR 6.7 million)	IDR 483 billion (EUR 32 million)	IDR 27 billion (EUR 1.8 million)	IDR 1.03 trillion (EUR 68 million)
TF (INP)	IDR 165.5 million (EUR 11 000)	0	IDR 253 million (EUR 16 740)	0	IDR 1.25 billion (EUR 82 460)	0	IDR 1.66 billion (EUR 110 190)
Forestry & environmental crime, and related ML (INP and KLHK)	IDR 320 million (EUR 21 170)	IDR 10 billion (EUR 664 500)	IDR 91.6 billion (EUR 6.06 million)	IDR 282 billion (EUR 18.7 million)	IDR 22.9 billion (EUR 1.5 million)	IDR 1.15 billion (EUR 76 210)	IDR 408 billion (EUR 27 million)
Tax crimes and related ML (DG Tax)	IDR 15 billion (EUR 990 000)			IDR 41 billion (EUR 2.8 million)	IDR 1.1 trillion (EUR 73.5 million)	IDR 24.5 billion (EUR 1.6 million)	IDR 1.2 trillion (EUR 78.8 million)
Customs and excise crimes and related ML (DGCE)	IDR 113.5 billion (EUR 7.5 million)	IDR 139.5 billion (EUR 9.2 million)	IDR 171.2 billion (EUR 11.3 million)	IDR 281 billion (EUR 18.6 million)	IDR 126.8 billion (EUR 8.4 million)	IDR 74.5 billion (EUR 4.9 million)	IDR 906.3 billion (EUR 60 million)
Other crimes (INP)	IDR 25 billion (EUR 1.7 million)	0	0	IDR 142 billion (EUR 9.4 million)	IDR 359.6 billion (EUR 23.8 million)	IDR 658 billion (EUR 43.5 million)	IDR 1.12 trillion (EUR 78.3 million)
Total	IDR 7.3 trillion (EUR 482 million)			IDR 1.8 trillion (EUR 120 million)	IDR 14.8 trillion (EUR 989 million)	IDR 1.05 trillion (EUR 70 million)	IDR 24.9 trillion (EUR 1.67 billion)

192. The ARC plays a key role in the process to recover and confiscate assets. It conducts its work at several levels to coordinate activities related to asset tracing, seizing, maintaining, confiscating and recovering. The tracing work begins with the appointment of an Asset Tracking Team consisting of asset recovery practitioners, prosecutors and other functional members of the ARC, who work together to conduct profiling and mapping of suspects and their assets using financial intelligence, other information obtained in cooperation with other relevant agencies as well as through ARC's own investigations.

193. The ARC works in coordination across different LEAs and authorities. KPK generally handles its own asset management for their corruption investigations, but the ARC may engage KPK to obtain information on suspects and their assets. One useful source of information is KPK's public official asset declaration database from which the ARC can obtain the wealth profile and source of income of public officials. More commonly, ARC also engages authorities such as land and motor vehicle registries for ownership information to trace the illicit wealth of criminals. Since 2017, confiscation orders have been obtained for 668 505 square metres of land, 27 houses and 6 890 vehicles. The bulk of these orders is for offences relating to corruption, narcotics, fraud, embezzlement and cybercrime, which are high ML risk in the context of Indonesia. However, the confiscation figures for KLHK are low considering the size of proceeds expected to be generated from both the predicate crimes and related ML offences, as confirmed by the KLHK authorities at the on-site. Aside from KLHK, the significance of this does not appear to be appropriately appreciated by other authorities such as the PPATK and this prevents asset recovery for forestry and environmental crimes to be treated as priority in Indonesia.
194. Confiscation of the assets is carried out by the prosecutor using criminal, civil or administrative mechanisms in accordance with the law. The ARC's work also includes the management of seized assets through auction sales, recovery of confiscated State-owned assets through grants, exchanges or inclusion as government capital, repatriation of assets to victims, as well as asset forfeiture on the basis of asset recovery requests from foreign countries. The AT was taken through several instances of how the authorities used sophisticated methods to maintain the value of assets seized, including engaging expertise from other State authorities if needed. Seizing and managing virtual assets is an area where the ARC is seeking to develop its expertise through working with CoFTRA, especially after the experience of having lost a trail of illicit virtual assets in an investigation due to not having the expertise of maintaining a crypto wallet to seize such assets.
195. Overall, Indonesia has obtained court orders for the confiscation of substantial assets utilising a variety of mechanisms. Between 2017 and June 2022, the amount involved IDR 105.5 trillion (EUR 7 billion) in assets, which is significant. The proportion of confiscation by crime type (Table 3.14) appears to be generally in line with Indonesia's risk profile. As expected and consistent with its risk profile, the most significant sums are in relation to corruption offences. However, for some other risk areas such as narcotics and fraud, the amounts are not in line with its risk profile.
196. While confiscation relating to tax crime is relatively small, Indonesia uses various forms of administrative methods to recover undeclared or under-declared taxes. Between 2017 and June 2022, Indonesia has recovered a total of IDR 218 trillion (EUR 15.5 billion) in recovered taxes as well as in interest and penalties. Indonesia's Law 7/2021 about Harmonisation of Tax Regulations is a voluntary tax compliance (VTC) scheme that applies over the period between 1st January and 30 June 2022. The aim is to improve tax compliance and increase national revenues by providing individuals and corporate taxpayers to disclose repatriated or foreign assets or previously undisclosed funds or assets. The VTC legislation has transparency and other safeguards to prevent ML/TF risks arising from the implementation of the scheme and does not prevent law enforcement action where there is indication of criminal activity involving the funds, including ML activity.

Table 3.14. Confiscation as ordered by the court (by crime type)

Predicate offence	2017	2018	2019	2020	2021	2022 (to June)	Total
ML	IDR 5.05 billion (EUR 333 870)	IDR 25.8 billion (EUR 1.7 million)	IDR 1.2 billion (EUR 76 500)	IDR 125 billion (EUR 8.3 million)	IDR 144.7 billion (EUR 9.6 million)	IDR 754 million (EUR 50 000)	IDR 301 billion (EUR 20 million)
Corruption	IDR 327.5 billion (EUR 21.7 million)	IDR 916 billion (EUR 60.6 million)	IDR 1.16 trillion (EUR 76.6 million)	IDR 492 billion (EUR 32.6 million)	IDR 31.2 trillion (EUR 2.07 billion)	IDR 43.3 trillion (EUR 2.9 billion)	IDR 77 trillion (EUR 5.2 billion)
Narcotics	IDR 18.1 billion (EUR 1.2 million)	IDR 742 million (EUR 49 090)	IDR 7.5 billion (EUR 499 300)	IDR 11 billion (EUR 727 400)	IDR 23 billion (EUR 1.5 million)	IDR 399 million (EUR 26 390)	IDR 61.16 billion (EUR 4.05 million)
Fraud, embezzlement, cybercrimes	IDR 6.2 billion (EUR 406 000)	IDR 3.7 billion (EUR 250 000)	IDR 16.5 billion (EUR 1.1 million)	IDR 5.6 billion (EUR 370 000)	IDR 7 billion (EUR 464 000)	IDR 146 million (EUR 9 650)	IDR 39 billion (EUR 2.6 million)
Forestry & environmental crimes	0	IDR 16.8 trillion (EUR 1.1 billion)	IDR 1.3 trillion (EUR 86.2 million)	IDR 1.37 trillion (EUR 90.3 million)	IDR 1.26 trillion (EUR 83.4 million)	IDR 1.16 trillion (EUR 76.4 million)	IDR 21.9 trillion (EUR 1.5 billion)
TF	IDR 164.6 million (EUR 10 900)	0	IDR 253 million (EUR 16 740)	0	IDR 1.2 billion (EUR 82 460)	0	IDR 1.7 billion (EUR 110 090)
Tax crimes	0	IDR 2.2 billion (EUR 147 000)	0	0	0	0	IDR 2.2 billion (EUR 147 000)
Other crimes	IDR 134.6 billion (EUR 8.9 million)	IDR 133 billion (EUR 8.8 million)	IDR 116 billion (EUR 7.7 million)	IDR 116 billion (EUR 7.7 million)	IDR 139 billion (EUR 9.2 million)	IDR 70 billion (EUR 4.7 million)	IDR 592.5 billion (EUR 39.2 million)
Transnational asset recovery ⁷	IDR 2.8 trillion (EUR 188 million)	0	0	0	IDR 84.5 billion (EUR 5.6 million)	IDR 762 billion (EUR 50.4 million)	IDR 3.7 trillion (EUR 244 million)
Total	IDR 3.3 trillion (EUR 220 million)	IDR 17.9 trillion (EUR 1.2 billion)	IDR 2.6 trillion (EUR 172 million)	IDR 2.1 trillion (EUR 140 million)	IDR 32 trillion (EUR 2.1 billion)	IDR 45.2 trillion (EUR 3 billion)	IDR 105.5 trillion (EUR 7 billion)

⁷ This includes assets confiscated in Indonesia for foreign requests as well as assets confiscated abroad on Indonesia's request.

Box 3.9. Jiwasraya (2020) - Complex asset management by ARC (See IO.7)

Jiwasraya, a State-owned enterprise, was used by HT and BT to embezzle through corruption and launder a total of IDR 16.8 trillion (EUR 1.1 billion) through the enterprise and other companies and accounts, as well as through the purchase of vehicles in the names of the offenders, third parties and other companies. Money was spent on gambling as well as on assets abroad, which was uncovered through formal and informal international cooperation.

The AGO set up an asset tracing team that was independent from the investigating team. The team obtained financial information from various Indonesia authorities (e.g., DG Tax, land and motor vehicle registry, KPK) as well as their investigative powers to obtain financial transaction information from banks to profile the suspects and to find the link between the illicit proceeds and assets. As company structures were used to layer and disguise the illicit funds, AGO also coordinated with OJK for shares information and MLHR for company information.

The assets seized included 3 companies, 21 cars, 1 motorcycle, luxury items, insurance policies, real estate and IDR 11 billion (EUR 735 000) in cash.

In order to preserve the value of the assets, the ARC appraised the assets and auctioned off land, stocks and shares, as well as luxury vehicles. An uncompleted luxury boat was auctioned off for IDR 5.5 billion (EUR 363 800). Assets that could not be sold were kept by the ARC. The auction of stocks and shares as well as the re-structuring of Jiwasraya had to be carefully managed with the Ministry of Finance so as not to cause a fall in the value.

In order to retribute the State loss caused by the embezzlement, the ARC is considering the possibility of pursuing share assets of the offenders as well as licenses for mining operations as assets of equivalent value.

Through international cooperation mechanisms, Indonesia is also pursuing assets purchased in regional countries in the names of third parties with the proceeds of crime.

197. Indonesia employs several methods to realise confiscation orders. Cash and money in bank accounts can be forfeited relatively quickly. Other assets can be auctioned off to realise the value, but these take longer to do so. Indonesia also extensively employs legislation that allows confiscation of equivalent value for State loss in corruption and tax crimes in realising the value of assets that have been ordered for confiscation. It is to be noted that out of the total sum realised, IDR 2.4 trillion (EUR 163 million) was realised using this method for corruption offences. However, the ability to confiscate equivalent value is limited and is not available for other offences generally (see c.4.1(d)). This risks asset dissipation of proceeds of crime in view of the observation in IO.7 that ML investigations commence at a later stage. In such cases, the ability to confiscate equivalent or corresponding value becomes an extremely useful tool in relation to the recovery of assets.
198. The table below (table 3.15) reflects to the total value of assets realised over the assessment period. KLHK was not able to provide data on the value of assets realised to the State but noted difficulties with executing confiscation orders relating to forestry and environmental crime and their proceeds. Approximately half of the total amount realised relate to corruption offences. However, the Indonesian authorities were not able to provide further breakdown data on the assets realised by crime type and as such there is no evidence that asset recovery in relation to other risk areas, including forestry and environmental crime, narcotics and fraud, and their proceeds are in line with its risk. Overall, less than 10% of assets identified for confiscation have ultimately been confiscated which suggests that Indonesia should do more to ensure that the court orders that identify assets for confiscation are realised.

Table 3.15. Total value of assets realised from confiscation orders (excluding KLHK)

	2017	2018	2019	2020	2021	2022 (to June)	Total
Value of assets realised	IDR 877.5 billion (EUR 58.6 million)	IDR 1.3 trillion (EUR 87.7 million)	IDR 1.3 trillion (EUR 87.7 million)	IDR 819 billion (EUR 55 million)	IDR 970 billion (EUR 65 million)	IDR 2.9 trillion (EUR 192.5 million)	IDR 8.2 trillion (EUR 546 million)

199. Indonesia also confiscates assets for repatriation to victims as reflected in Table 3.16 below. As expected, most of the confiscation returned to victims relate to offences of fraud, embezzlement and cybercrime (e.g., Altea below).

Table 3.16. Repatriation of assets to the victim

	2017	2018	2019	2020	2021	2022 (to June)	Total
Corruption asset recovery – equivalent value	IDR 260.4 billion (EUR 17.2 million)	IDR 262.4 billion (EUR 17.4 million)	IDR 634.7 billion (EUR 42 million)	IDR 119.4 billion (EUR 7.9 million)	IDR 18.4 trillion (EUR 1.2 billion)	IDR 32 trillion (EUR 2.12 billion)	IDR 51.8 trillion (EUR 3.43 billion)
Cash asset recovery – returned to victim	IDR 4 billion (EUR 272 260)	IDR 41 billion (EUR 2.7 million)	IDR 12.8 billion (EUR 845 240)	IDR 611.6 million (EUR 40 460)	IDR 7 billion (EUR 469 150)	IDR 6.2 billion (EUR 413 400)	IDR 71.8 billion (EUR 4.75 million)

Box 3.10. Altea (2020) - Repatriation of proceeds of fraud and cybercrime (see IO.7)

During the pandemic, a company was set up in Indonesia which was used to launder money that was proceeds of a medical equipment fraud. Payments from an Italian company amounting to IDR 59 billion (EUR 3.9 million) were diverted to an Indonesian bank account of a company set up in Indonesia. The funds in the account were transferred to several other accounts and then used to purchase assets such as houses and vehicles as well as for debt repayments. (see IO.7). The evidence of the foreign victims was admitted through signed statements as well as heard by the court electronically (due to travel restrictions during the pandemic). The ARC worked closely with the AGO and the PPATK to freeze IDR 560 million (EUR 37 040) in Indonesia, which was repatriated to victims in Italy.

200. Indonesia's laws (Article 67 of the ML Law) provide for confiscation in the case of death or flight, or on a no objection basis in the case of suspended transactions by PPATK and this has been utilised by Indonesian authorities. In relation to this, Indonesia has obtained confiscation court orders for a total of IDR 116.9 billion (EUR 7.8 million) since 2017. Some LEAs at the on-site noted that civil non-conviction-based confiscation laws would be another useful tool to pursue illicit proceeds.

Confiscation of falsely or undeclared cross-border transaction of currency/BNI

201. In July 2022, the Director General of Customs and Excise (DGCE) published a SRA of ML/TF through Cross-Border Cash Carrying (CBCC), which covered cash carrying by passengers (by air, land, or sea) and carrying cash through cargo. It did not cover carrying cash through the postal system. It assigned risk categories by currency (Singapore and US dollars being allocated the highest risk), country of origin and destination (Singapore being allocated the highest risk), customer profile (money changers being allocated the highest risk), and by method (airports being the highest risk, seaports being medium, and commercial cargo and land borders being low risk). Based on the SRA, the Passenger Risk Management (PRM) application was introduced into the goAML and data is used for profiling to aid in the detection of cash couriers.

202. Indonesia has implemented a CBCC declaration system at all its formal border crossings (see R.32) requiring a declaration by any person arriving or departing Indonesia carrying IDR 100 million (EUR 6 615), or in an equivalent amount in foreign currency or more in cash or BNI. Failure to do so, or under-declaring attracts an administrative penalty of 10% of the cash and/or BNIs not/ under-declared, up to a maximum amount of IDR 300 million (EUR 19 845). The current sanction, particularly the low upper limit and the lack of stronger penalties for repeat offenders raises concerns as to whether they are proportionate and dissuasive. Indonesia notes that there have been only 3 cases of repeat offenders found at the airports since 2019. Between 2016 and May 2022, Indonesia reportedly took administrative action for cash not declared or incorrectly declared in 797 cases, with more than 90% taking place at airports.

Table 3.17. Action taken for cash courier violations

	2017	2018	2019	2020	2021	2022 (to May)	Total
No. of cases of non/under-declared cash	164	157	326	73	34	43	797
Administrative fines for cash courier violation	IDR 3.8 billion (EUR 253 250)	IDR 8.4 billion (EUR 560 000)	IDR 12.7 billion (EUR 843 510)	IDR 2 billion (EUR 129 530)	IDR 3.3 billion (EUR 213 350)	IDR 1.4 billion (EUR 85 320)	IDR 31.7 billion (EUR 2.1 million)

203. As some of its international airports have been identified as high risk for cash carrying across borders, Indonesia employs passenger risk management by developing passenger profiles and supervising passenger pre-arrivals using airline manifests where available. Indonesia raised the issue of one European airline not supplying passenger manifests to DGCE citing a prohibition to do so under the European General Data Protection Regulation, although this is mitigated by the collection of such data during the immigration process after landing. Upon arrival, customs officers use X-rays and canine searches and where necessary, body searches and interviews to search for unauthorised cash imports. One challenge is monitoring passengers who repeatedly carry cash just below the reporting threshold for potential ML. DGCE addresses this through reporting such activity in goAML when detected. DGCE seeks to continually improve the training of its officers to keep up with cross border trends relating to transnational crime.
204. The law requires the DGCE to inform PPAATK of (i) any received cash and/or BNIs transactions report, (ii) any examination made on suspicion of non-declared or under declared cash and/or BNIs and (iii) any administrative fines imposed for undeclared or non-declared cash and/or BNIs. Between 2017 and May 2022, DGCE submitted 12 228 CBCC reports to PPAATK. Where an offence such as smuggling, ML/TF is suspected, the relevant LEA will take over the investigation. While there is no data as to how often this has occurred, the case of Nina Liando below is the one case where the ML was detected from a CBCC reporting.

205. Indonesia has MOUs and other mechanisms for cooperation and coordination with other authorities to exchange information and intelligence for the purpose of criminal investigations, asset tracing, evidence management, policy development and training. The case studies shared with the AT reflect that domestic coordination on investigations are effective and working well in practice. However, despite the fact that the 2022 SRA identified several regional countries to be of significant risk for cash carrying across the borders, there does not appear to be a significant level of cooperative arrangements and mechanisms at the Customs and Excise levels with these countries. DGCE entered into an international cooperative arrangement with the Australian Border Force in 2019 on a CBCC case, and DGCE would benefit from developing more such arrangements particularly with regional countries presenting significant risks.
206. The limited prescribed sanctions, penalties applied as well as the apparent lack of follow up on ML investigation for undeclared CBCC/BNI, is not consistent with Indonesia's cross border risk as identified by the 2022 SRA. Although the focus of illicit cash at airports is a reasonable measure due to the high risk, the number of detections at seaports and land is extremely low and Indonesia did not demonstrate that it was adequately addressing ML through cross border movement of cash/BNI.

Box 3.11. Nina Liando (2018) - ML investigation into cash carrier

DGCE submitted a CBCC report to PPATK in conjunction with intelligence from BNN that the cash being carried is related to drug smuggling. PPATK collected financial intelligence on the suspect and prepared a profile based on her accounts and money changer business in the Netherlands. Evidence collected through the cooperation of the authorities resulted in the suspect being convicted for ML and sentenced to 3 years imprisonment and her assets amounting to IDR 557 million (EUR 36 815) being confiscated.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

207. Indonesia demonstrated its ability to seize a range of assets for ML/TF and associated predicate offences broadly consistent with its national priorities and risk profile. The majority of seizures and assets identified for confiscations relate to ML, drug trafficking, fraud and tax crime, which are identified in the 2021 NRA as being the predicate offences that generate the most criminal proceeds. However, except for confiscations related to corruption, the value of assets actually confiscated is not in line with the AT's understanding of the levels of these crimes in Indonesia.
208. KLHK's recent increased focus on ML investigations for forestry and environmental crime and asset recovery in this area is encouraging.
209. Based on the data, TF confiscations, although have risen significantly since 2018, are also small compared to the risks in this area. This may be explained by the fact that TF related activities in Indonesia generally involve smaller amounts of money, but more can be done to confiscate assets of persons who abuse legal persons to raise money for TF (See IO.9).

210. Indonesian authorities pursue assets located abroad through using a range of informal international cooperation processes and to a lesser extent through mutual legal assistance (see IO.2). The 2021 NRA identified regional and international countries which are foreign predicate crime risks as well as countries where the proceeds of Indonesia's high-risk crimes are laundered and at the on-site. For example, BNN reported that significant volume of criminal proceeds derived from narcotics is transferred abroad. Indonesia discussed some cases of cooperation (e.g., Jiwasurya above) and these reflect Indonesia's ability to pursue illicit proceeds abroad. However, the total sums relating to transnational asset recovery are not in line with the risks in this area. In particular, court orders for confiscation through transnational asset recovery (for both incoming and outgoing requests) have only been obtained for IDR3.7 trillion (EUR 244 million) since 2017, and there is no clarity on how much of this has been realised.

Overall conclusion on IO.8

Indonesia has strong legal and organisational framework for asset recovery which is well socialised among LEAs and public prosecutors. The ARC in the AGO effectively supports, coordinates, and enhances LEAs' asset tracing and recovery efforts domestically and internationally. It also manages seized assets to preserve their value until final confiscation. There is strong coordination among Indonesian authorities to share information to support LEAs' pursuit of illicit proceeds. Indonesia is less effective in recovering assets located abroad and the statistics show that the total sums relating to transnational asset recovery confiscated are not in line with the risks in this area. Confiscation figures for forestry and environmental crime is small considering the size of proceeds expected to be generated from both the predicate crimes and related ML offences. Overall, less than 10% of assets identified for confiscation have been realised to the State, with approximately half of this relating to corruption or corruption proceeds. Asset recovery efforts are thus not being effectively applied for other offences, including in relation to narcotics and fraud and their proceeds. The lack of ability to confiscate assets of equivalent value outside of cases involving State loss, corruption, and tax raises some concerns. Both, the applicable sanction for under/non-declaration of cash/BNIs and the number of administrative fines issued for this are low.

Indonesia is rated as having a moderate level of effectiveness for IO.8.



Chapter 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 9

- a) Indonesia's Task Force led by the National Counter Terrorism Agency (NCTA) is comprised of the State Intelligence Agency (BIN) for intelligence, Indonesia's National Police (INP) for investigations, BNPT for policy development, the FIU (PPATK) for financial intelligence and the Attorney General Office for prosecutions. The Task Force comprehensively covers all aspects of counter terrorism/TF to demonstrate that Indonesia is fully committed to countering terrorism and its financing.
- b) The Attorney General's Office handles all prosecutions of terrorism and TF cases and works in close coordination with Detachment 88 (a specialised counter terrorism unit of the INP) and other authorities in the NCTA to ensure that investigations are completed in a way that will support successful prosecutions.
- c) Statistics and case studies provided by Indonesia show the number and type of prosecutions are generally consistent with Indonesia's TF risk profile. For example, given that funds used for terrorist attacks in Indonesia are primarily derived from domestic sources, such as donations by supporters, the majority of cases (investigation, prosecution and conviction) involving collection is consistent with the identified TF risk. In addition, FTFs returning home following the collapse of the ISIS caliphate feature prominently in the CT and CFT strategy. However, more can be done to monitor the financing associated with all these individuals.
- d) Since 2018, most TF preliminary investigations were not linked to a terrorist attack and were investigated as a distinct criminal activity. However, following an attack, PPATK and Detachment 88 have the capability to conduct parallel financial investigations to determine how the attack was financed and to identify additional suspects and/or the terrorist network.
- e) PPATK is the lead coordinator of the National TF Risk Assessment, which is used to prepare the National Counter Terrorist Financing Strategy by the PPATK. Relevant authorities feed information directly into both documents at all stages. In addition, the NTFRA is shared with targeted private sector partners to raise awareness as well as to get feedback and ensure accuracy. The strategy is in line with the country's risks and vulnerabilities and takes advantage of the broad suite of tools and authorities available to comprehensively address TF in Indonesia.
- f) Since 2018, the average prison sentence for TF cases is 4-5 years and the average fine is IDR 50 million (EUR 3 300). The penalties imposed by the

courts for TF are reasonable but are consistently less than those recommended by prosecutors. This is because Judges are placing greater emphasis on mitigating factors such as repentance, rather than aggravating factors such as consequences, when making their judgment.

Immediate Outcome 10

- a) Indonesia has put in place a legislative framework for the implementation of TFS, though it is not without delay. The process for the domestic implementation of UNSCRs 1267/1988 and 1373 listing requires the DTTOT Task Force (consisting of the MoFA, PPATK, Special Detachment 88, SIA and BNPT) agreement, and subsequent approval by the Central Jakarta District Court (CJDC). The CJDC intervention in the process is limited to verify the procedural steps set out in the domestic framework. No instances where the CJDC has refused a listing were reported by Indonesia.
- b) In practice, Indonesia provided details showing that the implementation of TF-TFS can happen without delay in practice. The time gap between UN 1267 listing domestic designation by Indonesia, and the implementation of the freezing obligation by financial institutions was less than 24 hours for at least 29 listings and delisting and less than 48 hours for at least nine listings and delistings over the review period.
- c) Indonesia has made use of the UNSCR 1373 TFS framework to combat its high TF risk, listing 24 individuals and 23 entities on the DTTOT List in the review period. Indonesia has not requested a foreign jurisdiction to designate an individual/entity and has not listed any upon foreign request. This does not seem to be entirely in line with the risk and context of Indonesia.
- d) The updated 2022 NPO SRA identifies 32 NPOs as high risk, however the methodology used is not robust. Indonesia reinforced its legislative and regulatory framework and has advised that it publishes documents to raise awareness about potential TF vulnerabilities. However, the AT has a concern that NPO risks have not been wholly understood and at-risk NPOs have not been targeted for outreach or proportionate measures, on an ongoing and systematic basis.
- e) From 2017 to 2022, Indonesia froze 134 financial institutions' accounts for a total amount of IDR 793.97 million (EUR 52 518) and seven immovable properties in response to designations made by the UN, as well those belonging to other terrorists/terrorist groups. Indonesia provided one case example to demonstrate their use of network analysis to conduct pre-emptive tracing. Indonesia also reports that they have confiscated other movable assets (laptops, phones, vehicles) related to terrorists and terrorist organisations, though their value is uncertain.

Immediate Outcome 11

- a) Indonesia has taken steps to address some shortcomings in their legal framework for PF-TFS. Some gaps remain (See R.7) that have an impact on effectiveness. Indonesia have designated all Iranian individuals/entities listed in the UNSCR 2231 to the WMD list, and DPRK-related individuals and

entities listed on the UNSCR 1718 sanctions list since the 2018 APG assessment.

- b) The time gap between UN listing of persons and entities, domestic designation by Indonesia, and the implementation of the freezing obligation by financial institutions was less than 24 hours over the review period.
- c) According to authorities, Indonesia has financial/trade activity linked to DPRK and Iran but has had no exposure to persons or entities designated under the relevant UNSCRs. 197 PF related STRs had been filed by FIs, none of which were found by the authorities to have ties to designated persons or proliferation related activities. Consequently, no funds or other assets of designated persons/entities had been identified or frozen. With respect to DPRK, however, Indonesia's financial/trade activity may expose Indonesia to violations under UNSCRs relating to the combating of financing of proliferation.
- d) In general, large FIs are aware of their PF-TFS obligations related to Iran and DPRK. However, small FIs and DNFBPs have not demonstrated a good understanding of their obligations. Understanding in the banking, capital market and finance and insurance sectors is better than in the money changers and MVTS sectors.
- e) Major FIs demonstrated a sound understanding of their obligations regarding PF TFS and they have internal controls in place. Smaller financial institutions are not employing mitigation measures beyond list-based screening and DNFBPs are not implementing mitigation measures regarding PF. Challenges faced by institutions to identify BO (See IO.4 and 5) impede their ability to effectively guard against sanction evasions.
- f) The OJK addresses PF compliance in a rounded approach during on-site inspections and does not only consider adequacy of screening. Outreach by supervisory authorities has contributed to ensuring compliance with PF requirements by FIs. However, FIs' internal audit and sanctions screening failures have figured in a number of supervisory inspections, which suggests there is a gap in PF TFS implementation. Outreach to DNFBPs is to a lesser extent.

Recommended Actions

Immediate Outcome 9

- a) PPATK should continue to increase the number of registered authorities in SIPENDAR across all relevant sectors.
- b) Indonesia should continue, and where necessary expand its coordination among LEAs, intelligence agencies and financial intelligence unit to monitor financial transactions associated with FTFs who have returned from conflict areas.
- c) Indonesia should continue to pursue criminal investigations into and prosecute individuals who abuse NPOs for the purpose of TF.
- d) Indonesia should consider improving the awareness on sentencing orientation points for the courts that hear terrorism and TF cases so that aggravating factors that feature in the prosecutor's recommended sentences are given appropriate consideration.

Immediate outcome 10

- a) Indonesia should continue to implement targeted financial sanctions pursuant to UNSCR 1267/1988 and UNSCR 1373 without delay. Indonesian supervised entities, and particularly DNFBPs, should continue to implement targeted financial sanctions without delay.
- b) Indonesia should support reporting entities' ability to identify sanctions evasion activity beyond list-based screening practices, including through the regular dissemination of typologies reports, network analysis training and guidance, to enhance the effectiveness of the implementation of targeted financial sanctions. Particular emphasis should be placed on DNFBPs and small domestic institutions.
- c) Indonesia should leverage UNSCR 1267/1988 mechanism to independently nominate individuals and entities for designation to the UN and should extend requests to other countries for 1373 designation, to enhance the impact of sanctions beyond Indonesia's jurisdiction.
- d) Indonesia should ensure that the methodology and process to identify the CSOs/Ormas that meet the FATF NPO definition and those that are at-risk of TF abuse is comprehensively reviewed, documented, and the resulting information shared with the relevant authorities.
- e) Indonesia should increase targeted outreach to NPOs, in particular those at high and medium risk of abuse for TF on a sustained and ongoing basis and ensure appropriate risk-based supervision and risk mitigation, including targeted and proportionate sanctions for violations by NPOs or persons acting on their behalf.

Immediate Outcome 11

- a) Supervisors (except OJK) should build and implement a more comprehensive compliance-ensuring programmes for PF-TFS. The supervisory and monitoring regime in terms of frequency and scope of inspections should be strengthened.
- b) DNFBP supervisors should specifically include PF related TFS as part of their supervisory function, including in their audits of reporting entities.
- c) Enhanced and targeted outreach to raise PF awareness for smaller FIs and DNFBPs, including prevention of sanctions evasion by beneficial owners and other associated persons, should be prioritised.
- d) Indonesia should continue to take measures to detect PF-related activities relating to designated entities, including monitoring money flows and conducting network analysis related to PF, and to take enforcement measures to counter proliferation-financing.
- e) Indonesia should address the technical deficiencies identified under R.7.

211. The relevant Immediate Outcomes considered and assessed in this chapter are IO.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5-8, 30, 31 and 39, and elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

Immediate Outcome 9 (TF investigation and prosecution)***Prosecution/conviction of types of TF activity consistent with the country's risk-profile***

212. Indonesia assessed its TF risk most recently in the updated Risk Assessment on CFT 2019 (CFT NRA 2019) and then in a holistic risk assessment on ML, TF and PF in 2021. Based on the analysis in these assessments, Indonesia has demonstrated a good understanding of TF risks faced domestically and internationally. TF activity in Indonesia primarily involves financial support for domestic terrorist organisations through donations from sympathisers or through the abuse of formal NPOs and using social media. The 2021 risk assessment notes that this risk has decreased since 2018. Self-funding also features predominantly with sympathisers or terrorists themselves, who sell their property and businesses to procure arms and finance travel to go overseas as foreign terrorist fighters (FTFs). Cash transactions remain a high risk for TF as these do not leave a trace, although non-bank licensed fund transfer services are also used due to their fast service and far reach. The 2021 risk assessment also reports funding from legitimate business activities obtained by the perpetrators of TF and their sympathisers.
213. The 2021 risk assessment notes the recent weakening of the influence of ISIS globally and consequently in Indonesia, but it remains a threat, particularly in relation to returning FTFs. However, there are established and organised domestic terrorist organisations that support ISIS as well as Al-Qaeda. These include Jamaah Ansharut Daulah (JAD), Mujahidin Indonesia Timur (MIT), Jamaah Islamiyah (JI) and Jamaah Ansharusy Syariah (JAS).

214. In Indonesia, the decision to prosecute TF or terrorism related offences rests with the Attorney-General's Office (AGO). Prosecutors in the Terrorism and Transnational Crime Directorate work in close coordination with Detachment 88, a specialised counter terrorism unit of the INP, to ensure that investigations are completed in a way that will support successful prosecutions. As a matter of policy, Detachment 88 and the AGO coordinate at an early stage of the investigation to enhance effectiveness. The AGO has 49 prosecutors that handle terrorism and TF cases. Due to security reasons, all terrorism and TF cases are tried in Jakarta, specifically the East Jakarta District Court.
215. Since 2018, the AGO has prosecuted 90 terrorism/TF cases and obtained convictions in 58. Table 4.1 shows TF investigation, prosecution and convictions in Indonesia since 2017.

Table 4.1. TF Investigation, Prosecution and Conviction Cases in Indonesia

	2017	2018	2019	2020	2021	2022 (until June)	Total
TF Investigation	23	7	17	27	71	5	150
TF Prosecution	18	3	4	7	46	30	108
TF Convictions	17	3	4	6	44	1	75

216. The statistics show that the number and type of prosecutions are generally consistent with Indonesia's TF risk profile. Table 4.2 indicates most cases pursued involve financing and collecting funds, which is consistent with the fact that the risk of funds used for terrorist attacks in Indonesia is primarily derived from domestic donations. However, placing greater emphasis on TF cases involving movement of funds would enhance Indonesia's understanding of the broader networks supporting terrorism and the vulnerabilities being exploited in the financial system.

Table 4.2. Breakdown of TF cases investigated, prosecuted and convicted in Indonesia (2017-2022)

	Financing	Collecting funds	Moving funds	Using funds	Combination of financing, collecting, moving and using funds	Total
Investigated	29	42	6	12	61	150
Prosecuted	20	25	4	9	50	108
Convicted	18	25	4	8	20	75

217. For investigations that involve the abuse of NPOs, the case studies demonstrate that Indonesia is operationally highly capable of investigating and prosecuting complex international and multi-faceted TF cases. One example of the capability of Indonesia authorities is reflected in the case below:

Box 4.1. Syam Organiser (2021) - Abuse of NPOs

Syam Organiser (SO) is a legal entity under the control of JI, which is a terrorist organisation in Indonesia. SO was used to attract donations using both physical and online methods to raise money. Money deposited into the company was used to finance JI's terrorist activities. SO had also established three foundations, which had been registered with the Directorate General of General Law Administration, MLHR in accordance with the legal procedures. One of the foundations set up 22 businesses under the foundation to conduct social and humanitarian activities which were actually programmes run by JI. Funds collected for the social and humanitarian activities were channelled to JI. Wahyu Hidayat (WH), who was the Secretary of the foundation and helped in the collection of funds, was being investigated for terrorism. Investigation into the financial flow of WH's funds was conducted by PPATK in coordination with investigators and prosecutors. Financial information from banks as well as intelligence from arrested JI members who explained the strategy and structure of JI in using NPOs for TF, PPATK's disseminations based on analysis of STRs and information from SIPENDAR were all crucial to the results of the investigations. SO had raised IDR 33 billion (EUR 2.2 million) from the public that had been diverted to TF domestically and abroad (to foreign NPOs), with IDR 2.2 billion (EUR 146 000) transferred directly to JI. Witnesses, experts, electronic and digital evidence were used in the prosecution to show the financial linkages.

WH was sentenced to six years imprisonment and a fine of IDR 50 million (EUR 3 330) for terrorism and TF. IDR 900 million (EUR 60 000) worth of assets were seized. SO was dissolved so that it would not be able to be used further for criminality.

218. The 2021 risk assessment also identifies TF risks relating to abuse of NPOs, financing related to FTFs as well as TF activity through social media. Indonesian intelligence and law enforcement agencies affirmed this assessment at the on-site by sharing details of TF activity involving certain NPOs collecting funds through social media for humanitarian purposes. Since 2017, Indonesia has conducted 40 TF investigations involving the abuse of certain NPOs, all of which resulted in prosecutions and in 18 convictions. In almost all cases, senior management, such as the chief of those NPO, the treasurer or the founder were prosecuted for playing a central role in the scheme. However, there are no cases where prosecution was pursued against the NPO as a legal entity. Indonesia's capability in pursuing offenders who abuse NPOs and in particular their management, for TF is acknowledged. However, considering the high risk in this area, where appropriate, Indonesia should continue to focus on TF prosecution relating to offenders who abuse NPOs for TF.

219. Since 2015, Indonesia identified 178 FTFs that have returned to Indonesia. In addition, 576 individuals were sent back to Indonesia after a failed attempt to enter Syria. Since 2017, Indonesia has conducted 12 TF investigations related to FTFs and 10 TF prosecutions, all resulting in convictions. For TF activity conducted on social media, such as collecting funds through social media, Indonesia has conducted eight TF investigations and five TF prosecutions, all resulting in convictions. The number of TF prosecutions of FTFs is relatively small. However, Indonesia has a broad operational policy, which includes both law enforcement and deradicalization process to address the risks from returning FTFs as discussed below. Since 2019, the number of FTFs has decreased significantly due to external factors such as the collapse of ISIS, as well as domestic factors such as border closures due to Covid-19 and the impact of law enforcement and disruption policies concerning FTFs.

TF identification and investigation

220. Indonesia's competent authorities involved in the investigation of terrorism and TF are the Badan Intelijen Negara or State Intelligence Agency (BIN), *Badan Nasional Penanggulangan Terorisme* or National Counter Terrorism Agency (BNPT), INP including Detachment 88 within the INP, and PPATK. Detachment 88 has 193 personnel across Indonesia (including those areas identified as high risk for TF in the risk assessment) to conduct TF investigations. The *Daftar Terduga Teroris dan Organisasi Teroris* (DTTOT) task force was established as a coordination forum to verify the identification of suspected terrorist and terrorist organisations and to facilitate information sharing among agencies on terrorism and TF. The DTTOT Task Force also serves as a primary point of contact for all international requests and inquiries relating to terrorism investigations and designations. However, each participating agency has the authority to engage with their international counterparts independently of the DTTOT.
221. Investigations may be triggered from PPATK disseminations, information provided by intelligence, ongoing TF investigations or international cooperation mechanisms such as MLAs or through foreign counterparts and liaison officers (see IO.2). When TF is identified, INP, together with BNPT and BIN, will obtain the identification information of the financier from the reporting entity, conduct surveillance and employ a range of investigative tools to profile the financier. Financial investigations are an integral part of the process and investigators demonstrated they routinely submit an inquiry to PPATK to trace transactions and assets in support of the investigation. As the investigation progresses, investigators work in close coordination with their DTTOT counterparts, to include requesting additional information from PPATK to support the financial component of their investigation. As noted above, Detachment 88 consults with the AGO at an early stage through meetings to discuss the terrorism/TF investigation.

Box 4.2. TOBPI (2022) – International cooperation

SR communicated online with an Australian who wanted to fund Indonesian boarding schools. SR introduced the Australian to one Faizal in Poso and agreed to give Faizal financial aid of IDR 14 million from Australia in instalments. The funds were transferred to the account of an Islamic boarding school in Makassar through SR's account. Faizal held the ATM card of the school and withdrew the funds to purchase items to support the terrorist activity of MIT, a designated terrorist organisation.

The arrest of Faizal led to investigation against SR and the Australian. PPATK analysed the flow of funds and also cooperated with the Australian Federal Police and the Philippines authorities. The investigations revealed the involvement of certain NPOs based in Australia that had been funding MIT.

SR was convicted of TF and sentenced to six years imprisonment and a fine. Faizal is currently being prosecuted.

222. One of the challenges facing investigators that handle TF cases is that cash remains the dominant method for financing terrorism, making it challenging to investigate and prosecute TF cases. Indonesia uses innovative methods to identify the terrorist financier through granular analysis and investigation of the various roles played in the financing chain.
223. PPATK developed a centralised repository for financial intelligence that can be accessed by relevant authorities to support counter terrorism and CFT investigations. The platform is known as *Platform Pertukaran Informasi Pencegahan dan Pemberantasan Tindak Pidana Pendanaan Terorisme (SIPENDAR)*. Operational since 2021, SIPENDAR is an integrated database designed to provide two-way information sharing on money transfers of individuals and entities that are being monitored for TF. The platform contains both unclassified general information including but not limited to the TF sanction list (DTTOT list), NRAs, SRAs, typologies, as well as more specialised information such as individuals and entities on PPATK's TF watch list, which is updated every three months. The watch list is derived from STRs on TF that have gone through pre-analysis, and intelligence reports.
224. There are currently 854 reporting entities registered on SIPENDAR, which are all FIs. There are plans to register a further 4 000 entities by 2023 and to include real estate agents and motor vehicle dealers. The reporting entities are required to monitor SIPENDAR for updates to relevant watchlists and report any exposure to named individuals or entities. PPATK then uses the data submitted by reporting entities to conduct their analysis. As of the on-site, PPATK has disseminated 193 intelligence reports developed from intelligence obtained through the SIPENDAR platform. The five competent authorities (Detachment 88, BIN, BNPT, DGCE and DG Immigration) registered on SIPENDAR can directly submit a request for information to PPATK based on their own investigations. Currently, for reporting entities that are not yet registered on SIPENDAR, PPATK uses the goAML message board for this purpose.

Box 4.3. Dwi Dahlia Susanti (2021) - Use of SIPENDAR

In 2020, PPATK's analysis revealed that Susanti had made fund transfers to four terrorist suspects. Susanti was also listed as one of five Indonesians on the US Department of Justice Office of Foreign Assets Control (OFAC) for their alleged involvement in financing FTFs. PPATK put Susanti in the SIPENDAR watchlist. Responding to the listing, one bank provided data, which allowed PPATK to identify a fund transfer into Susanti's account from another suspect as well as five cash withdrawals via ATMs located in Türkiye. PPATK identified and built a profile of the additional suspects and disseminated an intelligence report to the Det88, BIN and BNPT.

Box 4.4. Kresno (2021) - standalone TF

K, a businessman, owned a bread factory. He was not a member of JI but knew some of the senior member of the terrorist organisation. K provided financial help to an Islamic boarding school that was affiliated to JI by providing rice and IDR 350 million (EUR 23 150). There was no evidence that K was involved in terrorism. Indonesian authorities conducted investigation into the financial flows, which indicated that the money was given to an intermediary to be handed to the school. The intermediary was the treasurer of JI. K was convicted of TF and sentenced to four years and six months imprisonment and fines IDR 100 million (EUR 6 620).

225. Through SIPENDAR, Detachment 88 can request financial intelligence from PPATK to support financial investigations relating to a terrorist attack as well as identify the network supporting known suspects. In response, PPATK can immediately send a data request to all reporting entities with the expectation that they respond within 24 hours. Authorities demonstrated recent efforts to conduct proactive investigations that are not always related to past attacks (see Table 4.3).

Table 4.3. Identification of TF – from terrorist incident vs independent of a terrorist incident (number of cases)

Identification of TF	2017	2018	2019	2020	2021	2022 (until June 2022)
TF Investigation						
Identified from a terrorist incident	3	0	6	2	1	0
Identified independent of a terrorist incident	20	7	11	25	70	5
TF Prosecution						
Identified from a terrorist incident	1	0	0	1	2	0
Identified independent of a terrorist incident	17	3	4	6	44	30
TF Convictions						
Identified from a terrorist incident	1	0	0	1	2	0
Identified independent of a terrorist incident	16	3	4	5	42	1

TF investigation integrated with –and supportive of- national strategies

226. The BNPT is responsible for the comprehensive development and implementation of Indonesia's counter terrorism strategy across 48 government agencies including the authorities that investigate and prosecute TF, such as Det88 and the AGO. BNPT also coordinates with relevant authorities in the municipal government and provinces. The counter terrorism strategy includes law enforcement and international cooperation. It focusses on prevention of violent extremist activities leading to terrorism through de-radicalisation of individuals by their rehabilitation and reintegration. It also contains elements of counter-radicalisation through targeted counterterrorism operations.
227. As part of its counter terrorism strategy, BNPT coordinates Indonesia's interagency national action plan which is updated annually. The plan is used to action both the counter terrorism and TF strategies. CFT policies are featured in Indonesia's counter-radicalisation strategy through the coordination and supervision of the transfer of funds used in terrorism. This involves several stakeholders, including PPATK, financial service providers and LEAs involved in the detection of funds used to support terrorism as well as civil society and international partners to identify how to address broader CT/TF challenges. This ensures that that the policies are complementary and that information sharing across stakeholders is fluid. At the on-site, BNPT described how such cooperation with other international partners led to intelligence regarding the radicalisation of Indonesian migrant workers abroad, resulting in these workers funding terrorist activity.

228. Addressing the threat posed by FTFs is a key element of the CFT efforts in Indonesia. In 2021, Indonesia produced a sectoral risk assessment (SRA) of TF by FTFs. The SRA noted that the FTFs would raise funds mostly from others through crowdfunding, funding from social media and abuse of NPOs as well as through self-funding from sales of their assets. Funds are transferred through cash or use of non-bank licensed fund transfers, as well as domestic cash withdrawals and banking services. The recommendations contained in the SRA to address FTFs include coordination among LEAs, intelligence agencies and financial intelligence unit to monitor financial transactions associated with FTF who have returned from conflict areas. This is already being conducted to an extent as BNPT and BIN monitor returning FTFs through physical surveillance as well as surveillance of their e-commerce and financial activity to check whether their financial activity is consistent with normal spending so as to prevent TF activity. However, Indonesian authorities at the on-site informed that currently, where the authorities consider that the FTFs can be rehabilitated, their financial activity are not being monitored during the rehabilitation process. Indonesia should implement the recommendation in its SRA to cover the monitoring of FTFs during the rehabilitation process to mitigate terrorism and TF risks.
229. TF risk assessments inform Indonesia's counter terrorism strategy. Investigations conducted by the LEAs were inputs into the national TF risk assessment. PPATK as well as the relevant authorities involved in counter terrorism and TF investigations and intelligence contribute to the development of the document. This forms the foundation of Indonesia's CFT strategy. The observation and results of the national TF risk assessments are shared with the relevant agencies as well as the private sector to ensure Indonesia takes a broad and multi-pronged approach toward CFT.

Effectiveness, proportionality and dissuasiveness of sanctions

230. TF is punishable by imprisonment of up to 15 years and a fine of IDR 1 billion (EUR 66 150) (see R.5), and the sentence is determined by myriad mitigating and aggravating circumstances. Between 2017 and 2022, on the average, the sentence imposed has been 4.5- and 7.5-years' imprisonment, and the average range of fine imposed is between IDR 47.3 million (EUR 3 000) and IDR 66.7 million (EUR 4 400).
231. Although the fines are relatively small, the prison sentences are reasonable. However, Indonesia informed the assessors that the prison sentences imposed by the courts were consistently lower than what was recommended by the prosecution. Based on the discussions at the on-site, it appeared to the AT that this may be due to greater emphasis on mitigating factors being considered by the courts, such as repentance and family circumstances. Indonesia also noted that in many cases, the fines were translated into additional prison time because the offenders did not have the money to pay fines. The courts also have the power to seize any assets in connection with a TF offence. Since 2017, IDR 1.7 billion (EUR 110 090) of assets in relation to TF has been confiscated (see IO.8).
232. Fines of up to IDR 100 billion (EUR 6.6 million) can also be imposed on corporate entities convicted of TF. Although no corporate entities have been prosecuted for TF, Indonesia provided examples of the management personnel of NPOs (such as the CEO, treasurer, secretary) who used the NPOs as a vehicle for TF. The abuse of NPOs for TF is of concern in Indonesia and Indonesian authorities should continue to take law enforcement action against individuals who abuse NPOs for TF as well as impose sanctions on the NPOs themselves, where appropriate.

Alternative measures used where TF conviction is not possible (e.g., disruption)

233. Indonesia places a strong focus on disrupting terrorist activity before it occurs and BNPT and BIN have conducted disruptive operations, in accordance with its national counter terrorism strategy. In doing so, Indonesia is also disrupting financial support for terrorism. For example, BNPT and BIN monitor the returning FTFs through physical surveillance as well as their e-commerce and financial activity to check whether their financial activity is consistent with normal spending to prevent them from financing terrorists or terrorist activity. BIN also informed the AT that they received 145 proactive reports from PPATK through which they identified 22 radical terrorist groups collecting money for TF. These reports were used to conduct further counter terrorism surveillance and investigations against these groups.
234. Indonesia is using designations of individuals and entities (see IO.10) as part of their CFT strategy. Individuals who are considered high risk for terrorism/TF and whose financial activity is being monitored, are put on a TF watchlist which is then shared with reporting entities via SIPENDAR. Indonesia is strengthening its public-private partnership cooperation in this area in efforts to disrupt terrorist activity. For example, 17 potential FTF cases were identified through this channel.
235. In addition, the LEAs are using other laws such as immigration laws, information and communication laws, postponed transactions (see IO.7) and electronic transaction laws for disruption where it is not practicable to secure a TF conviction.
236. There have been 36 instances where BNPT in coordination with the Ministry of Information and Communication (as the internet regulator in Indonesia), has taken down social media accounts and links that were allegedly used for the purposes of TF, such as crowdfunding. Criminal sanctions have also been pursued under the Electronic Information and Transaction Law for the use of social media to support terrorism.
237. Considering the risk of abuse of funds raised by NPOs, in addition to law enforcement efforts against terrorist financiers, BNPT is coordinating with the local community on counter terrorism, and more specifically on CFT. This is done by educating the public and raising awareness on fundraising organisations and charity boxes, to enhance donor awareness of who they are donating to and where the money is going.

Overall conclusions on IO.9

Competent authorities are well-resourced to identify, investigate, and prosecute TF. Indonesia demonstrated that these efforts are consistent with their national risk assessment and their counter terrorism strategy. PPATK, in partnership with Detachment 88 from INP, the AGO, and BIN use CFT tools effectively in response to terrorist attacks and also make considerable effort to proactively identify risks using traditional investigatory means as well as leveraging on financial network analysis. Indonesia has generally integrated CFT with its broader national efforts to counter terrorism. Indonesia is operationally highly capable of investigating and prosecuting complex international and multi-faceted TF cases and should continue to take law enforcement action against individuals who abuse NPOs for TF. Criminal penalties imposed in TF cases are effective, proportionate and dissuasive. The penalties imposed by the courts for TF are reasonable but are consistently less than those recommended by prosecutors since Judges are placing greater emphasis on mitigating factors such as repentance, rather than aggravating factors such as consequences, when making their judgment.

Indonesia is rated as having a substantial level of effectiveness for IO.9.

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

Framework to implement TFS for TF without delay

238. To effectively implement UN TFS (UNSCRs 1267/1988) and domestic designations (pursuant to UNSCR 1373), Indonesia has established a Task Force consisting of the INP, the Ministry of Foreign Affairs, the State Intelligence Agency, PPATK and BNPT.
239. The task force meets quarterly, with the option to have *ad hoc* meetings should unexpected circumstances arise (e.g., foreign designation requests). During the on-site visit, the task force demonstrated cohesion and a comprehensive understanding of what is required to implement TFS without delay.
240. Indonesia may propose an Indonesian or foreign individual/entity to the United Nations to be included in the TFS list pursuant to UNSCRs 1267/1988. A principal consideration when making this decision is whether the individual/entity has been domestically listed by the Government. In 2020, the entity Jemaah Ansharut Daulah was incorporated into UNSCR 1267 with input from the United States and Indonesia as a co-designator.
241. Indonesia has a robust framework and clear process for listing individuals and entities on their domestic framework (List of Suspected Terrorist and Terrorist Organization (DTTOT)), based on UNSCR 1267/1988 listing, third party identification, and domestic identification (UNSCR 1373).

242. UNSCR 1267/1988 listing (and third party) identifications are first forwarded to the Indonesian Ministry of Foreign Affairs by the Indonesian permanent delegation in New York. The Ministry then sends it to INP, with PPATK and BNPT on copy. DTTOT Task Force must reach an agreement before sending the proposal for approval to the Central Jakarta District Court (CJDC).
243. At a domestic level, INP has discretionary powers to submit nomination proposals and initial supporting information. INP decide whether to propose a name for domestic listing based on the following criteria: (1) individuals and entities are suspected of having directly or indirectly funded designated persons; (2) individuals and entities are suspected to have the intent to fund designated persons; (3) individuals are located in conflict zones (terrorist fighters) and have been identified as conducting training or providing other operational support to terrorist organisations (e.g., ISIS). TF Joint Regulation (2015) provides that this proposal may originate from a preliminary investigation report which provides “reasonable grounds” for the listing. All proposals are made to the DTTOT Task Force, while PPATK, BIN and BNPT intervenes to provide additional information on a specific target, including financial assets, supporting network, etc. In the end, each agency provides a recommendation to INP. After reaching an agreement, DTTOT Task Force send the proposal for approval to the Central Jakarta District Court (CJDC).
244. For UNSCRs 1267/1988 and 1373, CJDC’s intervention in the process is limited to verifying the procedural steps set out in the domestic framework. No instances where the CJDC has refused a listing were reported by Indonesia. Once the application is approved, the CJDC will issue an order to add the individual/entity to the domestic DTTOT List.
245. The legal timing requirement to complete the listing process is three days, which does not allow Indonesia to meet the requirement to ensure the freezing obligation attached to UN designations under UNSCR 1267 applies “without delay”, from a technical perspective. FATF Glossary’s definition of “without delay” as being within a matter of hours of UN designation (See R.6). This is a major technical shortcoming that has impact on effectiveness.

Implementation of TFS for TF without delay

246. As of August 2022, Indonesia designated all individuals listed under 1267 and 1988 and notified reporting entities of those designations through multiple targeted and publicly available methods. Over the review period, Indonesia has designated 26 individuals and 13 entities. Indonesia provided timing details showing that, in practice, the gap between the dates and times of UN 1267 listing, designation within domestic DTTOT list and the implementation of the freezing obligation by financial institutions was less than 24 hours for at least 29 listings and delistings, which occurred between February 2019 and March 2022; and less than 48 hours for at least 9 listings and delistings between December 2017 and November 2018 (see table below). Detail of the timing of the implementation of some of the recent UN 1267 listings do not appear in the list⁸.

⁸ For example, listings made 27 May 2022; 1 April 2022; 29 December 2021; 6 April; 23 March; 23 February. See [Press Releases | United Nations Security Council](#)

Table 4.4. Sampling of Indonesia implementation of UN 1267 designations (2017-2022)

Date and time of UN listing (ET)	Date and time of DTTOT listing (ET)	Date and time of financial institutions' reporting (Nil or freezing) (ET)	Gap between UN listing and Indonesian implementation of TF -TFS	Date and time of UN listing (ET)	Date and time of DTTOT listing (ET)	Date and time of financial institution reporting (Nil or freezing) (ET)	Gap between UN listing and Indonesian implementation
26 Dec 17 (17h18)	28 Dec 17 (10h27)	28 Dec 17 14:18	45 hours	04 Feb 20 (17h27)	05 Feb 20 (09h40)	05 Feb 20 16:27	23 hours
06 Mar 18 (17h21)	08 Mar 18 (10h36)	08 Mar 18 17:21	48 hours	18 Feb 20 (17h31)	19 Feb 20 (08h29)	19 Feb 20 14:31	21 hours
29 Mar 18 (17h40)	31 Mar 18 (10h25)	31 Mar 18 16:40	47 hours	23 Feb 20 (17h24)	24 Feb 20 (09h49)	24 Feb 20 15:24	22 hours
28 Jun 18 (17h17)	30 Jun 18 (10h57)	30 Jun 18 17:17	48 hours	04 Mar 20 (17h31)	05 Mar 20 (08h41)	05 Mar 20 13:31	20 hours
09 Aug 18 (17h32)	11 Aug 18 (10h10)	11 Aug 18 15:32	46 hours	24 Mar 20 (17h28)	25 Mar 20 (09h10)	25 Mar 20 14:28	21 hours
23 Aug 18 (17h46)	25 Aug 18 (10h38)	25 Aug 18 16:46	47 hours	21 May 20 (17h38)	22 May 20 (09h41)	22 May 20 14:38	21 hours
04 Oct 18 (17h21)	06 Oct 18 (10h22)	06 Oct 18 17:21	48 hours	16 Jul 20 (17h41)	17 Jul 20 (10h00)	17 Jul 20 14:41	21 hours
15 Oct 18 (17h33)	17 Oct 18 (10h44)	17 Oct 18 17:33	48 hours	08 Oct 20 (17h37)	09 Oct 20 (11h30)	09 Oct 20 16:37	23 hours
19 Nov 18 (17h19)	21 Nov 18 (10h51)	21 Nov 18 17:19	48 hours	19 Feb 21 (18h17)	20 Feb 21 (10h48)	20 Feb 21 16:17	22 hours
8 Feb 19 (17h13)	9 Feb 19 (08h33)	9 Feb 19 14:13	21 hours	17 Jun 21 (18h05)	17 Jun 21 (20h03)	18 Jun 21 16:05	22 hours
28 Feb 19 (17h40)	01 Mar 19 (08h53)	01 Mar 19 14:40	21 hours	6 Sept 21 (17h44)	07 Sept 21 (11h02)	07 Sept 21 17:44	24 hours
13 Mar 19 (17h29)	14 Mar 19 (08h46)	14 Mar 19 12:29	19 hours	24 Nov 21 (17h57)	25 Nov 21 (10h42)	25 Nov 21 16:57	23 hours
22 Mar 19 (17h17)	23 Mar 19 (08h01)	23 Mar 19 14:17	21 hours	21 Dec 21 (17h29)	21 Dec 21 (20h12)	22 Dec 21 11:29	18 hours
22 Apr 19 (17h22)	23 Apr 19 (08h00)	23 Apr 19 11:22	18 hours	30 Dec 21 (17h49)	31 Dec 21 (11h08)	31 Dec 21 17:49	24 hours
01 May 19 (17h31)	02 May 19 (08h39)	02 May 19 11:31	18 hours	4 Jan 22 (18h04)	5 Jan 22 (11h38)	5 Jan 22 18:04	24 hours
14 May 19 (17h46)	15 May 19 (08h30)	15 May 19 13:46	20 hours	17 Jan 22 (18h11)	18 Jan 22 (11h10)	18 Jan 22 18:11	24 hours

Date and time of UN listing (ET)	Date and time of DTTOT listing (ET)	Date and time of financial institutions' reporting (Nil or freezing) (ET)	Gap between UN listing and Indonesian implementation of TF -TFS	Date and time of UN listing (ET)	Date and time of DTTOT listing (ET)	Date and time of financial institution reporting (Nil or freezing) (ET)	Gap between UN listing and Indonesian implementation
21 May 19 (17h58)	22 May 19 (09h02)	22 May 19 11:58	18 hours	24 Jan 22 (17h39)	24 Jan 22 (20h24)	25 Jan 22 10:09	16.5 hours
14 Aug 19 (17h44)	15 Aug 19 (08h58)	15 Aug 19 12:44	19 hours	03 Mar 22 (17h48)	03 Mar 22 (20h37)	04 Mar 22 9:48	16 hours
05 Nov 19 (17h18)	06 Nov 19 (07h35)	06 Nov 19 12:18	19 hours	07 Mar 22 (17h35)	08 Mar 22 (11h07)	08 Mar 22 17:35	24 hours

247. Indonesia has made use of its UNSCR 1373 TFS framework to combat its high TF risk, listing 24 individuals and 23 entities on the DTTOT List in the review period. Indonesia has not requested a foreign jurisdiction to designate an individual/entity, and it has not listed any upon foreign request. Indonesia received two requests during the review period, one of which was rejected and the other one is currently under consideration. This does not seem to be entirely in line with the risk and context of Indonesia.
248. Art. 28 of the TF Law requires INP to submit the list of designations and any change to supervisory agencies, including PPATK. Regulators then notify reporting entities. There is no explicit legal provision that this should be carried out immediately (See c.6.5.d).
249. Each supervisory authority has a person in charge of these formal and informal communications and coordination with supervised entities. The communications channels include the secure platform SIPENDAR and goAML for PPATK and SIGAP for OJK and ensure sharing information with registered reporting entities in a timely manner (see IO.6 for details on reporting entity registration with goAML). At the time of the on-site visit, the number of registered DNFBPs with goAML was 62%. However, Indonesia is using additional means of communications. For instance, all supervisory agencies send a notification by e-mail and letter to the responsible person at each FI and DNFBPs. In parallel, PPATK immediately updates DTTOT information on its publicly available website. This information was confirmed by supervised entities during the on-site visit interviews, who were aware of the different channels of diffusion.
250. Supervised entities are required to freeze all assets within one day of notification. They are required to report to PPATK or their supervisor within 72 hours whether they hold any assets on behalf of the listed individual or entity and, if so, if they have frozen those assets.

Authorities' guidance and supervision on the implementation of freezing without delay

- 4
251. Indonesian authorities issued several documents to provide guidance to reporting entities on their freezing obligations in relation to funds owned by persons or corporations listed on the DTTOT list, including joint Regulation by the Supreme Court, the MoF, the INP, the BNPT⁹, PPATK Circular 5 (2016), BI Typology (2021), BI Regulation 19/10/PBI(2017) and OJK Circular 38 (2017), as amended by OJK Circular 29 (2019). These documents are available on supervisors' website, and were circulated to supervised entities through different channels, including e-mails to SIGAP's registered entities, letters, regular capacity building activities, ad-hoc supervisors' outreach in the context of supervised entities monitoring.
 252. Authorities undertake face-to-face outreach to reporting entities about TFS obligations. BI conducted nine targeted outreach activities for BI-supervised entities between June 2020 and June 2022 covering a broad range of issues, including ML/TF in Covid-19 pandemic context, reporting through goAML, obligations to report, STRs' quality, etc. 3 370 attendees participated in the outreach activities.
 253. BI, OJK and COFTRA's supervision on the implementation of freezing without delay is conducted through on and off-site supervision. BI and OJK periodically evaluate the compliance of supervised entities regarding DTTOT and their action plan including minutes of freezing decisions and fulfilment of freezing without delay during general, targeted, and thematic on-site supervision. In February 2020, BI conducted thematic supervision of MVTs in high-risk areas, including Jakarta and East Java to review their AML/CFT systems, procedures, and internal controls in place with a specific focus on the measures relating to TFS. Until now, the supervisors have not found any violations of the obligation to freeze the assets of individual or entity whose identity is listed on the DTTOT list. OJK took a number of actions to sanction other DTTOT violations, including obligations to submit to supervisors a copy of the nil report or the minutes of blocking decision.
 254. Large and medium size Indonesian FIs and DNFBPs were clear about their risks and obligations relating to TFS. FIs understand they have an obligation to reject transactions, freeze funds and other assets and close accounts of designated customers, and that they must do so within 24 hours of notification. In the DNFBP sector, compliance with TF obligations seems limited to screening against the DTTOT list and to a lesser extent the obligation to freeze. The understanding of the broader sanctions' evasion risks seems limited. DNFBPs also monitor transactions according to typology against the DTTOT list and the PPATK, through on-site audits, assesses the TF risk understanding of obligations and application of controls. Although Circular 5 of 2016 indicates that the PPATK is responsible for the supervision over freezing of assets, there has been no reviews in the notary or accounting profession by the PPATK.

⁹ Joint Regulation of the Chief Justice of the Supreme Court of the Republic of Indonesia, the Minister of Foreign Affairs of the Republic of Indonesia, the Head of the Indonesian National Police, the Head of the National Counter Terrorism Agency (BNPT), and the Head of the Indonesian Financial Transaction Reports and Analysis Center (INTRAC/PPATK)

Targeted approach, outreach and oversight of at-risk non-profit organisations

255. The AT has a concern that the methodology used in the NPO risk assessment does not fully capture the associated risk (See Chapter 1 and R.8).
256. During on-site discussions, the PPATK, INP (Detachment 88), the BIN, and BNPT based their understanding of the TF risks on the 2022 SRA, which drew on a wide range of quantitative and qualitative information. However, only three NPOs were consulted in this process. The AT considers this number negligible considering there are 491 328 CSOs.
257. Donations made to these entities are generally made with cash but recent trends show an uptick in the use of social media. Indonesia reports no use of VAs in this sector. CSOs are divided into three broad groupings. The first group of 488 669 CSOs are those with a legal entity (incorporated), unregistered and are supervised by the MLHR. This group consists of 201 426 associations and 287 243 foundations. The second group, supervised by the MoHA, comprises CSOs that are registered but have no legal entity and consist of 2 604 domestic and 55 foreign organisations. Finally, Indonesia also has many informal organisations, which are made up of individuals affiliating together but without legal form or formal registration. These groups are protected by the Constitutional right of free assembly and association. It is unknown how many of these groups exist.
258. Indonesia has identified 576 CSOs (with a legal entity) that fulfil the FATF NPO definition however, the AT was not provided with the methodology for this assessment nor was it mentioned in the 2022 SRA. The AT assesses this number to be low given the large number and purpose of CSOs in Indonesia and the wider reach of the FATF definition. Documents provided to the AT indicate that all 491 328 CSOs were considered in risk assessment, rather than those that fit the FATF definition of NPO.
259. The 2019 SRA listed 79 NPOs as high risk and 64 861 NPOs as medium risk, the remaining (361 051) being exposed to minimum risk of abuse of TF. The number of high-risk NPOs decreased between 2019 and 2022 as 47 previously identified at-risk NPOs no longer exist. Documents provided to the AT indicate that there are currently 32 high risk CSOs operating in Indonesia. The number of medium risk and low risk entities was not updated. The AT was told that at-risk NPOs are organisations already suspected of TF and are under INP (Detachment 88) investigation. The NPOs themselves are, therefore, not being notified of the concerns and therefore not likely to be mitigating known risk. This means that outreach, education, and oversight is limited.
260. The AT is concerned that the methodology explained by the authorities and used to identify “high risk NPOs” does not capture all high-risk organisations (see criterion 8.1). For instance, the authorities explained that, to qualify as high risk, an NPO must be operating in one of the 15 identified Indonesian regions and that 90% of all NPOs fall within this category. If an NPO is in one of the remaining 19 Indonesian regions, it cannot qualify as high risk.

261. The three major NPOs met during the on-site visit were determined to be low risk and are the same entities involved in the SRA process. These NPOs demonstrated a fair understanding of their TF risks and implementation of mitigation measures. They confirmed smaller organisations that are potentially vulnerable to TF abuse tend to have very limited awareness and understanding of risks and do not have measures in place mitigate them. The AT was told these organisations need additional support and guidance from the Indonesian authorities.
262. Indonesia has put in place a legal framework to protect legitimate NPOs and detect abnormal activity to some degree. Presidential Regulation 18 of 2017 (the NPO Regulation), aims to increase financial transparency and reporting among NPOs (See R.8). The NPO Regulation requires the identification of donors once a certain threshold is reached or when the donation comes from high-risk countries. This requirement includes identifying the beneficial owners of legal persons and the need to keep records for inspection purpose for a period of five years. NPOs cannot legally accept donations if they cannot identify and verify the donor, although the AT was not provided with any instances where this happened.
263. Indonesia has established an integrated supervision team made up of staff from the relevant ministries (MLHR, MoFA, MORA, MOSA, MOHA), PPATK, the INP, and the AGO. The SIPENDAR database is used to collate information on NPOs and their management, with the data made available to the registered financial institutions.
264. The various supervisors have power to (1) carry out outreach; (2) provide guidelines and information in the form strategic intelligence products, SRAs, 'Red Flag' documents; (3) provide education and training; (4) supervise the NPOs, by requesting reports regarding donations and asking for clarification where appropriate; and (5) sanction errant NPOs, including by revoking their operational licenses under Art. 19 of the NPO Regulation.
265. Apart from the 2022 SRA, key publications and guidance include the 2022 PPATK "Update on suspicious financial transaction indicators and abuse of non-profit organizations in terrorism financing for banking industry", the 2018 NPO & TF Red Flag Indicators publication and the research report on update on suspicious financial indicators and abuse of NPOs in TF for banking industry.
266. Supervisors have undertaken outreach to NPOs, but very few of these activities targeted organisations most vulnerable to TF abuse. The 32 at-risk NPOs are not informed they are 'high risk', are subject to Detachment 88 investigation, etc. For example, in the context of the implementation of the National Action Plan for the prevention and countering of violent extremism that leads to terrorism, BNPT has undertaken several TF prevention activities since 2017, involving 340 NPOs either as participants or as speakers in all 34 provinces. NPO Supervisors conducted a total of 272 outreach activities to NPOs on CFT issues over the period 2017-2022; with a total number of 317 NPOs participating.
267. In addition, NPO mentoring programmes were implemented in five provinces in February/March 2020 (South Sulawesi, DI Yogyakarta, Lampung, Central Java, and West Java). These programmes are one of the few activities that specifically targeted 15 NPOs belonging to the group of 32 NPOs most vulnerable to TF abuse. Fifty of their staff attended these programmes that covered issues including the potential abuse of NPOs for terrorism and terrorism financing. Overall, little information was provided to the AT regarding specific activities targeting 15 high risk NPOs undertaken by the Indonesian authorities.

268. NPO monitoring and inspections have been limited over the period 2017-2022, and no information was provided regarding their outcome. In February 2020, MOHA published the Circular 220/1485/SJ providing guidelines for risk-based supervision of NPOs, with a specific focus on TF. Indonesia informed the AT that they had intended to carry out an on-site inspection of each at-risk NPO but were unable to do so due to the Covid-19 pandemic. MOHA supervised 311 NPOs in regions over the review period to raise awareness regarding TF risks. MoSA and MoRA indicated they do not conduct supervision to NPOs that are high risk of TF because this category of NPOs do not register with the MoSA.
269. In addition, there is little evidence of outreach and oversight to medium risk NPOs or outreach to highlight the risk of genuine NPOs being exploited by terrorists and terrorist organisations.
270. A range of sanctions is available for NPOs that violate their obligations (see R.8). Over the review period, 33 STRs relating to NPOs were filed with the FIU. Over the review period, two administrative sanctions were imposed on two NPOs including a termination of activity and prohibition to exercise, a revocation of license and registration. Over the review period, 40 investigations related to TF abuse of NPOs resulted in 18 criminal convictions, involving senior management in almost all cases. No criminal sanctions were imposed on NPOs as a legal entity (See IO.9).
271. While Indonesia has taken steps in the right direction, the AT has concerns about the methodology used to identify CSOs that match the FATF definition, those that are high risk NPOs and a misunderstanding about the need of outreach and engagement with high risk legitimate NPOs to prevent them from being exploited. Indonesia should consider undertaking a review of their methodology to properly identify those that match the FATF definition, risk assess those entities, and implement a targeted approach, including by taking administrative actions against NPOs and their management arising out of supervisory efforts, where needed, commensurate with the risk.

Deprivation of TF assets and instrumentalities

272. There is no general requirement in Indonesia that prohibits natural and legal persons or DNFBPs or other actors (cf.6.5.c) from making available funds or other assets to designated persons. In addition, TF Law excludes some expenses from asset-freezing requirements. The technical deficiencies impact effectiveness. Freezing orders in Indonesia is carried out by the national police, the public prosecutor, the FIU, and the FIs.
273. While TF confiscations have risen significantly since 2017, they remain relatively small compared to the overall TF risks. This may be explained by the fact that TF related activities in Indonesia generally involve smaller amounts of money, but more can be done to confiscate assets of legal persons which are used to raise money for TF (See IO.8). The statistics relating to TF funds seized and confiscated can be found in IO.8.

274. From 2017 to June 2022, Indonesia suspended transactions from 134 financial institutions' accounts and seven immovable properties. The total amount of deprived assets was about 794 000 000 IDR (EUR 52 500) in response to designations made by the United Nations pursuant to Resolutions 1267/1988 (EUR 18 000) and 1373 (EUR 34 500), as well those belonging to other terrorists/terrorist groups. Authorities also confiscated other movable assets (laptops, phones, vehicles) related to terrorists and terrorist organisations, though their value is uncertain. Indonesia provided one case example to demonstrate their use of network analysis to conduct pre-emptive tracing of asset owners or controlled by associates or persons acting on behalf of designated persons or entities.
275. While both the AGO and the CJDC indicated asset seizure is exercised when assets are available, they note that it is unusual for suspected terrorist to have any assets of value.
276. Banks indicated they initiate exposure checks immediately upon notification of a new listing on either the DTTOT List, relevant UN Sanctions Lists, and other sanctions lists (e.g., Office of Foreign Assets Control (OFAC) Specially Designated Nationals (SDN) List). In practice this would suggest financial institutions are freezing terrorist assets regardless of whether the PPATK notify actions are delayed. Further, banks communicated transaction monitoring mechanisms that use "fuzzy logic" are in place and screen daily transactions automatically.
277. Effectiveness of confiscations in the context of TF investigations and prosecutions is considered in IO.8. The AGO indicated that in terrorism or TF prosecutions, they will review the evidence collected during the investigation to determine if there are any items of economic value. If there are, they will be included in the indictment, and if used to commit a terrorist act or TF offence they will be forfeited to the State or for disposal.

Consistency of measures with overall TF risk profile

278. Indonesia has a national counter terrorism strategy that focuses on three pillars: prevention, enforcement, and international cooperation on CFT. The strategy appropriately addresses the threat landscape within Indonesia and demonstrates a clear commitment to CFT. The national CFT strategy consists of five lines of effort designed to support the broader CT effort and is broadly in line with the country's risks (See IO.1). One of those is to increase the effectiveness of targeted financial sanctions to disrupt the financing of terrorism and related activities. This includes improving private sector effectiveness on implementing TFS and further leveraging UNSCR 1373.

279. Indonesia has identified TF as a high risk and the DTTOT task force leverages the DTTOT list to disrupt TF activities, especially with respect to collection through crowd funding and NPOs as identified in the NRA-TF. From March 2020 to March 2022, the DTTOT task force submitted 22 entities, primarily NPOs, as well as 22 individuals, primarily NPO staff, to be designated on the DTTOT list. Indonesia does implement UNSCR 1267/1988 and 1373 designations but has not utilised the framework to propose designations that address identified threats despite both being acknowledged as a tool in their counter terrorism and CFT strategies. This does not seem to be entirely in line with the risk profile of Indonesia. TF seizures and confiscations have risen significantly since 2017 and Indonesia can pursue more efforts to confiscate assets of legal persons, which are used to raise money for TF.
280. Statistics and case studies provided by Indonesia show that number and type of prosecution are generally consistent with Indonesia's TF risk profile. Investigators and prosecutors have shown they have the will and capacity to identify and act against complex NPO networks facilitating TF. However, considering the risk and context, Indonesia should continue to focus on TF prosecution relating to offenders who abuse NPOs for TF (see IO.9).
281. Regarding measures taken to protect NPOs from TF abuse, steps have been taken to identify high risk NPOs. However, the AT has concerns about the methodology used. Gaps remain in the implementation of risk-based mitigating measures, notably with respect to targeted outreach of NPOs and use of sanctions where appropriate for violations by NPOs or persons acting on their behalf.

Overall Conclusions on IO.10

Indonesia has a National Counter terrorism strategy that appropriately addresses the threat landscape within Indonesia and show a clear commitment to CTF. Indonesia has implemented all UNSCRs 1267/1988 listings and banks have frozen some associated funds and seven immovable properties. Major shortcomings in the legislative framework about targeted financial sanctions related to terrorism and terrorist financing has impact on effectiveness. For instance, the legal timing requirement to complete the listing process is three days, which does not meet the FATF Glossary's definition of "without delay" as being within a matter of hours of UN designation. In practice, Indonesia provided details showing that the gap between the dates and times of UN listing and the implementation of the freezing obligation by financial institutions was less than 24 hours for at least 29 listings and delistings, which occurred between February 2019 and March 2022; and less than 48 hours for at least 9 listings and delistings between December 2017 and November 2018. Indonesia has made use of its UNSCR 1373 asset-freezing mechanism. Overall, the freezing of accounts by FI and DNFBPs and deprivation of TF assets and instrumentalities are relatively moderate given Indonesia's risks and context. AT has a concern that the NPO risk assessment is not comprehensive and that NPO risks are not wholly understood. Indonesia has, to some extent, implemented measures to address identified risks in the 2022 NPO SRA. However, the AT is concerned that the methodology used to qualify as a high risk NPO does not capture all high-risk organisations. In addition, authorities have only

conducted very limited targeted outreach and oversight activity for the NPOs identified as most vulnerable to TF abuse. Relatively minimum remedial measures and sanctions were taken against NPOs over the review period.

Indonesia is rated as having a moderate level of effectiveness for IO.10.

4

Immediate Outcome 11 (PF financial sanctions)

282. Historically, Indonesia has maintained bilateral relations with DPRK and Iran. Despite diplomatic missions and private sector presence, authorities consider the risk of exposure to the designated individuals/entities to be limited, whether it be through DPRK and Iranian nationals in Indonesia or where Indonesia is used for pass-through activity. Over the review period, direct import-export activities with DPRK were negligible, however, they may constitute a violation of UNSCR 2270, 2375, 2321, or 2371. Import-export flows with Iran were a minimal part of the overall Indonesia trade flows, accounting for an annual average of EUR 192 888 for imports, and EUR 217 140 for exports¹⁰. IFTI data shows very limited flows between each of Iran and DPRK and Indonesia. However, AT considers that potential PF exposure risks, in particular, sanctions evasion risks do exist, because of geographical proximity of Indonesia to DPRK and through the potential misuse of legal persons located in Indonesia or elsewhere. Use of front and shell companies, layered ownership and management structures and engaging multiple intermediaries removed from the actual owner are known typologies for evading sanctions and these risks exist for Indonesia as well.
283. DPRK and Iran diplomats work in Jakarta and they and their families have individual accounts at banks and transact at money changers/MVTS. Supervisors were informative as to the levels of Iranian/DPRK business in the sectors they supervise. The OJK requires banks to monitor transactions and reject transactions if the beneficial owner is known to have originated from or be domiciled in Iran/DPRK and not to do business with prospective customers from these countries. Hence banks have not accepted new customers with Iranian or North Korean links since 2018. Indonesia did not provide the policy for opening new accounts, whether it be for newly arriving diplomats or business ventures. Authorities noted that the existing DPRK customers are diplomats and their families (seven bank accounts). Existing Iranian customers come from diplomats, embassy staff, employees, professionals and business with activities in Indonesia (128 bank accounts). Based on OJK supervision data, there are no customers with DPRK/Iranian links in the capital market. There are no DPRK customers in non-bank financial institutions, and there are five accounts of Iranian customers in the life insurance sector. The relationships are subject to EDD.
284. The BI advised that the only Iranian/DPRK customers in the money changing and MVTS sectors are diplomats and their families. EDD is required if the provider intends to conduct transactions for new customers linked to these jurisdictions.

10

[Indonesia Imports, Tariffs by country and region 2019 | WITS Data \(worldbank.org\)](https://wits.worldbank.org/)

285. CoFTRA's records show that its licensees (VASPs) have 31 customers from Iran/DPRK. These customers are domiciled in Indonesia with residence or work permit, not included in the designated list, have limited trading activity and are all subject to EDD. All futures traders and most VASPs do not accept customers from Iran/DPRK. The PPATK and the MoF advised that no instances of persons from Iran and DPRK using services provided by DNFBPs were noted and that DNFBPs are required to monitor transactions and reject transactions if the customer or beneficial owner is known to have originated from or be domiciled in Iran/DPRK.

Implementation of targeted financial sanctions related to proliferation financing without delay

286. Indonesia has taken steps to address some shortcomings in the legislative framework for the implementation of TFS concerning the UNSCRs relating to the combating of financing of proliferation. However, the framework contains gaps in its enforceability because the obligation to freeze without delay the funds or assets of designated persons does not apply to all natural or legal persons. In addition, it neither requires reporting for attempted transactions, nor clearly prohibits the provision of funds or services to designated persons (see R.7). That has an impact on effectiveness. In October 2018, Indonesia listed into the domestic WMD list all Iranian individuals/entities on the UNSCR 2231 List (23 Iran individuals and 61 Iran entities). The PPATK communicated to the AT that prior failures to do so was the result of a misunderstanding relating to the Joint Comprehensive Plan of Action.

287. Over the review period, 17 individuals and 22 entities have been designated under UNSCR 1718. Indonesia has carried out these domestic designations without delay.

Table 4.5. Indonesia implementation of UN 1718 designations (2017-2022)>

Date and time of UN listing (ET)	Individuals/entities listed on WMD listing (ET)	Date and time of WMD listing (ET)	Date and time of financial institution reporting (Nil) (ET)	Hours between UN communication and Indonesian implementation
22 Dec 17, 18:13	16 DPRK individuals and 1 DPRK entities	22 Dec 17, 19:34	23 Dec 17, 11:11	18 hours
30 Mar 18, 17:52	1 DPRK individuals and 21 DPRK entities	30 Mar 18, 20:17	31 Mar 18, 10:22	17 hours

288. Indonesia's national strategy to counter illicit finance includes PF and Indonesia demonstrates a good understanding of its PF risks, both domestic and international.

289. The PF Joint Regulations of 2017 to implement UN TFS related to WMD proliferation do not explicitly identify the relevant UNSCRs that are to be implemented, however, Indonesia has shown that it can apply TFS under UNSCR 1718 and UNSCR 2231. This is further strengthened by Article 11(1)-(2) of the PF Joint Regulation, which states that supervisors shall be authorised to conduct supervision of the implementation of provisions concerning freezing without delay. Further, in the event a supervisor finds deficiencies in the implementation of TFS without delay, they can impose sanctions in accordance with authority based on legislation.

290. Indonesia has a cross-government approach to countering proliferation and disrupting the procurement of proliferation-sensitive goods and PF. Indonesia's WMD Task Force leads this effort and is charged with implementing the PF Joint Regulations and coordinating to prevent and eradicate WMD PF. The Task Force is led by the PPATK and includes the State Intelligence Agency (BIN) for intelligence, INP for investigations, the Ministry of Foreign Affairs, the Nuclear Energy Intelligence Agency (NERA), and the DGCE. Notably absent during the on-site visit discussions, however, was an office charged with developing and implementing policy, though the PPATK communicated that they actively fulfil this role in an unofficial capacity.
291. Under the PF Joint Regulations, UN DPRK listings are implemented domestically via the following process: Indonesia's UN mission transmits the name and identifying information to the MoFA, which then notifies PPATK, the INP, the BIN, and NERA. Each of these agencies, based on intelligence or other information contained in their own files, will make a recommendation to PPATK on listing in the national WMD List. PPATK then reviews the recommendations of the relevant agencies and decides to list domestically. The legal timing requirement to complete the listing process is at most one day.
292. The PF Joint Regulation requires supervisory agencies to communicate electronically and non-electronically to their regulated entities the listing, freezing, revocation of freezing, and delisting of listed persons/entities. There is no legal timing requirement, however OJK has developed an AML/CFT information system called SIGAP to automatically provide information to reporting entities about the WMD List. Similar to TF designations (See CI.10.1), Indonesia demonstrated its ability to immediately notify reporting entities of PF designations through multiple targeted and publicly available methods, including PPATK website. All FIs and DNFBPs are required to freeze without delay funds owned or controlled by persons on the WMD List. However, this obligation is not enforceable for DNFBPs (See R.7). In addition, For OJK-supervised entities, the starting point of the legal requirement to freeze is not immediately from the designation but from the moment entities find a positive match on the WMD list, upon periodical exposure check (See R.7). However, Indonesian authorities underlined that, in practice, every time a new designation is made by PPATK on the WMD list, FIs conduct immediate screening against the list. FIs conduct freezing without delay when there is a match from the designation. Moreover, FIs conduct periodical exposure screening to make sure that prospective customer, customer, or beneficial owner do not match the list.
293. Further, CoFTRA supervised entities are not explicitly prohibited from providing assets to designated persons. This is a major gap in the regulatory framework.

Identification of assets and funds held by designated persons/entities and prohibitions

294. As of the date of the on-site visit, Indonesia had not identified funds or other assets relating to designated persons/entities and therefore no assets have been frozen. Indonesia indicated, however, that 197 PF related STRs had been filed by FIs to PPATK over the review period. Based on joint discussions with the Task Force of WMD and competent authorities, the majority of these STRs were predominantly made by banks and money changers and related to North Korean diplomats and relatives and a limited number of STRs related to Iranian citizens. Transactions reported from banks generally relate to business activities carried out by North Korean diplomats regarding the export/import of household goods. Banks' KYC automatically identified the credit or debit movement in the account as a suspicious transaction. Meanwhile, transactions reported by money changers generally relate to foreign currency exchange by North Korean citizens. According to the results of the financial service providers' screening, no transactions had direct ties to designated persons or entities. As a result, none of the 197 STRs received by the PPATK led to freezing action.

Box 4.5. Wise Honest case

From at least November 2016 through April 2018, the Wise Honest was used by OFAC designated Korea Songi Shipping Company to ship DPRK imports and exports. Participants in the scheme attempted to conceal the Wise Honest's DPRK affiliation by falsely listing different countries for the Wise Honest's nationality and the origin of the illicit coal in shipping documentation. In 2018 MLHR received an MLA request from the U.S. of a potential ship-to-ship transfer between the MV Wise Honest and a South Korean flagged ship. SIA's investigation revealed a network of Indonesian and North Korean nationals involved in the scheme. To run a parallel financial investigation, SIA passed the information to PPATK which then conducted a parallel financial investigation. These efforts collectively led to repatriation of the MV Wise Honest to the US. Indonesia imposed an IDR 400 000 000 (EUR 26 500) fine against the captain of the MV Wise Honest Vessel. (See IO.2).

295. Indonesia has investigated PF related schemes. For instance, in 2017 Indonesia's WMD Task Force responded to a UNSC request for information regarding a DPRK related entity known as Glocom. Glocom was suspected to have ties with entities designated under UNSCR 1718. In addition to satisfying the inquiry, the BIN launched an investigation concurrently with a PPATK led financial investigation. PPATK found one Indonesian national and the entity for which he was beneficial owner, suspected to serve as a financial intermediary to facilitate DPRK interests in Indonesia. PPATK then successfully conducted network analysis to identify numerous other affiliated counterparties in Indonesia and abroad. The analysis found connections to DPRK diplomats stationed in Jakarta as well as further linkages to entities identified in the PoE report. Investigations showed that the Indonesian national was not involved in the Glocom case and that the case did not relate to entities designated under UNSCR 1718.

296. Customs authorities are not represented in the WMD Task Force. However, export control systems appear to be in place and are, in part, focused on curbing proliferation activity. From 2018 to 2022, the DGCE took enforcement measures to counter proliferation on 113 occasions, seizing assets for a total of IDR 2.68 billion (EUR 177 680). The activity related to Iranian and DPRK imports and exports and no link was established between these assets and the persons and entities listed in the WMD list.

4

FIs, DNFBPs and VASPs' understanding of and compliance with obligations

297. Outreach to public and private partners has led to a current understanding of PF typologies which are then disseminated to domestic relevant authorities. Regulations and guidance have been issued by the OJK, the BI, CoFTRA and the PPATK in particular. The OJK has hosted 18 events for FIs since 2019. It has cooperated with the US State Department on CPF issues. In addition, OJK actively contributes to the Program Governance Committee (PGC) related to UNODC's cooperation with the Government of Indonesia. OJK and PPATK with support from a global research institute have conducted cooperation in the area of research, information sharing, training on topics related to CPF. CoFTRA has hosted 19 events for the private sector since 2017.
298. The WMD Task Force has conducted considerable outreach to the private sector, mainly to banks; this began six months prior to the on-site and complements the engagement by supervisory authorities. However, training appears to be focused on the list-based approach to mitigation which does not cover known typologies. The WMD task force meets nearly every quarter to discuss updated threat assessments and policy considerations. Meetings include international requests, as well as typology updates generated both domestically and through international private and public partners. The three major FI supervisors' efforts on outreach and promoting understanding of PF obligations by FIs include written guidance, awareness raising session with financial institutions and focused group discussions. These have been positive in raising the profile of PF and in increasing understanding by reporting entities.
299. In general, FIs are aware of the PF risks related to Iran and DPRK. Larger banks indicated an awareness of PF related risk, both through their exposure and existing mechanism to screen transactions against PEPs as well as due to the products and services they provide. Major FIs have demonstrated an understanding of sanction evasion risk, and they widely recognise the risk related to the trade finance. Understanding in the banking, capital market and finance and insurance sectors is better than in the money changers and MVTS sectors.¹¹

¹¹ The findings in these paragraphs reflect the current situation in Indonesia. However, the assessment team did not take into account findings in relation to the understanding of PF risks by FIs/DNFBPs in the conclusions, weighting or rating of IO.11 since recent changes to the FATF Standards related to risk of PF sanctions evasion will not be assessed until FATF's 5th round of Mutual Evaluations.

300. Smaller institutions and DNFBPs were less clear about their exposure to such risk and are not employing mitigating measures beyond list-based screening. In particular, DNFBPs were not in a position to differentiate between TF and PF considerations. Screening of clients at onboarding stage against the WMD list is done by FIs as a matter of course. Ongoing screening is performed to a lesser extent, with the DNFBPs' lack of understanding and submission of the 'nil reporting' requirement to the PPATK. Screening by smaller FIs is, however, limited to the immediate client and does not extend to beneficial owners or other associated parties. VASP showed a reasonable understanding of risk related to the misuse of VA in PF.¹²
301. Major FIs have internal controls in place to comply with their PF TFS obligations. While some banks indicated they would not provide financial services to DPRK or Iranian individuals living in Indonesia, others indicated they would, and outlined unique risk mitigation measures that aligned with their individual risk appetite. Supervised entities are aware that they must freeze all assets associated with designated entities within 24 hours of designation and report identified activity within 72 hours. Indonesia demonstrated exposure checks are being conducted without delay. However, there were no reported cases of exposure at the time of the on-site visit leading to any freezing actions.
302. FIs, including small sectors such as money changers and MVTs receive updates regarding the PF list by means of supervisory e-mails. They immediately run a screening against their customer database and add the name to their on-going monitoring systems. In addition to supervisory emails, they mentioned several channels of notification regarding updates to the PF list, alerts from goAML application, SIGAP and SIPENDAR systems. They confirmed that the PF list is also available on PPATK's and their respective supervisory authorities' websites. They would proceed to immediately freeze if they find a hit. Moreover, FIs use commercial databases for the screening of sanctions. However, supervisors acknowledged that FIs' sanctions screening failures have figured in a number of supervisory inspections, which creates a gap in PF TFS implementation. OJK and BI have taken steps to mitigate risks. Only one sanction was imposed by BI on entities for such a failure, in the form of written warning to the providers.
303. The identification related to the BO is still a challenge to some FIs, when international complex structures are involved or receive the benefit of a transactions. This impedes their ability to effectively guard against sanction evasions (See IO.4 and 5).

¹² Id.

Competent authorities ensuring and monitoring compliance

304. OJK, the BI and the CoFTRA are aware of the importance of training their staff in relation to PF and each covers such training in their programmes. Since 2017, OJK has conducted 49 training programmes related to CPF for its staff. The PPATK has organised 11 such events since 2018. Outreach by supervisory authorities (see above) has directly contributed to ensuring compliance by FIs with PF requirements. There is limited outreach and targeted supervisory oversight on PF related TFS obligations for DNFBPs. Indonesia is conducting supervision through on-site inspections to FIs and some DNFBP sectors (see table below). All relationships between FIs and persons from Iran/DPRK noted by supervisors are subject to EDD.

Table 4.6. Number of on-site inspections to the FIs, VASPs and DNFBPs covering PF-TFS

	2018	2019	2020	2021	2022 (July)	Total
Conventional Banks (OJK)	89	80	66	63	41	339
Rural Banks (OJK)	1 744	1 704	1 656	429	182	5 715
Securities Companies (OJK)	15	20	18	15	33	101
Investment Managers (OJK)	9	12	15	6	4	46
Insurance (OJK)	24	16	5	10	6	61
Finance Companies (OJK)	29	10	15	15	10	79
Other FIs (OJK)	72	68	38	41	69	288
Non-bank money changers (BI)	130	173	128	164	8	603
Non-bank MVTS (BI)	14	25	27	32	96	194
Futures Traders (CoFTRA)	9	15	14	6	3	47
VASPs (CoFTRA)	0	0	0	1	26*	27
Real estate agents (PPATK)	0	44	25	35	12	116
Public Accountants and Public Accountant Offices (MoF)	156	152	156	175	107	746

*thematic inspection regarding the implementation of regulations

Table 4.7. Table of PF obligations breaches (number of entities)

	2018	2019	2020	2021	2022 up to AT visit	Total
Conventional Banks (OJK)	1	4	4	6	0	15
Rural Banks (OJK)	14	13	32	163	0	222
Securities Companies (OJK)	0	0	3	103	21	127
Investment Managers (OJK)	0	0	0	98	0	98
Insurance (OJK)	0	0	0	2	126	128
Finance Companies (OJK)	0	0	0	1	5	6
Other FIs (OJK)	0	0	0	113	0	113
Non-bank money changers (BI)	0	0	0	0	0	0
Non-bank MVTs (BI)	0	0	5	0	0	5
Futures Traders (CoFTRA)	0	0	0	0	0	0
VASPs (CoFTRA)	0	0	0	0	0	0
Real estate agents (PPATK)	0	44	25	35	12	116
Public Accountants and Public Accountant Offices (MoF)	0	0	0	0	0	0

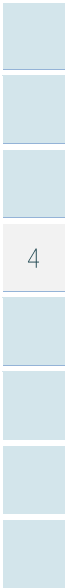
305. The **OJK** demonstrated that during on-site inspections, it addresses PF compliance in a rounded way and does not only consider adequacy of screening. The OJK's checks include the adequacy of policies and procedures; whether training materials cover PF; understanding by the firm of what is required under the obligations and sanctions evasion risks; analysis by the licensee of relationships and transactions in a PF context; consideration by the licensee of PF in relation to high risk products (including trade finance products) and that internal audit functions cover PF. Inspections do not only cover controls (including screening) in relation to customers but also how risks in relation to beneficial owners and beneficiaries of transactions, as well as vessels used in transactions, are addressed. The OJK also requires firms to demonstrate the use of the screening system during inspections – this extends to the OJK selecting designated persons and ascertaining how the screening system operates in practice. Inspections have found some shortcomings related to internal policies and procedures, lack of focus on PF during internal audits or in periodic reports to board of commissioners/board of directors (BoC/BoD). Over the review period, OJK imposed remedial actions on 875 entities for WMD violation but no sanction.
306. Following liaison with the PPATK, in 2020, the **BI** undertook five thematic on-site inspections of MVTs to assess adequacy of CFP measures. These FIs were regarded as high risk in relation to PF. The inspections (supported by terms of reference to guide the approach) reviewed monitoring and licensees' ability to freeze funds of designated persons without delay and the overall adequacy of their use of the WMD list and systems, procedures and controls in relation to CFP requirements. The workplan for inspections refers to PF and inspection reports indicate that the inspections were of sufficient quality to detect failings. More broadly, on-site inspections routinely cover speed of reaction to the WMD list, screening and red flags for PF. Screening covers customers and beneficiaries of payments. While there have been some examples of poor internal procedures and controls (e.g., lack of effective management oversight, internal guidelines), the BI confirmed that the FIs inspected have had mechanisms in place to freeze without delay effectively. No instances of breaches of obligations for non-bank money changers in relation to PF were reported by BI. BI issued five written warning letters on for MVTs' PF related TFS obligation's violations in 2020, but no sanction.

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307. **CoFTRA**'s workplan for inspections refers to PF. The supervisor has not seen any evidence of VAs being used to evade PF TFS. Inspections address whether licensees have screening mechanisms in place. CoFTRA advised that it took a maximum of a day to issue a letter to FIs advising that the WMD list has been revised; FIs are required within three days of receipt to confirm a positive or negative match with the new designation(s). CoFTRA also confirmed that licensees subject to its supervision undertake enhanced measures if there is any Iranian or North Korean involvement with a customer – such business relationships are automatically considered to be high risk. No violation related to PF screening were observed by CoFTRA.
 308. The **PPATK** as DNFBP supervisor includes TFS reviews in their supervisory audits of reporting entities. The MoF and the MLHR were not in a position to differentiate between the PF and TF aspects to TFS. Further, the MoF and the MLHR could not specifically demonstrate the monitoring of PF obligations as part of their supervisory framework with supervisory oversight predominantly on TFS-TF. Nevertheless, as monitoring covers adequacy of screening against persons in general who have been designated, this will cover those persons and entities designated in relation to PF. There is limited outreach to DNFBP sectors in relation to TFS-PF and, no identification of DNFBPs not submitting 'nil reporting'. PPATK issued two warning letters over the review period for violation of PF related TFS obligations.
 309. Some institutions reported an on-site supervisory visit once a year, while others were not able to confirm that on-sites were happening once every 2 and 3 years as indicated by the WMD task force. On-site visits include demonstrations of transaction monitoring methods, list-based data screening which are then compared to reports submitted through off-site supervision and relevant STRs to confirm compliance. Further, off-site supervision is carried out once a year through the submission of a realization report by FIs, which are meant to inform relevant authorities of any updates to risk mitigation methods. Indonesia indicated they can respond to these reports with recommended actions for improvement to provide feedback on STR quality.

Overall conclusion on IO.11

Indonesia has taken steps to address some shortcomings in the legal framework for PF-TFS and has listed all the Iran-related UN listings over the review period. Indonesia has carried out domestic designations without delay. However important technical gaps remain affecting effectiveness (See R.7). Indonesia has not frozen any funds related to WMD TFS. Banks and money changers filed 197 STRs to PPATK over the review period, none of which had direct ties to designated persons. This indicates awareness and compliance of these supervised entities with their obligations. DNFBPs demonstrated relatively less understanding of PF obligations as compared with their TFS-TF obligations. DNFBPs could not demonstrate the screening mechanisms used for PF, as they are generally not aware of the WMD lists. DGCE has taken some monitoring and enforcement measures with a view to detect PF-related activities. Outreach by supervisory authorities has directly contributed to ensuring compliance by FIs with PF requirements. There is limited outreach and targeted supervisory oversight on PF related TFS obligations for DNFBPs. Limited sanctions were imposed for non-compliance with PF related TFS, without delay.

Indonesia is rated as having a Moderate level of effectiveness for IO.11.



Chapter 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key Findings

- a. Generally, banks have a good understanding of ML/TF risks, while other FIs exhibited a mixed understanding of ML risk and less developed understanding of TF risk. VASPs appear to have a good understanding of the specific ML risks to which they are exposed with less developed understanding of TF risk. DNFBPs rely predominantly on the SRA findings in developing their general understanding of the ML/TF risks present in their industry, although the level of understanding of specific ML/TF risks specifically arising out of client interactions needs to be developed further. The notary profession does not regard ML risk as a prominent issue, however, demonstrates an awareness of heightened TF risk in their services due to their involvement in the creation of foundations (NPOs).
- b. Banks and security firms demonstrated good understanding and implementation of the risk-based approach, customer/enhanced due diligence, suspicious transactions reporting, record-keeping and TFS measures. However, the identification of the beneficial ownership needs to be enhanced, in particular, as banks seem to rely heavily on the beneficial ownership register and self-declarations in order to meet their obligations. Other FIs demonstrated an evolving level of implementation of the AML/CFT requirements. VASPs have taken steps to implement their obligations, but they are in the early stages of implementing AML/CFT requirements (e.g., on the travel rule).
- c. DNFBPs are generally compliant with risk profiling of clients using the SRA as a guide; they, however, could not demonstrate the nature or purpose of mitigating measures. DNFBPs do not adequately conduct ML/TF risk assessment of their customers and follow a risk averse/avoidance approach in general, indicating that high risk clients from a ML perspective would not be onboarded and that there are no TF risks present. Compliance with TF obligations seems limited to screening against the DTTOT list at onboarding stage for their direct client.
- d. Overall, FIs and VASPs have developed tools and controls such as internal policies and procedures (including for group compliance), business and customer risk assessments and training. However, these measures are more robust for major FIs such as the banks, securities firms and insurance companies with measures implemented by smaller FIs such as the future trading, money changers and MVTS relatively less strong.

- e. Generally, STR filing by banks is strong, with NRAs, SRAs and other external and internal sources informing the development of red flags. STR reporting by other FIs also seems consistent with the risk profile. There has been no STR filings by lawyers, accountants, land title registers and financial planners for the last six years. STR reports for DPMS and notaries are also limited, with most reports being submitted by the real estate sector equating to only 0.8% of known estate agents on average. This low volume of reporting is not commensurate with the risk profile of the DNFBP sector. Notaries and lawyers raised barriers to STR reporting due to confidentiality concerns despite the provisions contained in the AML Regulations. Accountants' industry practice results in no STR reports being submitted.

Recommended Actions

- a. Building on NRA and SRA, DNFBPs should develop their understanding of ML/TF risks they face, based on their own specific risks factors resulting from their client engagements.
- b. Indonesia should ensure that small banks, the currency exchangers, MVTs, VASPs and DNFBPs consistently understand and implement their risk-based obligations, including on beneficial ownership obligations, domestic and foreign PEPs and targeted financial sanctions and sanctions evasion.
- c. Indonesia should take proactive steps to develop understanding of TF risks across all sectors, in particular, by smaller financial institutions, DNFBPs and VASPs by sharing more information on TF methods and typologies.
- d. Indonesia should take more vigorous measures, including supervisory actions, education and outreach, to improve STR reporting from the DNFBP sector, in particular, real-estate agents, notaries and lawyers. Supervisors should focus, particularly, on correcting notaries' perceived barrier to STR reporting and on avoiding tipping off by the accountancy profession.
- e. Indonesia should continue to raise awareness of AML/CFT obligations, specifically in relation to updates made to regulations and the implementation of a risk-based approach by accountants, real estate agents and notaries.

310. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23, and elements of R.1, 6, 15 and 29.


Immediate Outcome 4 (Preventive Measures)

311. For the reasons of their relative materiality and risk in the Indonesian context, implementation issues were weighted most heavily for the banking sector, heavily for important sectors (capital market, real estate, notaries, VASPs and non-bank MVTs), moderately heavy for the lawyers, dealers in precious metals and stones, currency exchangers sectors and less heavily for other sectors (pension funds and accountancy sectors). This is explained above in Chapter 1. Overall, the AT concluded that:
- a) **Most heavily weighted:** Large banks appear to be implementing preventive measures effectively and engaging proactively with authorities. However, it is not clear if this applies equally to smaller banks, across the range of obligations, although some of these smaller banks have demonstrated a reasonable understanding of risks and implementation of these measures commensurate with their risks.
 - b) **Heavily weighted:** Implementation of preventive measures in the capital market is good, and relatively less developed in real estate, non-banking MVTs and notaries sectors. Real estate agents, for example, do not appear to have a sufficient understanding of their risks or how to effectively mitigate them.
 - c) **Moderately weighted:** Implementation by currency exchangers is relatively mixed and not so developed by lawyers and DPMS sectors. VASPs seem to have a good understanding of their obligations and ML/TF risks. This is an emerging risk and there is not yet evidence to suggest that broad scale ML/TF is occurring in Indonesia through this sector.
 - d) **Low weight:** Accountancy profession appears to have a mixed understanding of risks and AML/CFT obligations.

Understanding of ML/TF risk and AML/CFT obligations

Financial institutions and VASPs

312. Since the 2018 APG mutual evaluation, risk understanding across all sectors has improved, although deficiencies continue to exist. Across all sectors, the larger firms, in particular, big banks have a relatively better understanding of risks and their AML/CFT obligations and are able to allocate adequate resources to do so. The largest banks operating in the Indonesia have demonstrated comprehensive understanding of ML/TF risk. Other small banks have demonstrated a reasonable understanding of risk.
313. The level and understanding of ML/TF risks and AML/CFT obligations varies across sectors and depends upon factors such operation, products and services they provide, the quality of staff and management, and the jurisdictions they operate in. Overall, the financial services sector is continuously improving its understanding of ML/TF risks and firms demonstrated their use of sectoral risk assessments produced by the supervisors in further developing their understanding of the risk environment.

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314. All FIs met during the on-site visit were aware of the NRAs/SRAs and the outreach by the supervisors seems to be an effective way to build their risk understanding. For example, the OJK provided the FIs with TF risk indicators, which help the FIs develop their understanding of the TF risk environment in the banking system, especially wire transfers (as described in 2021 TF NRA). The FIs also seemed aware of the risk associated with the NPOs, in particular sham NPOs and the abuse of NPOs by their founders/employees. The OJK guidelines included useful TF risk indicators for developing this understanding of FIs.
 315. The non-bank FIs such as life insurance companies and capital market institutions have showed an improved understanding of risk related to the ML; however, the risk of the TF still needs to be developed further. This is partly due to the fact the TF risk associated with those sectors is considered as low based on the NRAs and SRAs. However, a more robust understanding of TF risks, considering the risk and context of Indonesia is an area of further work.
 316. The risk understanding of the currency exchangers and non-bank MVTS providers is not comprehensive, in particular related to the TF risk, and the risk they might be exposed to in international transactions, such as the correspondent relationships. Their understanding of risk is limited to the red flags and the information provided by supervisors, rather than a more robust approach to use them as an input, considering their operations, clients profile, geographical areas of operations and services provided.
 317. Future Traders and VASPs seem to have a good understanding of ML risk. However, the understanding of TF risks is still developing. The VASPs sector, in particular, is aware of the new and emerging TF risks related to the VAs, however, there is a need to further develop this understanding, taking into account Indonesia's context.

DNFBPs

318. DNFBPs have a general understanding of the risks identified through the NRAs/SRAs and their findings in relation to the ML/TF risks present in their industry, although an understanding of specific ML/TF risks facing their institutions through transactions and business relationships with clients is inconsistent. The notary profession demonstrates an awareness of heightened TF risk in their services for the creation of foundations (NPOs). There is a strong indication of understanding of the AML/CFT compliance obligations as set in the regulations, and to a lesser extent an application of a risk-based approach. In general, CFT obligations were explained to be limited to screening customer details against the DTTOT list.

319. Accountants mostly provide services to local clients and indicated a risk averse approach to ML/TF. Clients in the property and mining sector were highlighted as a higher risk. Larger accounting entities have a good understanding of AML/CFT obligations, as aligned with their organisation's international standards. Smaller, domestic focused entities have a limited understanding in relation to the implementation of the SRA. Notaries have a good understanding of the SRA/NRA and were involved in their development. They do not regard ML risk as a prominent issue in their industry, which is inconsistent with the findings of the law enforcement cases. For both these sectors, however, PEP searches are limited to domestic lists and open-source data for foreign PEPs, however these sectors consider that there would be no instances where a foreign PEP would be present and screening is not pursued. In addition, the risk understanding of persons associated with PEPs could not be demonstrated.
320. Real estate agents have some understanding of risks and consider that the secondary market poses greater risk. While they have a good understanding of the SRA/NRA, and risks posed by PEPs, their risk understanding is limited to the direct clients, and do not consider beneficial owners or complex structures in risk determination. CDD obligations were noted as straightforward and easy to follow and not risk based in application.
321. There are different market practices within the DPMS sector, ranging from mining, refining, wholesale and retail. All these are included within the Indonesian definition of DPMS, the predominant product being gold. The wholesale division seems to have a strong understanding of risks, owing to international standards being applied and has identified transactions in excess of IDR 100 million (EUR 6 614) are considered a heightened risk. This is, however, not consistent across the retail sector where the understanding is demonstrated to a lesser extent. Focus is on the SRA, though participants seemed to have identified core risk areas, namely; geographic risk, employment indicators (source of income compared to transaction value) and methods of payment.
322. On TF, there is an inconsistent understanding of risks and obligations across the DNFBP sector. For example, the accountancy, DPMS and real estate sectors seemed to have a lesser understanding, limited to screening of clients against the DTTOT list. This limited understanding was more pronounced in entities in the smaller, domestic space. Notaries and lawyers seemed to have basic understanding based on SRA/NRA. Notaries have a stronger understanding of the use of foundations for TF purposes, though the risk parameters and associated controls could not be demonstrated.

*Application of risk mitigating measures**Financial institutions and VASPs*

323. The large FIs have effective measures to mitigate the risk, while for smaller FIs, these measures seemed to be based on the AML/CFT regulations, rather than inherent ML/TF risks to which they are exposed to. Banks, securities, insurance, and finance companies seemed to have developed AML/CFT policies and procedures and have action plans to refine them in order to mitigate risks identified in their own risk assessments and/or the NRAs and SRAs. While SRAs are an important reference in identification, assessment, and mitigation of ML/TF risks faced by the FIs, bigger FIs seem to develop their own policies and procedures to implement the risk-based AML and CFT program.
324. Banks, securities, and insurance and finance companies met during the on-site generally demonstrated good implementation of the risk-based approach. All three sectors have classified customers, products and the delivery channels in accordance with the ML/TF risk and have integrated risk mitigation measures into their operations. However, the supervisory findings identified deficiencies related to the weakness on the AML/CFT policies and procedures, in particular, that some banks have failed to make adjustment to the new regulations, and some of them have not yet established fully functional AML units. Other findings showed deficiencies related to implementation of beneficial ownership obligations and incomplete CDD.
325. The currency exchangers and MVTs showed an improvement in compliance over last few years, thanks to the efforts made by the authorities. However, the implementation of the RBA in this sector is still developing. Both sectors showed during the on-site their ability to comply with the regulation, and build their policies and procedures based on the requirement not based on the risk faced by the sector. This is due to lack of comprehensive understanding of risk.
326. Future traders have showed a good level of implementation of RBA in according with the low level of risk associated with the sector. VASPs met during the on-site visit showed a sound implementation of the RBA, although the requirement is still new within the sector, the level of implementation is satisfied.

DNFBPs

327. The DNFBPs in general follow a risk averse/avoidance approach, seen in that high-risk clients from a ML perspective would not be onboarded. While risk profiling is required for clients, the nature or purpose of mitigating measures is not understood. The concept of EDD is understood by most DNFBPs, with application limited to customers that are PEPs.

328. Accountants have an understanding of the EDD requirements for high risk relating to PEPs and high-risk countries, though limited to ML. The TF risk profiling of customers and associated risk mitigation is not well applied. The sector consider that TF is not an industry concern. Industry practice indicates that risk mitigation seems to be only done upfront, and not an ongoing process. Both for accountants and notaries, the compliance understanding is in place- but not an understanding of how additional information and/or documents could be used to understand/manage the risk. **Notaries** also demonstrated a risk-avoidance approach, where notaries will not engage with a high-risk entity. Through industry practice, notaries have not observed any high-risk client and have never turned away any business. **Real estate agents** also follow a similar approach, although business was declined due to high risk. There seems to be an inconsistency in how risk is identified and mitigated or if it is avoided altogether. **DPMS** apply CDD prior to initiating a business relationship and conduct additional CDD in instances of a transaction exceeding IDR 100 million (EUR 6 614) threshold as well as when gold is sold over 100 grams. Online sales of gold are common practice in Indonesia but no consideration that this distribution channel could pose any form of heightened risk.

Application of CDD and record-keeping requirements

Financial institutions and VASPs

329. The private sector entities met with during the on-site showed that the FIs understand the CDD requirement and rely on the Electronic ID (E-KTP) solutions, which help them identify the customers and verify the information. They showed a good level of implementation of the CDD requirement across the FIs sector and refuse to establish the business relationship if the CDD is not completed. However, the supervisory findings revealed that the incomplete CDD is still found in some instances. The record keeping requirement by the FIs is implemented very well. Most of the FIs have categorised their customer based on the risk ratings, and the level of CDD and frequency of on-going due diligence are based on the customer's risk profile.
330. The beneficial-owner measures are implemented to a large extent in bigger banks, securities and insurance and finance companies. They also rely on the MLHR's website to identify the BO, with special attention on the on-boarding stage to verify the information provided by the customer. As mentioned in IO.5, the verification of identity of BO is still a challenge to some extent for FIs particularly when international complex structures are involved or receive the benefit of a transaction. However, trustees of foreign established trusts are not under an obligation to disclose their status to FIs making it more difficult to ascertain their accuracy. FIs met during the on-site showed they will follow the ownership chain to the natural person who ultimately have controls over the legal person. Most of the FIs met during the on-site visit showed they are effectively identifying the high-risk customers such as PEPs, students and housewives (due to mismatch between income and transaction profile) and applying EDD measures.

DNFBPs

331. DNFBPs have a solid understanding of record keeping requirements with a clear understanding that no transactions or business relationships with a client could commence without CDD having been completed. The application of CDD, however, is limited to the understanding of the direct client, with a lesser focus on the beneficial owners and persons with authority to act in relation to the direct client. Upfront CDD measures are a focus of compliance, with limited focus related to ongoing CDD. In the real estate sector, CDD obligations were noted as straightforward and easy to follow. Further, the process of CDD however does not appear to be risk based, and emphasis is placed on KYC/CDD forms as part of onboarding, rather than a more nuanced approach to fine tuning measures to better understand the source of risks. Furthermore, the implementation of KYC for complex structures in real estate agent is very limited due to lack of resources in HR and infrastructure (access to foreign company registry).

*Application of EDD measures**Financial institutions and VASPs*

332. FIs in general, displayed a strong understanding of the high risk of corruption in the Indonesian context, and how their business can be misused in that context by PEPs. All the FIs showed strong EDD requirement, particularly in relation to the domestic PEPs, with relying on the PEPs application of the PPATK, and other databases. Major FIs such as banks, securities and insurance and financing companies have more sophisticated measures to identify the PEPs, while other small businesses such as currency exchangers and MVTs seemed to limit the application to the list of PEPs provided by the PPATK.
333. Other FIs such as future traders are using other databases to identify the PEPs, in relation to the domestic and foreign PEPs. VASPs rely on the PEPs application to identify the domestic PEPs, and since the foreigners are not allowed to enter the market in Indonesia, foreign PEPs are not considered a significant threat. The monitoring of PEPs activities is well developed in the major FIs, with relatively less stringent monitoring by smaller FIs, due to the limited transactions with them, although some small FIs have reported STRs related to potential corruption.
334. FIs using new technology solutions showed a good understanding of the associated ML/TF risks. They carry out an assessment of the risk before launching the new products or services, including new delivery channels, though some concerns exist if the risks associated with products are adequately understood and assessed before being launched and whether they fully meet the AML/CFT obligations. Several institutions have been using RegTech that was developed by providers both in-house and from third parties which are generally used in CDD and transaction monitoring.
335. Banks and MVTs conduct wire transfer transactions and demonstrated good understanding of wire transfer rules. They must complete the information required on the originator and beneficiary before conducting the transactions; both have policies and procedures to reject transactions in case of incomplete information. VASP have not yet implemented travel rule in the case of wire transfers involving virtual assets. As is the case internationally, VASPs are awaiting the technological solutions to help them in complying with the travel rule requirement.

336. Banks implement correspondent banking requirement and conduct EDD on the respondent bank. Banks treat the correspondent banking as high risk, and regularly review the correspondent relationship, in particular with the updated NRAs and SRAs. Banks also take into account the correspondent relationship in case of establishment of the correspondent banking relationships with institutions in countries identified in the FATF high risk countries.
337. On TFS, most of the FIs met during the on-site indicated that they have integrated the names included in the DTTOT list into their systems, with a more sophisticated approach by major FIs such as bigger banks, securities, insurance and financing companies, which carry out transaction scanning beyond those listed. As indicated in 2018 MER, several banks have frozen funds of individuals and entities on the DTTOT list and reported to the PPATK. The compliance with TFS obligation by the smaller FIs is evolving, with clear understanding of their obligations in terms of immediate freezing and reporting to the PPATK.
338. FIs met during the on-site visit displayed a good level of risk associated with higher-risk countries, published by the FATF. They receive the list from their supervisors and undertake some counter-measures according to their AML/CFT policies and procedures. In addition, most banks have their own country risk rating, take actions to terminate business relationship with customers from high-risk countries, and file STRs, although some group-banks operating in some of the higher-risk countries indicated that their business within such countries was very limited, thus the risk was contained. In addition, FIs also conduct EDD in high-risk areas according to the latest NRA results.

DNFBPs

339. There is a consolidated domestic **PEP** list that is free for the public to access and available on the PPATK website. DNFBPs (accountants, notaries, lawyers, real estate agents and DPMS), in general, indicated that the communication and accessibility of these listings (initial and once updated) could be enhanced. The PEP lists are limited to domestic PEPs, DNFBPs could not indicate how and where they could access information regarding foreign PEPs. Foreign PEPs were not a consideration during CDD by DNFBPs. In addition, while there is understanding that clients must be screened upfront for PEPs, it was less clear if the requirements are being met on an ongoing basis and whether sign-off from senior management was obtained in all instances. A notary and accountant fulfil the highest managerial level and are responsible for PEP sign off.
340. It is the perception that new technologies are not a concern for the broader DNFBP industries as the nature of their products, engagements with clients and payment methods remain unaffected. There is a consolidated TFS list available on the PPATKs website, known as the DTTOT List. DNFBPs generally rely on the screening of customers against this list. However, their approach is limited to screening against listed individuals/entities, which does not fully address the sanctions evasion risks.

341. There is a mixed understanding of the risks associated with, and the enhanced measures required for high-risk countries. Accountants, notaries and lawyers were aware of NRA and SRAs and higher-risk countries and related EDD/counter measures requirements as applicable. Large DPMS have a good understanding of the risks and the need for enhanced scrutiny. Real estate agents indicated that geographic risks outside of Indonesia are not relevant as property may only be sold to an Indonesian national, and as such, do not consider geographic considerations relating to the the source of funds or potential beneficial ownership.

Reporting obligations and tipping off

342. Indonesia migrated from the previous reporting and information processing application known as GRIPS to goAML in February 2021. To register for goAML, reporting entities send a request to PPATK, and most reporting entities have proactively registered. However, not all reporting entities have done so, and at the time of the on-site visit, PPATK reported that only 32.75% had registered. The data shows that except for cooperatives, financial institutions are generally better covered than DNFBPs (see IO.6).

Table 5.1. Registration of reporting entities on goAML

Sector	Population as on Jun 2022	Registered on GoAML	Percentage
Financial Institutions			
Banks	1 726	1 656	95.94%
Capital market	215	204	94.88%
Non-bank MVTS and non-bank money changers	1 100	1 084	98.54%
Future trading & VASPs	89	89	100.00%
Cooperatives (savings/lending services)	127 846	679	0.53%
Postal services	1	1	100.00%
DNFBPs			
Vehicle dealers	1 178	393	33.36%
Real estate agents	2 015	1 103	54.74%
Notaries	19 328	17 089	88.42%
Lawyers	2 766	16	0.58%
Accountants and Public Accountants	1 120	794	70.89%
Auctions houses	107	104	97.19%
DPMS, art and antique dealers	162	32	19.75%
Financial planners	49	46	93.88%
Land Register Officers	22 098	10 716	48.49%

Financial institutions and VASPs

343. The number of STRs filed by FIs seems consistent with the risk profile of the country. The banking sector dominated around 50% of the STRs filed by the PPATK. While around more than 40% of the STRs came from the non-banking sector. This is in line with the financial sector profile of Indonesia, as the banking sector dominated around 75% of the sector. The number of STRs from MVTS and e-money providers has been increasing in recent years. See table 3.3 on STR reporting by private sector entities (IO.6).

344. Banks have relatively sophisticated IT systems for transaction monitoring and alerts. Securities, insurance and financing companies seem to have raised their abilities to detect the suspected transactions by adopting IT systems and building alerts and scenarios. The supervisors have noted some concern related to the adequacy of the information systems and the parameters and have set some follow-up action to remedy the shortcomings. Most of the STRs are submitted on time and reporting entities use goAML for submitting the STRs. However, the supervisory findings show that some of the reporting entities are still not submitting the STRs on time.
345. STR reporting is to some extent in line with Indonesia's key ML risks as identified in the NRA. Corruption and embezzlement attract substantial number of STRs in line with Indonesia's risk profile. On the other hand, reporting for narcotics, forestry offences and banking offences (including banking fraud) appear to be low and not fully in line with the risk. Most FIs have developed their own red flags, scenarios and alerts, with inputs from NRAs, SRAs and competent authorities such as PPATK, supervisors, law enforcement agencies, and other external and internal sources (See table on statistics of STRs based on predicate offences (10.6)).

DNFBPs

346. Since 2017, DNFBPs were required to submit proactive STRs. There are however no STR reports from lawyers, accountants and financial planners for the last 6 years. STR reports for DPMS and notaries are very limited, with the most reports being submitted by real estate equating to only 0.8% of the known estate agent database on average. The low volume of reports, especially by real estate agents and notaries, does not match to the risk profile of the DNFBP sector, despite outreach efforts by the PPATK.
347. In addition, for the accountancy sector in particular, there is a concern regarding perceived barrier to reporting. It is industry practice that should an auditor find anything suspicious this is raised directly with client and is not reported as an STR. There are no STRs submitted to date, although industry has indicated that they have raised matters of suspicion with clients.
348. For notaries and lawyers, currently AML/CFT laws are seen as secondary legislation with the primary legislation relating to Notary and Advocate laws. These laws contain provisions regarding clients' privilege and confidentiality. Although the AML regulations state that there is a reporting obligation, there is perceived uncertainty as to if the professional will be adequately protected should they report an STR. There is a review of legislation underway to include this into the primary regulations. Currently for notaries, consent/authorisation must first be obtained from the relevant association/body before any declaration of information. This seems to undermine the reporting mechanism.

349. Real estate agents started registration on goAML system only from 2021. There are 1103 real estate agents currently registered. However, there have only been 21 STRs submitted in 2021 from 9 agents, and 24 from 7 agents for 2022. This is 0.8% of the known database. The sector noted that business is turned away when it's deemed to be high-risk or if suspicion is raised, rather than submitting an STR. DPMS also had negligible reporting with just 1 reporter in 2019 and 2021. Reporting on TF shows similar negligible trends with accountants, notaries, real estate agents and DPMS not having reported any STR during the review period. DNFBPs do have an additional reporting obligation of all transactions over IDR 500 million (EUR 33 070) that has been in force since 2017.

Internal controls and legal/regulatory requirements impending implementation

Financial institutions and VASPs

350. The FIs, in general seem to have sound internal controls and AML/CFT programs. The FIs have designated a senior AML/CTF compliance officer reporting to the BOD and BOC. FIs have also provided in-house training and conducted awareness raising sessions for their staff. FIs part of financial groups have implemented group-wide risk management and AML/CFT programs, including compliance committee and risk committee. Small FIs such as the MVTs and money changers have also dedicated programs. Supervisory findings shows that still some shortcomings exist related to the internal controls, in all sectors (banking, capital markets and non-banking FIs).

DNFBPs

351. Internal controls and procedures ensuring compliance with AML/CFT requirements are understood by the DNFBPs as part of their regulatory obligations and are part of the risk-based on-site supervision framework. There have been no examples provided by the DNFBP sector for the assessors to consider the adequacy thereof. There are noted perceived barriers to STR reporting in the notary, lawyer and accountant sectors, discussed in section 5.2.4.
352. For accountants, notaries, lawyers and real estate agents, internal controls are strictly based on requirements of the AML law, which are translated into internal policies. However, this seems compliance focused and not risk oriented. For DPMS, in particular, the wholesale sector demonstrated a good understanding of internal controls, including robust audit functions to review and ensure that this is in line with international standards. This includes the risk focus and applied EDD measures. However, this was observed to a lesser extent for the retail sector. The real estate agent raised the serious concern about the existence of unlicensed entities, which undermine the overall integrity of the sector and compliance practices.

Overall conclusions on IO.4

Understanding of ML/TF risks and obligations varies across FIs and DNFBPs. This is generally high for banks, larger FIs and VASPs, but lower for DNFBPs, particularly for real estate agents. Understanding of TF in the DNFBP sector is underdeveloped and limited to screening of client information against the DTTOT list.

Implementation of mitigation measures varies across sectors. They are generally stronger in larger banks and FIs that have automated systems, governance processes and policies and procedure. which are implemented effectively. BO is implemented in the FIs, with some remaining technical deficiencies, as whether the FIs are required to follow the ownership chain to identify the natural person who effectively controls the legal person.

All DNFBPs demonstrate a rules/compliance focus towards AML/CFT obligations and could not demonstrate effective application of a risk-based approach. This is of particular concern in both the identification and mitigation of ML/TF measures for beneficial ownership and PEPs, at on-boarding and on an on-going basis. Identification and understanding of ML/TF risks relating to foreign PEPs is lacking. Reporting by all DNFBP sectors, most notably in the real estate, notary and lawyer professions is not commensurate with Indonesia's risk profile.

Indonesia is rated as having a moderate level of effectiveness for IO.4.

Chapter 6. SUPERVISION

Key Findings and Recommended Actions

Key Findings

- a. The three main financial supervisory authorities (OJK, BI and CoFTRA) have proactively developed their AML/CFT frameworks. The measures to prevent criminals from controlling FIs through ownership are sound, with OJK's measures being the most comprehensive. Measures are in place in relation to boards of directors and commissioners and some senior management. The measures do not cover all senior management and are most robust in relation to commercial banks. There have been particular problems with unlicensed money changers and money transfer service providers and this has been one of the focus areas of BI, which has achieved good outcomes. In the DNFBP sector, the licensing/registration provisions of professionals (notaries, lawyers and accountants) are regulated through the professional standards and are generally sound. The general registration and trade licensing requirements allow for some general understanding of the regulated sector; however, it does not provide a barrier to entry by criminal elements within the remaining DNFBP constituents.
- b. Overall, the key financial supervisory authorities have a very good understanding of ML risk. While input to supervisors has been provided by the FIU and LEAs more directly engaged with TF, the understanding of TF is not at the same level as for ML. Financial supervisors have IT tools and capacity to assess ML/TF risk and risk rate licensees. There are good elements of risk-based supervision, with the OJK having the most advanced framework. CoFTRA has taken commendable steps to identify and assess the risk of, and supervise, VASPs.
- c. For the DNFBP sector, PPATK is the lead and other supervisory bodies have contributed to NRAs/SRAs and as such have a conceptual understanding of the broader risks. PPATK uses a sound methodology for risk determination based on self-assessments and supplemented by reporting and inspection data where available. The MoF, since 2018 and MLHR, since 2020 have been fulfilling a supervisory function for accountants and notaries respectively, although this function falls within the greater general regulation of these sectors, respectively. Progress is noted in the commencement of audit/inspections of notaries and accountants, with refinement in audit selection criteria needed by the MoF. All audits performed include full scope inspections and could benefit from thematic considerations going forward. The MoF methodology for risk determination is also based on self-assessment (where obtained) and follows the risk factors set in the SRAs. The understanding of individual institutional risks by the MLHR and the MoF is less developed.

- d. While some sanctions are imposed in the financial sector, there is scope to take a more robust approach. This also applies for the DNFBP sector, where even though remedial measures ranging from warnings to license revocation exist, it is only in the accountant sector that wide-ranging sanctions have been applied, with the remaining DNFBP constituents having been subject to warnings only.

Recommended Actions

FIs and DNFBPs

- a) Indonesia should continue to strengthen measures to tackle unlicensed activity concerning real estate agents, unlicensed money changers and money transfer service providers, including by increased monitoring, enforcement action and liaison between criminal justice and supervisory authorities.
- b) Supervisory authorities should make full use of their sanctioning powers and respond to regulatory violations with proportionate and dissuasive sanctions.
- c) Indonesia should further develop existing supervisory approaches so as to fully conduct risk-based AML/CFT supervision. Specifically, the supervision programme of off-site and on-site activities should be implemented according to the ML/TF-specific risk level of individual supervised entities.

FIs

- a) Financial supervisors should continue to deepen their understanding of the TF risks within the sectors and the institutions that they supervise.
- b) Supervisory measures to prevent criminals and their associates from owning or controlling legal entities in the regulated sectors should extend to all senior management and not just directors and commissioners.
- c) CoFTRA should establish a comprehensive on-site inspection programme for VASPs.

DNFBPs

- a) Licensing requirements, as a means of barriers to entry, for non-professional DNFBPs (real estate, financial planners, DPMS) regardless of entity type should be enhanced to include scrutiny for all required persons such as beneficial owners with a significant or controlling interest or holding a management function.
- b) Indonesia should enhance understanding of the application of the SRA and NRA at an institutional level by the MoF and MLHR. DNFBP self-assessment information, where available should be enhanced with additional, reliable information. Due consideration of thematic inspections/on-site inspections by these supervisory authorities needs to be given.

- c) All DNFBP supervisory bodies should continue to focus their supervisory efforts on high-risk entities and ensure that this is aligned with their supervisory frameworks. Outreach initiatives should be enhanced to focus on developing a greater understanding of RBA and improvement in quality and volumes of STRs especially in the real estate and notaries' sector.

353. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, 15, 26-28, 34, 35 and elements of R.1 and 40.

Immediate Outcome 3 (Supervision)

354. For the reasons of their relative materiality and risk in the Indonesian context, supervisory issues were weighted most heavily for the banking sector, heavily for important sectors (capital market, real estate, notaries and non-bank MVTS), moderately heavy for VASPs, lawyers, dealers in precious metals and stones, currency exchangers sectors and less heavily for other sectors (pension funds and accountancy sectors). This is explained in detail in Chapter 1.

Licensing, registration and controls preventing criminals and associates from entering the market

Financial institutions and VASPs

OJK

355. Some 110 staff, in departments in Jakarta and the regions are engaged in licensing and fitness and propriety matters. The number of staff seems sufficient. Staff participate in training programmes; these are systematic in that they receive the minimum AML/CFT training required of all staff engaging in activity relevant to AML/CFT and other training is provided.
356. OJK obtains substantial information in relation to licence applications. This information covers the ownership structure, beneficial and legal owners and members of the BoC/BoD. Information received is checked against OJK's database (which includes DTTOT data), the internet, a software search tool, social media, as well as input from other departments within OJK, other supervisors in Indonesia, the PPATK, the Ministry of Higher Education (to verify the accuracy of qualifications), and the Interpol database. Compelling statistics were provided by OJK in connection with its requests to foreign supervisory authorities for input. Beneficial ownership of Indonesian entities and the list of domestic PEPs is checked online, as are the KPK's list of asset declarations by public servants and the websites of the Attorney General and the Supreme Court (to verify whether a person has been the subject of a criminal justice case). INP is asked to confirm the absence of criminal conviction against individuals in the control and management structures and, where a person has lived abroad or is living abroad, similar information is sought from the Embassy of, or a public authority in, the relevant country (or a confirmation sought from Interpol). OJK's policy is not to allow a convicted person to be involved with a FI.

357. Source of funds and wealth, as well as flows of funds, are also reviewed, including audited financial statements for the last three years and tax statements for legal persons and individuals for the same period. DG Tax is asked for input when there is a concern. Credit checks are undertaken with external agencies individuals interviewed. Any changes to beneficial or legal owners or boards of commissioners or directors are notified beforehand to the OJK. It takes the same approach for new appointments as for licence applications with regard to its checks.
358. The checks described above are strong. At the licence application stage, except for some officers of insurers, officers immediately below the level of director are not assessed by OJK prior to appointment. This gap is mostly mitigated for commercial banks, which are required to undertake integrity checks on senior management and information on changes of senior management is provided to OJK on a monthly basis; the checks described above for OJK are carried out at that stage. In addition, in parts of the securities sector individuals are required to obtain a permit as a representative and are subject to an integrity test and interview by OJK.
359. During on-site inspections, OJK reconsiders the integrity of beneficial and legal owners and members of the BoC/BoD. These checks have the same level of intensity as at the application stage. In addition, as a result of trigger events, the integrity of specific individuals has been re-evaluated to the same degree during 32 special reassessments of individuals undertaken since the beginning of 2017. The findings were negative and the individuals were subject to a restriction from becoming a shareholder or joining management of a bank for 3, 5 or 20 years. Reassessments in the capital market and insurance sectors have also been necessary and led to prohibitions. Follow up by OJK of fitness and properness of individuals is commendable.
360. OJK has also established and chairs the Illegal Investment Alert Task Force (IIATF) to target illegal fund raising and unauthorised investment management and securities and insurance broking. From the beginning of 2017 to the end of June 2022 the IIATF uncovered and suspended the activities of a significant number of illegal entities (5 275, of which the majority were internet peer to peer lending operations). The websites of these businesses were blocked and the names of the entities published. INP is a member of the IIATF. It follows up all cases and has investigated all 31 cases where one or more parties have been affected and where more than one illegal entity was involved. Investigations have led to court judgments, which are also published. The formation of the IIATF and number of illegal operations detected is very positive. There is scope to refine the success of the IIATF by increasing the number of investigations and for more comprehensive feedback on investigations and outcomes to the IIATF.
361. Checks are not specifically aimed at ascertaining whether an individual is an associate of a criminal but, when carried out, any links which could reasonably be known would become apparent.

BI

362. BI has a separate licensing department of 185 staff within its AML/CFT Division. Training is predicated on supervision but addresses licensing; there is scope to further develop this.

363. Prior to a licence application, BI meets representatives of the applicant. This is facilitated for MC as beneficial owners and members of the BoC/BoD must be resident in Indonesia. This is a strong mitigating factor. The application must include documentation on the applicant's structure, beneficial and legal owners, and BoC/BoD. This includes financial statements from legal persons, tax documents and capacity of individuals (background, education and integrity). The internet, a software search tool and the DTTOT list are checked. Input is sought from the PPATK, INP, OJK and DG Tax, the Ministry of Communication and Information (to ascertain if there have been any breaches of permits for the operation of electronic systems and transactions), the Ministry of Trade and the Indonesia Deposit insurance Corporation. Credit reference checks are carried out and written confirmation is sought from beneficial owners and each member of the BoC/BoD regarding absence of conviction for financial crime. Beneficial owners, shareholders and members of BoC/BoD are interviewed as necessary.
364. Persons wishing to become beneficial and legal owner or a member of the BoC/BoD must be approved by BI before taking up the role. Notifications are subject to the same level of checks as at the application stage. Non-bank MVTS and money changers are subject to re-licensing every five years.
365. The checks undertaken are very good. BI is a member of the IIATF and has also taken significant, proactive steps to close down unlicensed activity. Its monitoring of intelligence and cyber patrol activity since 2017, combined with referrals by third parties, has enabled it to identify a significant number of unlicensed entities, which have been closed down or guided to obtain a licence. A substantial number has been referred to INP for action. While BI and INP created a forum in 2019 to discuss unlicensed business, BI is not advised of the results of the referrals although it is aware that many cases are pending. There has been a significant decline in the number of cases since 2017 and the BI considers that unlicensed business is now rare. This conclusion seems appropriate. Checks are not specifically aimed at ascertaining whether an individual is an associate of a criminal but any links which could reasonably be known would become apparent.

CoFTRA

366. Futures brokers must be members of the JFE, which carries out its own fitness and propriety checks on beneficial and legal owners and the BoC/BoD. Information on applicants and a recommendation is provided by the JFE to CoFTRA. The JFE also has ongoing integrity checks.
367. CoFTRA has a separate licensing department of 13 staff (9 for futures brokers and 4 for VASPs). There is technical training which is specific to the department and staff also attend other events (including on VASPs since 2020); there is scope for more intensive training.
368. Information provided by the applicant includes the background and profile of beneficial and legal owners and BoC/BoD. The internet, the DTTOT list and list of asset declarations of public servants are checked and input sought from other departments within CoFTRA, OJK and BI, the PPATK and the Ministry of Higher Education. INP confirmation of absence of conviction is also obtained. CoFTRA pays attention to the source of funds and wealth. Financial statements and other information are provided by companies and individuals, and DG Tax is contacted to ascertain whether they are in good standing.

369. There are few foreign beneficial or legal owners of futures brokers. For these, CoFTRA requires confirmation of an absence of convictions from the Police or other relevant authority. Where a foreign supervisory authority is relevant, CoFTRA requires a letter of comfort from that authority. CoFTRA is advised of potential beneficial and legal owners and BoC/BoD, before occupying their positions; these changes are subject to the same scrutiny as at the application stage. The tests carried out by the CoFTRA are identical for VASPs. CoFTRA demonstrated its understanding of the business models and risks of individual VASPs. Few VASPs have foreign ownership (and these also have Indonesian beneficial owners). CoFTRA does not explicitly consider associates of criminals but association would most likely be uncovered by its checks. Overall, the checks are of sound quality.
370. There is substantial activity in searching websites for unlicensed activity. CoFTRA has referred a substantial number of cases to INP for investigation and provided expert advice when a case has reached Court. The main illegality has arisen from phishing and scamming, including the establishment of fake websites, duplicating those of existing licensees, promising a steady income from options trading, and selling fake crypto coins. During 2017-2022, CoFTRA has blocked some 3 450 website, application, social media accounts, and published each case. CoFTRA is also a member of the IIATF. There is coordination with OJK and INP to follow up consequences from illegal activity. More proactive information on investigations and outcomes could be provided by INP.

PPATK

371. As the Post Office is owned by the Government of Indonesia, the PPATK focuses its attention on the BoC/BoD. Vacancies are notified publicly and prior to any appointment, the individual must be approved by the Ministries for State Owned Enterprises and Communication and Information, which are responsible for fit and proper checks. As part of a panel acting for the Ministries, the PPATK coordinates the checks to satisfy itself that the individual has not been involved with criminality. The State Secretariat and State Intelligence undertake checks of their systems. The approach for the BoC/BoD is sound. While there is no explicit consideration of whether or not a person might be an associate of a criminal, in practice the checks undertaken by the various agencies involved with the panel would likely uncover any association. Checks on the fitness and propriety of management below the level of director are not undertaken under formal supervisory powers but the Post Office has its own criminality and integrity checks for senior managers, including consulting with the PPATK, which then operates it checks. The PPATK is comfortable that this approach has prevented criminals from being appointed as senior managers. Ongoing monitoring of the BoC/BoD is undertaken by the Audit Committee responsible to the Minister for State Owned Enterprises and the PPATK is consulted if there are issues. There are also some controls in place in the Post Office. The overall approach is good although there would be merit in establishing a more formal approach for the authorities in relation to senior management at the appointment stage.

DNFBP

372. Licensing, registration and other controls relating to notaries, lawyers and accountants rely on existing entry criteria, through the MLHR, Bar Association and the MoF respectively. This includes meeting minimum education and competency requirements, and not holding a criminal record for the last 5 years at start of activity evidenced by an original police clearance.
373. A DNFBP can perform a business either as a registered entity (LLC), as a non-registered entity (partnerships, firms etc) or as a natural person. For LLC, initial screening for registration is limited to DTTOT list-screening. There are no screening provisions for non-registered DNFBPs. All registered DNFBPs are subject to ML/TF review through the initial notarial risk aligned registration processes. Rejections of LLC registration relate mainly to the naming conventions applied by the registration system.
374. DNFBPs are required to obtain a trade licence from local government, which must be renewed on an annual basis. Criminal check process could not be substantiated in this process. The level of scrutiny for both trade licences and registration extend only to beneficial owners and excludes persons with a significant or controlling interest or persons holding a management function.
375. Other than obtaining a trade licence from local government, requiring a basic police certificate, and voluntary registration with the Estate Agency Associations and International gold standard setting bodies, there are no specific licensing requirements for the non-professional DNFBPs. Under these conditions, nothing prevents criminals and their associates from holding or being the beneficial owner of these DNFBPs outside of regulated professions.
376. Licensing breaches relating to DNFBPs could not be effectively demonstrated, for initial licensing of an entity and where ongoing changes are made to an entities structure. It is not clear what the ongoing monitoring conditions are. During supervisor's inspections, PEP/TF screening is conducted. In case of a positive match, supervisory authorities would refer to the LEAs for consideration to revoke a trade license. There have been cases where notaries were convicted of a criminal offence and their accreditation was revoked as matter of course through civil proceedings. Indonesia also provided one example of licence revocation in 2019 of a public accountant owing to a guilty charge of a criminal act as part of ongoing monitoring. No revocation of license has been evidenced for PPATK regulated DNFBPs.

Supervisors' understanding and identification of ML/TF risks

Financial institutions and VASPs

377. Overall, the three main FI supervisory authorities have a very good understanding of ML risk. The understanding of TF risk is not at the same level as for ML risk.
378. Close links with the PPATK benefit each authority's understanding of risk. There is very good beneficial routine contact between the supervisors and the PPATK, extending to sharing final on-site inspection reports, joint inspections and a daily newsletter provided by the PPATK. The FI supervisory authorities also benefit from input from other authorities such as the KPK, BNN and INP.

OJK

379. OJK has been involved with each iteration of the ML/TF NRAs. It undertook a SRA for the finance sector in 2017, 2019 and 2021. These documents provide an important basis for the understanding of risk, as does off-site information, combined with on-site inspections.
380. OJK has recently changed its systems to centralise information, which has led to easier assessment and understanding of the material. This includes twice yearly reports from banks' and NBFIs' internal auditors (AML/CFT is always covered in internal audit); twice yearly reports from the BoC (which covers AML/CFT for banks and NBFIs (in a limited way)), twice yearly compliance reports from banks, capital market firms and NBFIs which include a substantial component on AML/CFT; and anti-fraud strategy reports, twice yearly from banks and annually from capital market firms and NBFIs. The anti-fraud reports provide a key input into OJK's analysis as to how firms might be used for predicate criminality (e.g., the banking crime risk which features in the NRA). More generally, the reports as a whole point to the level of governance and controls. OJK also receives a completed survey each year from licensees in all sectors (amended to take into account some structural/market factors for each sector). This is a statistical document which, for banks, includes information on deposits, the number of customers at each risk level, PEPs, private banking customers, electronic banking, correspondent banking and money transfers. These off-site supervisory documents are useful although they should be enhanced to provide more detail (including in relation to controls) and to allow more demonstrable and detailed exploration of the various types of risk, including risks specific to Indonesia, TF risks, and the differing geographic risks for ML and TF.
381. OJK routinely meets all banks and NBFIs at least once a year. Ad hoc meetings are held with capital market licensees. FIs also provide reports to OJK via the SIGAP system in relation to the DTTOT list (see IO.10 and IO.11). OJK has established links with the private sector through a PPP for banks, which has considered business email compromise and TBML issues. OJK also benefits from its participation in supervisory colleges. It receives input from on-site inspections by foreign supervisors on group entities in Indonesia, and from its own inspections of group entities abroad.
382. There is routine dialogue with the PPATK. OJK provides the PPATK with an annual report on its activities and views on risks. The two authorities meet annually to consider the report, the on-site inspection plan for the following year and statistics in relation to STRs and CTRs. In addition, OJK has access to the goAML system and considers STRs and CTRs made by individual FIs prior to an on-site inspection. The PPATK also provides STR/CTR data on individual cases on request by OJK. More generally, STR/CTR data for each firm is provided by the PPATK to OJK each time a SRA is undertaken. This data is used to develop red flags. OJK's liaison with other authorities is also positive for its understanding of risk. This has included the BNN, KPK, MoHA, and MLHR.

383. FIs are rated under a methodology; there are a few differences between the business factors and structural factors for the various sectors. The methodology has been amended over time, reflecting the importance OJK attaches to robust and understandable risk categorisation. The assessment process is systematic and allows OJK to focus its supervision. As with the off-site returns by FIs, the AT considers the methodology would benefit from more detail across the various risk components, including TF risk, and geographic risk for each of ML and TF and addressing the specific risks faced by Indonesia in a detailed way. Written materials demonstrate that considerable thought has been applied to risk ratings by OJK over the period under review. Nevertheless, the pattern and number of FIs at some risk levels in some sectors suggests that recalibration of thresholds would be appropriate.
384. Risk ratings are considered on an annual basis for high-risk licensees, at least every two years for medium risk licensees and at least every three years for low-risk licensees. Ratings are also considered when there are trigger events (e.g., a change of beneficial owner, management or strategy or mergers of firms). Ratings have been revised as a result. In addition, more fundamental factors have led to revisions, in particular in the securities sector as a result of cases and improvements to the risk assessment methodology for most sectors.

BI

385. BI has been involved with each iteration of the ML and TF NRAs. It undertook a SRA of MC and MVTS in 2017 and updated this earlier in 2022. Questionnaires were issued to all firms. There is also significant input from the PPATK and weighting towards that input including data and frequency of each provider's STR and criminal justice outcomes. While BI uses the outcomes of its supervision there is scope to exercise more judgment based on supervision and further ML/TF information in risks obtained to support this judgement.
386. BI receives two annual reports from FIs. One is a report on governance by the BoD, which refers to compliance matters, including AML/CFT, in a general way. The second is dedicated to the effectiveness of AML/CFT controls, including reference to STRs/CTRs filed with the PPATK. BI also receives monthly transaction reports from MC on the number of purchase and sale transactions and from MVTS on incoming, outgoing and domestic remittances, together with monthly fraud reports. It also receives reports on changes to the management structure, capital structure or shareholding of licensees as they occur. These provide useful information, as do self-assessment reports provided by licensees prior to an on-site inspection. Overall, BI would benefit from receiving more detail from firms.
387. FIs are risk rated into one of five risk levels. The general pattern has been for ratings to reduce in riskiness; the AT has a concern that the absence of any MC or MVTS rated as high risk (dating back several years) means that the risk profiling methodology is unbalanced to some extent. BI demonstrated thoughtfulness of approach, including consideration of regional risks, and has noted that a focus on outreach has had a positive effect on controls. Risk ratings are considered annually and after trigger events. Ratings have changed as a result. Overall, there is scope for greater detail in the risk assessment.

CoFTRA

388. CoFTRA has been involved with each iteration of the ML/TF NRAs. It undertook SRAs for futures brokers and crypto asset trading in 2017 and 2019 respectively, updated the SRA for brokers in 2022 and is completing the second assessment for VASPs. All businesses received questionnaires during the NRA/SRA processes. They contain a range of questions which differentiate between ML and TF. Substantial weight is given to STRs; weight is also given to criminal justice processes and outcomes. CoFTRA demonstrated its awareness and understanding of cases of actual, alleged or possible criminality involving FIs. There is scope to exercise greater supervisory experience in assessing and understanding risk. There is also scope for the questionnaires to have additional specific focus on Indonesia's ML and TF risks (and, as VASPs develop their own systems and understanding, for more detail on inherent risks in relation to VASPs) and controls.
389. CoFTRA receives an annual questionnaire completed by FIs. In addition, CoFTRA receives information on assessment of customer risk by VASPs on a quarterly basis. They also provide CoFTRA with information daily on trading volumes and coins traded.
390. Businesses are risk rated annually using a three-tier system. Ratings have also been applied to regions, with Jakarta being the highest risk due to the number of FIs located there. The process could usefully be extended to cover consideration of ratings when there are trigger events and there is scope to recalibrate thresholds in light of the number of entities at particular risk levels.
391. Transactions by futures traders must use bank accounts. 80% of trades in that sector are bilateral between Indonesian counterparties. International customers feature to a greater degree in crypto trading. CoFTRA spoke well to the AT about its understanding of the VASP risks, both in terms of what it knows and having a view on where information is lacking. It is in close contact with VASPs to ensure they have a minimum IT basis for analysis of customers and transactions. CoFTRA is particularly concerned to ensure that chain analysis can be undertaken by firms. CoFTRA was clear in understanding that there is more to be done by firms and its own supervision to comprehensively understand both ML and TF risks within VASPs. It has identified a way forward.

PPATK

392. The PPATK considers the risk profile of the Post Office to be low. It has access to STR data, international funds transfer instruction reports data (IFTI reports) and holds meetings with the Post Office. The Post Office can no longer compete with banks. Its business model is limited to money remittance and savings but values are not high.

DNFBP

393. All DNFBP sectors have been involved in a robust SRA process, as led by the PPATK. PPATK plays a key role in assisting the other supervisory bodies to gain understanding of risks through joint inspections, joint training, and supervisory bodies' engagement sessions.

394. All supervisory bodies are overall well aware of the outcomes of the SRAs, and how such risks inform the NRA. Supervisory bodies' understanding of risks is dependent on the NRA and the SRA issued and not so much on a practical interpretation of what is seen in respective sectors. All references made to risk are deferred to the SRA/NRA, across all DNFBP supervisory bodies.
395. The supervisory bodies demonstrate a conceptual understanding of the ML/TF risks identified for their sectors. This is a basic understanding from MLHR and MOF (P2PK), with the PPATK demonstrating a strong understanding of ML/TF risks.
396. At an institutional level, there is a practical and sound methodology with a sophisticated technological framework used by PPATK and similar principles applied by the MoF and MLHR. The framework is based on the five key elements that are echoed in the SRA methodology. Additional information regarding DNFBPs is used to a lesser extent by the MLHR and P2PK (MOF). Although the understanding of risk is tested against the SRA methodology, there seems to be less understanding of individual institutional risks relating to the respective reporting entities.
397. Notably, PPATK has implemented a risk profiling system, implemented in 2020. This system is linked with entity risk considering several risk factors and their inspection process (including findings). It also allows for the incorporation of additional information by the PPATK manually and reporting information through goAML. A risk scoring is allocated to identified entities based on their answers to a self-assessment questionnaire. The PPATK has profiled their registered data base as follows.

Table 6.1. Number of DNFBP entities per risk category

Numbers of DNFBP entities per risk category	Jun-22			
	High	Med	Low	Total
Real estate/property agent	214 (11%)	198 (10%)	1 603 (80%)	2 015 (100%)
Motor vehicle dealer	100 (8%)	173 (15%)	905 (77%)	1 178 (100%)
Dealers in precious metals and stones	3 (3%)	1 (1%)	83 (95%)	87 (100%)
Art and antiques dealer	1 (1%)	7 (9%)	67 (89%)	75 (100%)
Financial planner	-	-	49 (100%)	49 (100%)
Lawyers	-	-	2 766 (100%)	2 766 (100%)
Total	318	379	5 473	6 170 (100%)

398. MLHR's notary population is vast, spreading over the 33 regions, with each having varying means of accessibility. As a result, not all notaries can be reached. Through approximately 25% of universe responding to the MLHR questionnaire, notaries were rated as high (821), medium (840) or low (1581) under a risk rating self-assessment. Applying a similar methodology, 28 public accountants were identified as high risk, 146 medium and 295 low risk; with 0 accountants identified as high risk, 7 medium risk and 644 low risk, by the MoF.
399. Risk understanding and measures taken during the Covid-19 pandemic

400. Indonesia has a strong understanding of the effects of the Covid-19 pandemic on risks as captured in the comprehensive 2020 Covid-19 ML/TF risk assessment. The number of on-site inspections reduced significantly during the crisis. Indonesia has developed its regulatory framework to allow supervisory activities to be carried out virtually. This led to more innovative and intense supervision, particularly for sectors exposed to heightened ML/TF risks and was used for the benefit of joint on-site inspections with the PPATK.
401. In addition, authorities have taken proactive steps to raise awareness in the private sector about Covid-19 risks (e.g., supervisors disseminated their insights on increasing trends on digital transactions crime related to business email compromise and misuse of NPOs). This has helped risk understanding of reporting entities on emerging issues. There was no significant decrease in STR reporting in the financial sector during the period of the pandemic (see IO.6), which shows that supervised entities continued to comply with reporting requirements despite adverse circumstances.

Risk-based supervision of compliance with AML/CFT requirements

Financial institutions and VASPs

OJK

402. OJK has a supervision and sanctions department comprising 600 staff in Jakarta and 557 staff in regional offices. Staff members are engaged in all supervisory activities, including AML/CFT. Four departments in Jakarta (comprising 382 staff), as well as regional staff, deal with banking supervision; these departments also include 25 AML/CFT specialists. Staffing levels in relation to AML/CFT, including in the regions, are generally consistent with risks but will be further strengthened with the planned increase in staff in 2023.
403. OJK prepares annual staff training plans; the plan for 2022 is well-structured. The programme of training is systematic. A substantial proportion of events has a focus on higher risks, particularly predicate criminality. There is scope for greater focus on other risks, including TF risks and risks such as syndicated groups and cross-border crime. While participation by staff at training events has increased, there is scope to increase the number of events and widen attendance.
404. A specialist department strengthens implementation of OJK's AML/CFT programme by coordinating strategy and policy, risk assessment, coordination and cooperation with third parties, compiling statistics, and setting and monitoring training plans. Two other departments coordinate operational matters. These departments have sufficient staff and the requisite authority to be treated seriously; they appear to work well. There is also a quality assurance mechanism comprising senior officers who bring a wider perspective to supervision than can be held by the teams carrying out day to day AML/CFT work.
405. Overall, during the supervisory process, there is a focus on the scope and size of FIs, which might militate against comprehensive risk-based supervision. There is also scope to enhance the approach of off-site supervision so that there is intensity of supervision depending on the level of risk.

406. On-site inspection plans are developed annually. High risk FIs are inspected every year. Medium risk and low risk FIs are subject to inspections every 2 and 3 years respectively. Inspections comprise full-scope inspections, thematic inspections and ad hoc inspections which occur as a result of trigger events. In the period since 2017 thematic inspections have included: 2018 (measures to reduce potential corruption and ML in regional elections; securities companies owned or controlled by PEPs); 2018 and 2019 (STRs relevant to tax crime and personal accounts used for business purposes); 2019 (measures to prevent corruption); 2020 (measures to prevent corruption with regard to regional elections and strengthening STR/CTR compliance); 2021 (some inspections covering foreign predicate crime and others covering illegal forestry and wildlife crime, corruption, tax and narcotics crime, and PF). There is scope to enhance the approach so that more FIs are subject to thematic inspections and for themes to cover risks such as syndicated groups and TF. The PPATK has provided the triggers for ad hoc inspections. The amount of time spent on-site as well as intensity of supervisory checks and sample selection vary as between FIs; two to four supervisors will participate in an inspection, with larger banks taking some ten working days. The table below shows the number and type of inspections. A significant number of the inspections are conducted jointly with the PPATK.

Table 6.2 OJK number of inspections, 2017-2022

Number/Type of inspections		2017			2018			2019			2020			2021			2022 (July)			Total
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	
Commercial banks	Full scope	12	0	0	2	11	3	1	17	3	2	8	3	1	12	1	1	11	0	88
	Thematic	0	0	0	14	26	17	8	43	0	11	34	0	12	32	0	4	18	0	219
	Ad hoc	3	0	0	0	14	2	5	3	0	2	5	1	0	5	0	6	1	0	47
Rural banks	Full scope	107			71			68			358			3	7	19	2	33	6	674
	Thematic	1 670			1 673			1 636			1 298			25	60	313	5	84	52	6 816
	Ad hoc	0			0			0			0			2	0	0	0	0	0	2
Securities companies	Full scope	2	13	1	0	11	0	1	9	10	0	9	6	3	7	3	2	1	0	78
	Thematic	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28	0	28
	Ad hoc	0	0	0	1	2	1	0	0	0	1	2	0	0	2	0	0	2	0	11
Investment managers	Full scope	4	18	0	3	6	0	4	8	0	0	1	14	2	4	0	0	2	2	68
	Thematic	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Ad hoc	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	Full scope	18			24			0	2	13	0	2	1	0	1	7	0	0	4	72
	Thematic	0			0			0	0	0	0	0	1	0	0	0	0	0	0	1
	Ad hoc	0			0			0	1	0	0	1	1	0	3	0	0	2	0	8
Finance companies	Full scope	15			29			0	3	6	0	0	14	0	1	14	0	0	10	92
	Thematic	0			0			0	0	0	0	0	0	0	0	0	0	0	0	0
	Ad hoc	0			0			0	0	1	0	1	0	0	0	0	0	0	0	2
Other NBFIs*	Full scope	61			63			59			23			30			62			298
	Thematic	0			0			0			0			0			0			0
	Ad hoc	0			0			0			0			1			0			1

407. Workplans guide inspections; these should be developed to provide more detail for each of ML and TF. OJK advised that it refers to the SRA for FIs and, for example, has focused on wire transfers, correspondent banking, cash transactions, private banking and PEPs as high risk. OJK has also advised that it focuses on high-risk products and services, including banking operations in high-risk regions of Indonesia and checks: whether programme implementation and training within FIs covers the latest NRA and SRA reports; that the monitoring system covers high risk predicate ML crimes such as corruption, narcotics and fraud; and adequacy of analysis of unusual transactions. Reports arising from inspections seen by the AT are well-structured. There is scope for full-scope inspections to be enhanced so as to become more risk focussed and consider more components of underlying criminality, organised crime, and geographic risk specific to each of ML and TF.

408. Coordination of AML/CFT supervision of conglomerates is achieved through a Financial Conglomeration Supervision Committee comprising financial and prudential supervisors from the banking, capital markets and NBFi departments. It meets regularly so as to implement the same standards of supervision for the main supervised entity and related companies. Supervision is led by the department responsible for the main entity. It also monitors whether there is appropriate AML/CFT coordination within the group. The degree of supervisory attention matches the risk ratings of the conglomerates.
409. OJK has increased liaison with foreign jurisdictions, including through supervisory colleges, where banks have networks (e.g., subsidiaries) in other jurisdictions.

BI

410. BI has a department of 200 staff in Jakarta and staff in 46 representative offices throughout Indonesia, which are responsible for supervision and enforcement. The financial system surveillance department in Jakarta coordinates supervision across the network. BI has an AML/CFT training programme; eight training events have been carried out by the headquarters since the beginning of 2020. There is scope to enhance the programme.
411. There is an emphasis on off-site supervision. All licensees are required to provide the same information. On-site inspection plans are formulated annually. Information provided by the PPATK, INP, the BNN and the KPK informs the inspection schedule. For licensees rated as high risk (level 5) BI conducts on-site inspections annually; these visits focus only on AML/CFT. Licensees rated as level 4 are also subject to inspections focussed on AML/CFT. For licensees rated as levels 3 to 1 (medium to low risk), when there is an inspection AML/CFT is part of a wider scope of review.
412. Full scope inspections (844) (covering AML/CFT on-site inspections) and thematic inspections (62) were undertaken over the review period. No on-site inspections took place for high-risk entities due to the absence of any licensees rated as high risk. BI has not conducted ad-hoc inspections for MC/MVTS. Themes for thematic inspections are agreed by the headquarters of BI and the PPATK. Thematic inspections have included: 2017 (new risk-based approach by BI); 2019 (measures to mitigate corruption and ML in MC by reviewing compliance with the prohibition of recirculation of SGD 10 000 banknotes); 2020 (compliance with TF/PF requirements in MVTS); 2021 (measures to mitigate ML in relation to narcotics and corruption); 2021 (measures to mitigate corruption and ML in relation to PEPs and CDD on travel agencies); 2022 (RBA and mitigation to address corruption, narcotics, and ML/TF/PF; red flags and monitoring of transactions; PEP screening; new technology; fund transfers; and counter measures to high risk countries).
413. Staff inspect compliance with both AML/CFT and non-AML/CFT requirements. Inspection approaches are well ordered and findings of failures seen by the AT are quite detailed. The overall approach leaves scope for further detail to be added to the inspection process and intensity of supervision so as to demonstrate focus on Indonesia's specific risks. Findings are shared with the PPATK after each inspection.
414. The table below shows the number and type of inspections. The number of inspections has been increasing, although there is scope to increase the number further in the MVTS sector in recognition of the higher risk profile of that sector compared with MC.

Table 6.3. BI's number of on-site inspections

Number of on-site inspections	2017	2018			2019			2020			2021			2022 (July)	Total
		H	M*	L	H	M*	L	H	M*	L	H	M*	L		
MC	98	0	117	13	0	162	11	0	115	13	0	151	13	96	789
MVTS	11	0	13	1	0	20	5	0	22	5	0	22	10	8	117

*This group includes low/medium, medium and medium/high risk categories

CoFTRA

415. CoFTRA has a department of six staff dedicated to AML/CFT supervision. The number of on-site inspections suggests that there is a staff shortfall; a systematic inspection programme for VASPs has not yet commenced. Training on supervision is provided and staff attend events which focus on specific subject areas - including VASPs since 2020. There is scope for a more in-depth approach.
416. For off-site supervision, all FIs complete an annual questionnaire and provide supporting documents, including information about controls. While the questionnaire covers both ML and TF, it would benefit from greater detail (e.g., more information on geographical and TF risk). Also, futures brokers provide daily, monthly and quarterly trading activity/transaction reports and annual financial statements. CoFTRA has developed red flags for further scrutiny based on this reporting. In 2022, a coaching clinic/training was carried out for brokers whose risk rating had reduced so as to identify challenges they face. Supervision is more advanced for futures brokers than for VASPs. CoFTRA (using third party accountants) is developing a similar approach for VASPs. In the meantime, VASPs provide daily, monthly, quarterly and annual trading and activity reports. The quarterly activity report covers the risk assessment of customers' profiles and trading activity as well as AML/CFT aspects. A separate annual report covers AML/CFT compliance.
417. CoFTRA's supervision is informed by the assessment of these documents, access to goAML, routine liaison with the PPATK and information from INP. There is intensity of off-site supervision to the extent that the documents required differ as between sectors. Risk ratings guide the on-site inspection programme. Joint inspections have been undertaken with the PPATK. On-site inspections of VASPs commenced in 2021. CoFTRA's risk methodology has a weighting of 30% for inherent risk and 70% for controls and that an approach in which inherent risk tangibly outweighs controls will serve risk assessment and supervision better. This change would likely alter the supervisory programme. The programme would benefit from thematic and ad-hoc inspections, more inspections of VASPs and in addressing the decrease in the number of inspections of futures traders during the pandemic.

Table 6.4. CoFTRA's number of on-site inspections

Number of inspections		2017			2018			2019			2020			2021			2022			Total
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	
Futures Broker	Full scope	5	-	-	6	2	1	13	-	-	7	4	-	4	1	1	3	1	-	48
	Thematic	-	-	-	-	-	-	2	1	-	-	3	1	-	-	-	-	-	-	7
	Ad-hoc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VASP	Full scope	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	-	-	2
	Thematic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25*	25*
	Ad-hoc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Thematic supervision specific for implementation of regulation.

418. Inspections of futures brokers are guided by a generic workplan which can usefully be amended to include more detail and more information on Indonesia's risks. The work plan for VASPs is being further developed. Exit letters indicate that inspections are sufficiently detailed to note failings and areas for improvement, although a more comprehensive approach to work plans (including a work plan tailored to VASPs) would enable more comprehensive approaches to inspection. Intensity of supervision within sectors could also allow for a fully risk-based approach.

DNFBP

419. Since 2021, PPATK uses a clear methodology for risk determination, supported by a sophisticated online system called SIPATUH. Similar principles are applied by the MLHR and MoF. The risk-based framework applied by all three supervisors is based on the five key elements that are set by the SRA methodology: board oversight, CDD policy and procedures, internal control information system and reporting, human resources and training. The PPATK has comprehensive data source system that tracks all correspondence, findings, associated documents and remedial actions/feedback.
420. Risk determination is based on self-assessment, and complemented by reporting data, where available. The auditor/PPATK can have an impact on the risk profile (i.e., downgrade to medium risk) taking into account previous audit reviews/remediation. Advocates and financial planners have not been included in inspection processes.
421. The PPATK has audited majority (70%) of the high-risk real estate agents and all high risk DPMS in 2021. Lawyers and financial planners have not been audited to date, in line with risk profiling. MLHR has started implementing risk-based inspections in 2020/2021, having inspected 282 high risk reporting entities on-site in 2021 and 14 through off-site means in 2022. The MoF has implemented risk-based inspections from 2018, having inspected all 28 high risk reporting entities, with the remainder being randomly selected. There is limited to no use of thematic supervision.

Table 6.5. Number of on-site AML/CFT inspections

Type of DNFBP	2017	2018	2019	2020	2021	March 2022	Total
Real Estate/Property Agent	63	42	44	25	35	13	222
Dealers in precious metals and stones	0	2	0	0	1	-	3
Notary	0	0	0	0	282	289	571
Public Accountant & Public Accountant Office	0	156	152	156	175	99	738

Table 6.6. Number of off-site (i.e., desk-based) AML/CFT monitoring or analysis

Type of DNFBP	2017	2018	2019	2020	2021	March 2022	Total
Real estate/Property Agent	187	140	1194	233	113	101	1 968
Dealer Precious Metal, Jewelry, and Stone	0	2	0	80	5	-	58
Notary	-	-	-	-	-	14	14
Public Accountant	-	-	-	1446	1453	1453	4 352
Public Accountant Office	-	-	-	474	473	367	1 314

Remedial actions and effective, proportionate, and dissuasive sanctions

Financial institutions and VASPs

422. OJK, BI and CoFTRA require remediation when noting breaches during on-site inspections. Deadlines for remediation are set and monitored by each authority to ensure implementation. Where there are significant breaches requiring some time to remediate, the FI is required to report periodically to the supervisor.
423. Enforcement by each supervisor is undertaken by the supervision department; the decision-makers on sanctions are not engaged in day-to-day supervision. Each supervisor has scope for greater robustness of approach, including consideration of changes to procedures and as part of this to establish more comprehensive focus on training programmes tailored to enforcement and sanctions. It is positive that some OJK staff have received training on sanctions from officers of foreign supervisory authorities at events in 2018, 2019 and 2022 on the application of sanctions in other countries. Enforcement and sanctions are included as a topic in BI's training, albeit as a subsidiary item within the training programme. CoFTRA has a module on sanctions in its programme.

OJK

424. The table below shows sanctions imposed for AML/CFT breaches. Sanctions have been used consistently as a tool by OJK and it has used a range (warnings, fines, limitations on business activity, prohibitions and, for NBFIs, revocation). While legislation provides that a written warning is a sanction, in practice these are letters from OJK requiring remediation. The AT has a concern about the absence of penalties on individuals except in one case and the relatively low number of penalties imposed on banks. Information on financial penalties is held in aggregated form (disaggregation in statistics on fines in future would be beneficial); on average, although there was a change in approach in 2020, the level of fine is not high. In the period 2019 to 2022 the lowest and highest fines for banks were IDR 45 million

(EUR 3 000) and IDR 15 billion (EUR 1 million) respectively. Sanctions are not published. The level of sanctions imposed on capital markets entities suggests a combination of stronger supervision by the OJK during the pandemic and more assertive enforcement in relation to that sector.

Table 6.7. Number, nature of sanctions and amount of fines imposed for AML/CFT breaches by OJK, 2017-2022 (excluding sanctions imposed for late reporting)

Sector	2017	2018	2019	2020	2021	2022	Total
Banking	0	0	3 [IDR 155.03 million (EUR 10 254)] and 1*	1 [IDR 15 billion (EUR 1 million)]	2 [IDR 1.83 billion (EUR 122 300)]	1 [IDR 1.21 billion (EUR 80 686)] and 2**	7 [IDR 18.2 billion (EUR 1.21 million)] and 4**
Capital markets	0	1*	1*	2 [IDR 800 million (EUR 53 333)] and 4*	21 [IDR 1.84 billion (EUR 122 666)] and 41*	4 [IDR 3.47 billion (EUR 231 000)] and 13*	27 (IDR 6.11 billion (EUR 407 000) and 60*
Insurance	15*	0	3*	0	0	0	18*
Credit finance	6*	45*	12*	6*	7*	3*	79*
Other NBFI	26*	93*	63* and 7**	25* and 2**	2 [IDR 200 000 (EUR 12)] and 9*	5*	221* and 9**

*Written warnings

**Limitations on certain business activities and revocation of license

425. Breaches subject to sanction have included insufficient effectiveness of oversight by the board; internal control systems and implementation of AML/CFT programmes; risk management; management awareness; management information systems in relation to identification, monitoring and reporting of risk; transaction monitoring; account opening; updating of customer profiles; beneficial ownership information; training; lack of competent staff; and internal audit. There were also a few cases where there was non-reporting of STRs and CTRs, and where policies and procedures had not kept pace with legal developments. OJK's records indicate that, in general, breaches were not systemic or frequent. Overall, the AT considers that the volume of sanctions imposed is not wholly dissuasive and there is also a concentration on written warnings (i.e., letters of remediation).
426. Since 2017 the banking sector has been responsible for about half of late STRs and supervisory filings although its timeliness of reporting/filing has improved significantly since then. There was a tangible increase in late reporting during the pandemic in 2021; as can be seen in the table below, the capital markets sector had particular issues with updating customer data. More generally, even with the higher level of penalty in the banking sector and allowing for pandemic-related issues in 2021, the continuing number of late STRs/returns suggests an increase in the level of penalty is needed for the framework to be fully dissuasive. The table below shows the number and amount of financial sanctions imposed for late reporting of STRs and filings to the OJK (fines aggregated for each year by sector).

Table 6.8. Number and amount of fines (IDR) imposed by the OJK for late filing of supervisory return to OJK and late reporting of STRs to PPATK, 2017-2022

Sector	2017	2018	2019	2020	2021	2022	Total
Banking	73 [IDR 279 million (EUR 18 660)]	48 [IDR 2.41 billion (EUR 160 773)]	26 [IDR 15.74 billion (EUR 1.05 million)]	31 (IDR 24.93 billion (EUR 1.67 million))	7 [IDR 2.57 billion (EUR 171 423)]	7 [IDR 1.10 billion (EUR 79 010)]	192 [IDR 47.1 billion (EUR 3.14 million)]
Capital markets	-	-	-	-	31 (IDR 176.1 million (EUR 11 740))	-	31 [IDR 176.1 million (EUR 11 740)]
Insurance	-	-	3 (IDR 9.8 million (EUR 653))	-	8 [IDR 94.6 million (EUR 6 306)]	1 [IDR 8.6 million (EUR 573)]	12 [IDR 113 million (EUR 7 533)]
Credit finance	-	-	-	1 [IDR 55 million (EUR 3 666)]	14 [(IDR 50.2 million (EUR 3 346)]	-	15 (IDR 105.2 million (EUR 7 013))
Other NBFIs	2 (IDR 400 000 or EUR 26)	-	45 [IDR 229.1 million (EUR 15 273)]	23 (IDR 92.2 million (EUR 6 146))	58 [IDR 66.05 million (EUR 4 403)]	-	132 (IDR 387.7 million (EUR 25 850))

BI

427. The tables below show the number of sanctions which have been imposed for AML/CFT breaches and for late filing of supervisory returns to BI and late reporting to PPATK. BI consistently uses sanctions as a supervisory tool. The BI retains aggregated data and so does not split sanctions by type (except fines) or specify the number of FIs to which the sanctions relate or whether individuals have been penalised. Fines tend to be imposed for shortcomings in procedures and risk management by FIs. Sanctions are not published. Notably, no financial sanctions were imposed on MC for AML/CFT breaches over the review period and no sanctions for late filing of supervisory returns to BI and late reporting to PPATK were imposed on MC over the period. Financial sanctions were imposed only during the years 2019 and 2020 on MC; the average was low. There is scope to improve the dissuasiveness of the sanctions' framework.

Table 6.9. Number, nature of sanctions and amount of fines imposed for AML/CFT breaches by BI, 2017-2022 (excluding sanctions imposed for late reporting)

Sector/year	2017	2018	2019	2020	2021	2022, as of June	Total
Non-bank payment	17* (0)	19* (0)	38* (0)	38* (0)	42* (0)	10* (0)	165* (0)
Non-bank money changers	138* (0)	818* (0)	122 including fines [IDR 50 million (EUR 3 333)]	162 including fines [(IDR 30 million (EUR 2 000)]	106* (0)	53* (0)	1399 including fines [(IDR 80 million (EUR 5 333)]

* Written warning (letters requiring remediation), limitations on certain business activities or revocation of license

Table 6.10. Number and amount of fines imposed by BI for late filing of supervisory return to BI and late reporting to PPATK, 2017-2022

Sector	2018	2019	2020	2021	2022	Total
Non-bank payment	IDR 275.75 million (EUR 18 383)	IDR 214.55 million (EUR 14 303)	IDR 259.8 million (EUR 17 320)	IDR 100.95 million (EUR 6 730)	IDR 20.85 million (EUR 1 390)	IDR 871.9 million (EUR 58 126)
Non-bank money changers	0	0	0	0	0	0

CoFTRA

428. COFTRA has issued private warning letters (i.e., letters requiring remediation) for late filing of daily, monthly, quarterly or annual reports to it (2018:149; 2019:127; 2020:59; 2021:78; 2022 prior to the on-site visit: 45). The number of late returns suggests that the overall system of warnings is not dissuasive. The warnings are complemented by activities in relation to illegal business and termination of activities, and the issue of fines for late filing of supervisory returns by future traders. No penalties have been applied for AML/CFT breaches, meaning there is scope for the framework to be improved.

Table 6.11. Number and amount of fines imposed by COFTRA for late reporting by future traders

Sector/year	2017	2018	2019	2020	2021	2022	Total
Future traders	NA	158 [IDR 31.6 million (EUR 2 100)]	127 [IDR 25.4 million (EUR 1 693)]	71 [IDR 14.2 million (EUR 946)]	78 [IDR 104.6 million (EUR 6 973)]	45 [IDR 35.6 million (EUR 2 373)]	IDR 211.4 million (EUR 14 093)]

DNFBP

429. Although remedial actions can range from warnings to license revocation, there is only one noted licence/practice revocation issued in the accountant, estate agent and notary sectors. The remaining DNFBPs sectors have only applied warnings, and in certain instance for the real estate sector, have publicly named offenders on the PPATK website.
430. Although there are such options from a regulatory perspective, there has not been an approved framework to allow for financial sanctions to be levied. The PPATK has drafted a punitive sanctions framework that is set to be implemented within 2022.

Impact of supervisory actions on compliance

Financial institutions and VASPs

431. OJK, BI and CoFTRA have positively affected the level of compliance by FIs. All three authorities have also had a positive effect on combating unlicensed activity.

432. OJK has noted significant changes in the control environment and AML/CFT compliance of FIs. This is most pronounced in relation to banks, in relation to which there has been improved governance and oversight and more frequent focus on AML/CFT and risk by boards; more and better reporting to boards; better quality policies and procedures; better internal audit focus; greater investment in AML/CFT IT systems; greater intensity of review by banks of subsidiaries; more training and monitoring of its effectiveness; and increased reporting of STRs. Compliance and internal audit teams in banks have become larger and more capable. These changes are also reflected in changes to the control element of OJK's risk ratings for banks.
433. While not as pronounced as for banks there has also been improvement in compliance by FIs licensed by BI. There has been a lowering of net risk of FIs during the period under review. Implementation of AML/CFT measures has improved (e.g., better identification and evaluation of risks, updating of customer profiles, administration of PEP relationships and, for electronic money service providers better e-CDD), with better policies and procedures. Numbers of STRs have improved. BoC/BoD have increased their AML/CFT oversight, data quality has improved and training has increased.
434. As with the other FI supervisors, CoFTRA has noted that AML/CFT measures and compliance have improved. This is demonstrated to some extent from a reduction in control risk in risk ratings of a substantial minority of futures brokers. VASPs do not have the same long history but CoFTRA has engaged closely with them; this has been a positive force in traders upgrading their analytical software to identify and evaluate risk. In addition, CoFTRA is working with VASPs to develop a travel rule protocol for consistent implementation by all traders. CoFTRA is already seeing benefits arising from this engagement.

DNFBPs

435. The implementation of Indonesia's online registration and reporting platform, goAML, is showing indications of greater oversight of the reporting entity universe and quality and number of reports received, although the reporting volumes in general remain low for the DNFBP sector. PPATK has been able to demonstrate that of the reporting entities inspected, there has been improvement in their compliance with the Regulatory provisions following from recommended actions imposed. The MoF and MLHR have recently commenced with their supervisory programmes, with the initial outcomes providing a good indicator for positive impact.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

436. The three major FI supervisors have focussed effort on outreach and promoting understanding of AML/CFT obligations by FIs.
437. OJK has established the AML/CFT Communication and Coordination Forum for the Financial Sector to share information, build capacity, and engage in policy and research. The Forum comprises representatives of OJK and FI sector associations; it has been active during the period under review. Since the beginning of 2017, 229 events were attended by 20 819 representatives of the banking sector and almost 10 000 representatives of other sectors. Events have been held virtually since the onset of the Covid-19 pandemic, facilitating wider participation. A significant number of events cover NRAs/SRAs, higher risk predicate offences for ML, ML typologies and case studies. While there has been coverage of TF, focus on specific TF risks faced by Indonesia is not of the same degree as for ML.
438. Significant written guidance and other outreach has been provided to FIs, including during the pandemic, and there has been substantial collaboration between OJK and the PPATK. OJK has created the “Mini-Site” part of its website to provide significant outreach material and coordinated its engagement with FIs through the AML/CFT “Person in Charge” at each FI. On-site inspections support dissemination of information. OJK established SIGAP so as to facilitate increased speed and coverage of outreach to FIs. Further, the OJK has undertaken a significant campaign of outreach through social media, posters and banners to create wide awareness by all parties of the importance of AML/CFT.
439. BI has carried out training and outreach, a significant portion of the latter via FI sector associations. It is active in arranging events on a wide range of topics (there is scope to develop further approaches specific to Indonesia’s risks). Part of its website is dedicated to AML/CFT. It has participated in television discussions and used social media and banners. BI also responds to queries.
440. CoFTRA has held training and outreach events with licensees on the AML/CFT legislation and implementation. These events are carried out in coordination with other authorities and licensees. Most recently, in 2021 training has been provided in conjunction with the PPATK on the use of goAML and reporting of STRs; this was followed by the issue of written guidance in 2022.

DNFBPs

441. PPATK, MoF and MLHR have all engaged in a variety of outreach interventions with their DNFBP sectors, including direct meetings with DNFBPs and industry associations, training, workshops, focus group discussions and coordination forum activities. PPATK is the lead in this area focusing on reporting matters and general regulatory compliance and hosts a dedicated training centre, call centre and online communication platforms that is accessible to all DNFBPs. The PPATK partners with the other DNFBP supervisory bodies such as MLHR and MOF, in joint training initiatives. Issues covered include CDD, reporting obligations and the SRA. The PPATK has also conducted 65 awareness sessions with the MoF and MLHR over 5 years focusing on reporting matters. PPATK, MoF, MLHR in collaboration with government agencies and industry bodies hold annual co-ordination meetings on supervision matters.

442. The MoF and MLHR also conduct their own training initiatives that are considered core modules to the existing continuous professional development requirements for the professional DNFBPs. For example, the MOF P2PK offers a set topic on ML/TF as part of the ongoing professional development. This compulsory annual training that requires a pass rate of 80%, failure to do so would result in not being provided the mandatory credits. Guidance, outside of Regulations and Circulars is limited to reporting matters. Guidance, procedures, awareness material regarding practical application specific within industries is lacking.

Overall Conclusions on IO.3

FIs

The three main financial supervisors (OJK, BI and CoFTRA) supervise FIs and VASPs for compliance with AML/CFT requirements. There have been particular problems with unlicensed MC and MVTS and this has been one of the focus areas of BI, which has achieved good outcomes. NRAs/SRAs are integral parts of AML/CFT supervision. Supervisors have IT tools and capacity to assess ML/TF risk. Understanding of TF is not at the same level as for ML. OJK has the most advanced risk-based supervision framework but there is scope for the BI and CoFTRA to obtain more detailed and risk-focussed information and carry out more comprehensive risk-based supervision. Remedial actions are monitored effectively but there are shortcomings over the range and use of sanctions and there is scope to take a more robust approach.

DNFBPs

Indonesia's system for market entry controls for DNFBPs is deficient as fit and proper criteria do not apply to beneficial owners. Given the perceived large number of unlicensed and unregulated real estate agents operating, leads to a concern for ML/TF considerations. The PPATK has a strong understanding of ML/TF risks facing their supervised DNFBPs, with a lesser extent demonstrated by the MLHR and MoF. The RBA to supervision by the PPATK, MLHR and the MoF has recently been adopted, and the initial outcomes provide a good indicator for positive impact. Remedial actions and/or effective, proportionate and dissuasive sanctions are not applied, with the exception of accountants. Owing to STR reports and reporter numbers being exceptionally low, and the limited understanding of RBA towards ML/TF and associated AML/CFT methods by DNFBPs, the effectiveness is not fully demonstrated.

Indonesia is rated as having a moderate level of effectiveness for IO.3.

Chapter 7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings and Recommended Actions

Key Findings

- a) Information on the creation, nature and obligations of the different types of legal persons is publicly available in Indonesia.
- b) Express trusts cannot be formed under Indonesia law, however, there are foreign trusts/trustees that operate. *Waqfs*, largely used for religious and humanitarian purposes can be considered to be legal arrangements.
- c) Indonesia has assessed and developed a comprehensive understanding of the ML/TF risks of legal persons and legal arrangements through a number of sectoral risk assessments, which have been widely disseminated to competent authorities and the private sector.
- d) Indonesia has a central registry of legal persons managed by the MLHR which contains basic and, where available, BO information on all types of legal persons.
- e) With the exception of Single Partner Limited Liability Company (SPLLCs), notaries collect and verify ownership information including BO information as part of the registration process of LLCs. As notaries are not required for the registration of SPLLCs, nor for subsequent changes to ownership information, there are significant gaps in the verification of BO data, which leave vulnerabilities that can be exploited by criminals.
- f) The relatively low number of BO registrations (approximately 28.5% of the entire universe of legal persons populated in the registry and 47% of active legal persons) raises concerns on the overall effectiveness of the system.
- g) Indonesia uses a combination of mechanisms to ensure beneficial ownership information is available to the competent authorities. Some law enforcement and competent authorities have direct access to basic and beneficial ownership information held in the central registry and can also request BO information held by FIs and DNFBPs, where these are available.
- h) Indonesia does not allow bearer shares/warrants or nominee shareholders or directors, though the use of strawmen has been observed in a number of ML/TF cases.
- i) Although available in law to some extent, Indonesia is not applying sanctions for failures to comply with the requirements regarding disclosure of basic and BO information.

Recommended Actions

- a) Indonesia should conduct outreach to notaries to foster greater understanding of the ML/TF risks associated with companies being created to launder funds, as well as their role as gatekeepers in the registration and verification of information, especially BO information of companies.
- b) Indonesia should implement adequate measures to ensure the verification of basic and BO information of SPLLC considering that notaries are not involved in their registration.
- c) Indonesia should establish stronger mechanisms to better monitor breaches in compliance of ownership reporting, in particular BO reporting and impose effective, proportionate and dissuasive sanctions for non-compliance with registration and reporting requirements.
- d) Indonesia should continue its efforts to ensure the central registry of legal persons managed by the MLHR is populated with accurate information on the BOs of all legal persons active in Indonesia, which is useful for granting law enforcement and competent authorities quick and direct access to such information, as part of their multi-pronged approach to accessing BO information.
- e) Indonesia should implement enforceable measures to ensure foreign trusts or trustees are obliged to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold as well as establish international cooperation mechanisms to verify BO information relating to foreign trusts operating in Indonesia.
- f) Indonesia should enhance its efforts to improve its risk understanding relating to its *waqf* framework and implement specific AML/CFT measures, if necessary.

443. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24-25, and elements of R.1, 10, 37 and 40.¹³

¹³ The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

Immediate Outcome 5 (Legal Persons and Arrangements)

Overview of legal persons and arrangements in Indonesia

444. Private Limited Companies and Public Limited Companies as well as other for profit and not for profit legal persons can be incorporated in Indonesia. For profit legal persons include limited companies and cooperatives. A new type of limited company was recently introduced in Indonesia's legal system through article 109 of the Omnibus Law on Job Creation (Law number 11 from 2020), known as the Single Partner Limited Liability Company (SPLLC). SPLLCs were introduced to incorporate the informal business sector such as micro-businesses into the formal economy. There is an upper limit on the capital and only Indonesian citizens and natural persons can set up SPLLCs. Although relatively new to the Indonesian legal system, this type of company seems to be rather popular, considering that in the short span of its existence, it attracted some 37 000 registrations as of July 26, 2022. This is likely to have been prompted by the relatively simplified process of incorporation. Not for profit legal persons that can be incorporated in Indonesia are associations and foundations.
445. Limited Partnership (*Commanditaire Vennootschap*), Firm/General Partnership (*Firma*) and Civil Partnership (*Persekutuan Perdata*) are enterprises that may be used to conduct business in Indonesia although they are not legal persons nor legal arrangements.

Table 7.1. Types of legal persons in Indonesia as of 26 July 2022

Type of legal person	Total
Limited Liability Companies	1 193 172
• Domestic (<i>Perseroan Terbatas</i>)	1 089 114
• With foreign capital (<i>PT Penanaman Modal Asing</i>)	67 029
• Single Partner Limited Liability Company (<i>Perseroan Perorangan</i>)	37 029
Foundation (<i>Yayasan</i>)	312 646
Association (<i>Perkumpulan</i>)	205 354
Cooperatives (<i>Koperasi</i>)	242 236
Total	1 953 408

446. Although express trusts cannot be formed under Indonesian law, there is nothing under the law that prevents foreign trusts or trustees from operating in Indonesia. Indonesia has an arrangement known as *waqfs*, which is an Islamic type of legal arrangement created for religious and humanitarian purposes. The elements of the *waqf* are (i) the *waqif* (individual, legal person or organization) who pledges the assets, (ii) the *nazir* (individual, legal person or organization) who administers the assets, (iii) the assets pledged in *waqf*, (iv) the pledge itself, (v) the allotment (or purpose or class of persons for whose benefit the assets shall be used) of the *waqf* assets and (vi) the *waqf* period (that can be fixed or perpetual). At the time of the on-site visit, Indonesia reported that there was about IDR 832 billion (EUR 55 million) pledged in cash and about 432 000 hectares of land pledged through *waqfs*. Individual *nazirs* are only allowed to manage land while organisational or corporate *nazirs* are allowed to manage both moveable and immoveable property.

Public availability of information on the creation and types of legal persons and arrangements

447. Information on the creation, nature and obligations of the different types of legal persons is widely available in Indonesia through a number of different websites, publications in conventional and social media as well as leaflets and brochures. Primarily, the information can be obtained from the website of *ditjen Administrasi Hukum Umum* (AHU)¹⁴ of the Ministry of Law and Human Rights (MLHR).
448. In 2018 Indonesia transitioned from a system of multiple registries for different types of legal persons to a centralised registry known as the *Sistem Administrasi Badan Hukum* (SABH) located at *ditjen AHU* to obtain the necessary business certificate. This central registry contains basic information (see R.24) on all types of legal persons existing in Indonesia. More detailed beneficial ownership information is obtained through the incorporation deed prepared by the notary and this is archived with *ditjen AHU*.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities

449. Indonesia has assessed the ML/TF risks of legal persons and legal arrangements and developed a comprehensive understanding of the threat profile, vulnerabilities and impact of legal persons and arrangements through the National Risk Assessments, separate sectoral risk assessments (i.e., Risk Assessment on Legal Persons 2017, Risk Assessment on ML/TF by Using Legal Arrangement Schemes 2019, and ML Sectoral Risk Assessment on Foreign Limited Liability Companies 2020). Indonesia also issued a document on Gap Analysis on Beneficial Ownership of Legal Person/Legal Arrangement in Indonesia towards International Standards in 2018.
450. Based on these studies, LLCs, especially companies that operate trading businesses, are exposed to higher ML risks and foundations (*Yayasan*), especially social foundations and religious institutions, are exposed to higher risks for TF. ML normally occurs via transfers in the banking sector, especially with better IT infrastructure and financial technology that allows for quick transfers anytime and anywhere and in terms of the origin of illicit money, Indonesia's highest international risks are associated with Singapore. The 2022 NRA also notes LLCs are of high risk as perpetrators and facilitators for ML. In particular, through the use of false identities, nominees, foreign trusts, family members or third parties. Indonesia explained that the reference to nominees refers to strawmen and third parties whose names are used by perpetrators to conceal proceeds of crime.
451. LEAs' experience in investigating ML and financial crime involving also legal persons contributes to their identification and understanding of risks of legal persons. Case studies presented by Indonesia reflected instances of the use of informal nominees or the use of strawmen to hide the real or beneficial owners of property and assets in the conduct of ML/TF activity. Indonesia would benefit from more detailed analysis and understanding of this in its risk assessments as well as coming up with effective mitigating measures to address this.

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452. Although there are no trusts formed in Indonesia, foreign trusts operate in Indonesia through special purpose vehicles and shell companies for the purpose of investment and loans, and thus present ML/TF risks. Although Indonesia recognises that foreign LLCs presented vulnerabilities, the risk assessment notes that in practice, the threat from such companies is not significant as ML investigations in 2017 to 2018 do not significantly feature the use of such instruments. The conclusions of the risk assessment are reasonable but would benefit from updated consideration of ML investigations.
453. As Indonesia has not classified waqfs as legal arrangements, the sectoral risk assessments have not considered the risks associated with such arrangements. Nevertheless, the strictly centralised monitoring and maintenance by the authorities as described below, address concerns that may arise from any gaps in risk understanding of the waqf framework in Indonesia. Strengthening these measures built on more robust understanding of the risks arising out of the waqf framework will ensure that the legal arrangement is not abused for ML/TF.
454. The sectoral risk assessments have been widely disseminated to competent authorities and the private sector. However, competent authorities and entities of the private sector have a variable understanding of ML risks and vulnerabilities of Indonesian legal persons (see IOs. 3 and 4). PPATK and LEAs' understanding of ML/TF risks and vulnerabilities of legal entities is informed by the regular investigations they conduct to uncover the beneficial owners of legal entities to follow the evidence and trace illicit assets, and this also feeds into the sectoral risk assessments.

Mitigating measures to prevent the misuse of legal persons and arrangements

455. Indonesia has adopted some mitigating measures aimed at preventing the misuse of legal persons, which are discussed below along with an analysis of their effectiveness in practice.
456. ***Intervention of notaries in the incorporation process and subsequent changes in companies' structure:*** Indonesia has a system that requires that BO information of companies is provided and rests with the SABH and maintained by *ditjen* AHU. However, the verification of the information is done primarily by notaries where their involvement is required at the incorporation stage as well as where there are subsequent changes in structure and the changes are required by law to be contained in a public deed. Other changes to the company structure not requiring a public deed does not require the intervention of notaries and in such a case, there is no verification of the changes by an independent authority. In the case of SPLLCs, both in the incorporation process and for updates of changes, the fact that a notary is not required, presents a gap to the system. Further, although the number of declarations of beneficial ownership information has significantly increased since 2020, the current numbers remain relatively low. The relatively low number of entities that have registered their beneficial information raises concerns on the overall effectiveness of the system. Indonesia acknowledges this and is making efforts to address this through domestic socialisation and in cooperation with international stakeholders.

457. Except for SPLLCs, the incorporation process of legal persons in Indonesia commences with the drafting of the incorporation deed by a notary followed by the registration of the company in the SABH. During this process of preparing the incorporation deed, the notary is obliged to collect and verify all the basic and beneficial ownership information of the legal person and this has to be provided within seven days of the legal entity obtaining its operational license. Similar intervention of notaries is required in subsequent changes on companies' structure whenever those changes require a public deed. The *ditjen* AHU has a passive role in the maintenance of the registry and conducts very limited verification of the basic and beneficial ownership information that is registered. As such, there is no alternative verification mechanism in situations where there is no intervention of a notary.
458. SPLLCs only require a letter of establishment which contains the basic and beneficial ownership information, submitted directly in the SABH by its founder. The absence of the intervention of a notary (since an incorporation deed is not required for the creation of SPLLCs), means that there is no independent process of verification of its basic and beneficial ownership information. However, the potential risks posed by this gap are mitigated by the fact that these companies are targeted towards micro-businesses that do not require a large amount of capital (i.e., not more than IDR 5 billion (EUR 340 000)) as well as ownership limitations (i.e., only natural persons who are citizens of Indonesia). At the time of the on-site, only 26% of SPLLCs have included beneficial ownership information.
459. Legal entities are obliged to update their basic and beneficial ownership information annually as well as within three days of any changes to the legal entity's beneficial ownership. This can be done by a notary or any company official as the legislation states that changes in BO can be done in the SABH by notaries, the founders or the managers of the company or any other person upon whom the company bestows. Considering that there is no obligation for the notary to be regularly involved, the role of the notary as a gatekeeper at this stage is not sufficient. Again, *ditjen* AHU has a passive role in the maintenance of the registry and does not verify the information. Further, despite the existence of these procedures, only 28.5% of the total universe of entities registered in SABH (47% of active legal persons) have registered their beneficial ownership information in the system.
460. The notary is responsible for verifying the documents submitted by the applicant (except SPLLCs) and this is done through CDD and KYC principles. The notary may thus reject an application based on the implementation of these principles. If ML/TF violation is suspected, the notary must terminate the relationship with their client and report the transaction to PPATK via the goAML website. However, only 38 STRs have been submitted by notaries since 2017. Notaries are licensed and supervised by MLHR. MLHR and the Notary Association did not demonstrate to the AT that their limited supervision activities, mainly triggered by public complaints (see IO.3), are effective in ensuring compliance with requirements relevant to IO.5. However, the frequency of supervisions has increased since 2021 and 2022.

461. **Foreign investment in LLCs:** Indonesia's legislation only allows foreign investment in LLCs through share purchase or subscription at the time of establishment and the minimum paid-up capital is IDR 2.5 billion (EUR 170 000). In addition, the Capital Investment Coordinating Board imposes obligations related to control of company activities in its approval process. The verification of the source of funds and identification of foreign investors and business owners are captured by the CDD process conducted by notaries while preparing the public deed of incorporation of the LLC.
462. **Prohibition on bearer shares/bearer share warrants:** Pursuant to Indonesia's Company Law legislation enacted in 2007 and Indonesia's Capital Investment Law Number 25 of 2007, bearer shares cannot be issued. Bearer shares of public companies were removed from the market in the transition to electronic script, and the Company Law legislation includes provisions that cover conversion of bearer shares when a company modifies its Deed of Establishment or shares are transferred. MLHR and LEAs have not identified bearer shares in any activities associated with LLCs. No other type of legal persons issues shares. Bearer share warrants are expressly prohibited in Article 33. Indonesia's Capital Investment Law and the Company Law legislation require that any transfer of shares shall be conducted with a 'deed of transfer', which must be submitted to the company in writing and registered in SABH. MHLR and LEAs have not identified bearer share warrants in their activities.
463. **Nominee shareholders and directors:** Nominee shareholders (both domestic and foreign investors in LLCs) are prohibited under the Capital Investment Law. Since express trusts cannot be formed in Indonesia, nominee shareholders under a trust arrangement cannot be formed. Indonesian law also does not recognise the concept of nominee directorship. Any formal rights and obligations associated with the condition of director, when performed by a third party, will depend on the granting of specific powers through power of attorney drafted by a notary where both parties – nominator and nominee – are identified. In the absence of legislation that obliges nominee directors and shareholders (e.g., from foreign trust arrangements), Indonesia relies on existing CDD/KYC processes to identify nominee arrangements. (IO.4).
464. **Waqfs:** All the elements of a *waqf* i.e., the *waqif*, the *nazir*, the assets pledged and the pledge itself, the allotment and the *waqf* period, as well as documents proving ownership of the assets, must be included in a deed which is registered by the PPAIW (representative of the Minister of Religious Affairs - MoRA) with the competent authority (*Badan Wakaf Indonesia* or the Indonesian *Waqf* Board - BWI) within seven days. The BWI will then make an announcement to the public of the registered *waqf* assets.

465. Under Indonesian law, the BWI under the MoRA, is the regulator and supervisor of *waqf* in Indonesia and may use the services of public accountants in its supervision of *waqfs*. MoRA cooperates with OJK in the mapping and inspection of Islamic Financial Institutions in relation to cash *waqfs*. The BWI provides guidance to the *nazir* in managing and developing *waqf* assets as well as provides broad oversight in the management of *waqf* assets the origins of which must be ‘halal’ and owned by the *wakif*. Aside from conducting his affairs in line with the aims of the *waqf* and within the limitations of the *sharia* and statutory regulations, the *nazir* must manage *waqf* assets transparently and regularly produce financial and performance reports that are accessible to the *waqif* as well as a cash *waqf* management report every six months to BWI and MoRA. The registration framework provides a level of transparency as information on existing *waqfs* is available publicly and therefore competent authorities have accurate and timely access to the information, including beneficiary information.
466. BWI previously released the *Zakat* Core Principles and *Waqf* Core Principles in conjunction with other relevant authorities in order to provide guidelines for *zakat* and *waqf* management pursuant to international standards on financial prudence and governance. *Waqfs* are nevertheless vulnerable to misuse and LEAs have uncovered TF cases which involved the misuse of *waqfs*. As such, it may be useful for Indonesia to consider employing specific AML/CFT measures (including beneficial ownership identification and verification) in the regulation and supervision of *waqfs*.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

467. Competent authorities can access basic and beneficial ownership information on legal persons that is publicly available in the *ditjen* AHU registry and accessible through this weblink: <https://ahu.go.id/pencarian/profil-pemilik-manfaat>. The publicly available information includes the name of the beneficial owner, the beneficial owner’s corporate correspondence and the beneficial owner’s relationship with the corporation.
468. Aside from the basic and beneficial ownership that is publicly available, competent authorities that have an MOU with MLHR, i.e. PPATK, DG Tax, MoF, Ministry of Agriculture, Ministry of Resources and Energy, National Land Agency, Ministry of Cooperative, SMEs, BNI, BPD *Jawa Barat*, Financial and Development Supervisory Agency, Ministry of Environment and Forestry, Ministry of Home Affairs, AGO, State Secretariat and INP, are also able to obtain more detailed beneficial ownership information of legal persons through a secure site accessed via a username and password in real time or through a manual request to MLHR. This includes information such as the identity, tax information and residential address of the listed beneficial owner. DG Tax, for example, has direct and instant access to the *ditjen* AHU registry and uses this to access information about legal owners of companies, their board of commissioners and board of directors, as well as other beneficial ownership information. In 2021-2022, DG Tax obtained information from the registry 116 times mostly for inspections but also for billings and supervision. Aside from taxation, there is no data regarding how often this resource is accessed by LEAs. There would be benefits to have in place an audit mechanism to track LEA’s access to resource and use this to build on its efficacy and accuracy.

469. MLHR informed that for security reasons, only certain personnel from LEAs located at headquarters have direct access to its database, and personnel outside the headquarters (e.g., in the provinces) would have to liaise with headquarters in order to obtain direct access to information in its registry. Competent authorities that do not have direct access to its registry can make a manual request to MLHR for beneficial ownership information in its database that is not in the public domain. This would take an average of three to four days.
470. LEAs are also able to obtain BO information of legal persons through the use of their investigative powers (e.g., using court orders) to obtain the information from FIs and DNFBPs (where available), as well as from legal persons themselves. LEAs also obtain such information in cooperation with PPATK. Depending on the type and complexity of the information sought, this could take between one day and one month. During the on-site, LEAs demonstrated to the AT that they have internal procedures in place to guide their investigators in the process of obtaining BO information required for their investigations.

Table 7.2. PPATK disseminations on beneficial ownership information

Type	2017	2018	2019	2020	2021	2022 (to March)	Total
Proactive disseminations with BO information	45	48	59	89	121	25	387
Reactive disseminations with BO information	144	206	260	198	198	48	1054
Total	189	254	319	287	319	73	1 441

471. Various competent authorities have noted that BO information obtained in the registry managed by *ditjen* AHU has been useful in their ML/TF investigations (see case studies). However, as a result of gaps in the verification processes as highlighted above, it is unclear as to the extent to which the beneficial ownership information available on AHU system is accurate and up to date. MLHR indicated that should any competent authority, including the PPATK or LEAs identify any inaccuracies in the BO information stored in its database, it would be able to update the information. There was no instance of such a correction having been conducted.

Box 7.1. Jiwasurya (2020) (see IO.7 and IO.8)

Investigators from AGO tracked criminal assets to a company and obtained the BO information of the company through data held in the registry by *ditjen* AHU through a manual request. The investigators obtained detailed and useful information, including the deed of establishment, management assets, changes made to the deed, data on the Board of Directors, Board of Commissioners etc, within three days.

Box 7.2. Elena (2020)

BNN obtained BO information on 14 corporations controlled by the suspect from the registry by *ditjen* AHU within three days. The information revealed the suspect's network which included her relatives and subordinates as well as the fact that the corporations were not conducting any activity. Based on their investigations, BNN found that the corporations were in fact being used to disguise money received from narcotic activities.

Box 7.3. Altea (2020) (see IO.6)

During the investigation process, investigators learned that there was a flow of transactions into the corporate account. Within three days of a manual request, INP received corporate data from *ditjen* AHU through which they obtained the identities and addresses of the directors and management of the corporation through the deed of incorporation which led to INP investigators arresting the suspects and tracking the proceed of crime.

Box 7.4. La Hardik (2022)

In conducting investigations relating to luxury cars, DGCE accessed BO information directly from the *ditjen* AHU's database on two companies found to be shell companies and the beneficial ownership information that the companies were run by two others who were registered as the directors and commissioners of the companies. This led the investigators to the real owner, La Hardie who held 90% of the shares, as well as that the company was being used for ML.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

472. As noted above, Indonesia does not recognise legal arrangements in its legal system but foreign legal arrangements operate in Indonesia. Competent authorities obtain BO information from such arrangements through information collected by financial institutions, and to a lesser extent DNFBPs, as part of their CDD/KYC process. PPATK also obtains information from open sources and information in its databases to identify links that could lead beneficial information related to foreign legal arrangements. Some LEAs, such as BNN, indicated that beneficial ownership information for such arrangements would have to be obtained through cooperation with foreign authorities. PPATK and LEAs already have mechanisms to obtain BO information through cooperation with foreign authorities, namely with options through the central authorities in other countries, through counterparties in other countries with MoU instruments, through *Ditjen AHU*, and through representative offices in other countries. However, no information was provided on the extent to which competent authorities were able to obtain accurate information in a timely manner as this channel has not been used to obtain BO information on legal arrangements.
473. BWI's registration framework provides an adequate level of transparency as information on existing *waqfs* is available publicly and therefore competent authorities have timely access to the information in the *waqf* deed, including beneficiary and ownership information. However, no information was provided on the extent to which BWI or the *nazir* verifies such information to identify the beneficial owner.

Effectiveness, proportionality and dissuasiveness of sanctions

474. Supervisory authorities are able to impose administrative sanctions for breach of accurate ownership information disclosing obligations but these have not been adequately utilised (see IO.3). MLHR also holds the authority to block legal persons access to accounts with *ditjen AHU* where there are indications that the corporate vehicles are being used for ML/TF or suspicious activities, which means that the legal person's access to register any changes is forbidden and the notarial deed and other information submitted to MLHR cannot be used for business licensing purposes and this can hamper their business activities. MLHR can do so on its own accord or at the request of LEAs. Between January 2015 and June 2022, this has been used to block 11 corporations (7 of which were for TF purposes)¹⁵. Criminal sanctions can be imposed for giving false information section under the Penal Code. However, aside from the above, there is no specific criminal sanction for the breach of the obligation of the LLC/SPLLC to provide accurate BO and update BO information.

¹⁵ Indonesia reported that in the four months after the on-site, it blocked a significant number of legal persons, demonstrating the increasing use of this measure to deal with delinquent legal persons. While this is outside the review period, the assessment team takes note of this positive development to encourage companies to register their BO information.

475. Sanctions available in law are inadequate (see analysis of R.24). Indonesia is also not applying available sanction options for failures to declare basic and BO information on SABH. *Ditjen* AHU does not supervise legal persons for compliance with disclosure and registration of information obligations. MLHR as the supervisory authority of notaries, has not imposed any sanctions relating to their role in the process of incorporation and registration of legal persons.
476. Criminal sanctions, which includes fines and a maximum prison sentence of three to five years, are available for violations to the integrity of pledged *waqf* property. Administrative sanctions such as warning, suspension of permits and termination of office are available for the non-registration of *waqf* assets. Indonesia provided data regarding one case involving a *nazir* who was arrested and convicted for TF offences. He was also replaced in relation to his role as a *nazir* for *waqf* assets indicated to be related to the TF offences.

Overall conclusion on IO.5

Indonesia has assessed and developed a comprehensive understanding of the ML/TF risks of legal persons and legal arrangements through a number of sectoral risk assessments. MLHR has taken a positive step to move towards a single central registry (SABH) for all basic and available BO information related to legal persons in Indonesia. However, the number of legal persons and other entities that have registered their BO information is still low. The incorporation process of legal persons is now simplified under the new system, but SPLLCs do not require notaries in their incorporation process. As notaries have the role of collecting and verifying BO information of legal persons, there is no mechanism to verify the BO information provided by SPLLC. The intervention of the notary is also not required to register BO changes to a company structure other than when those changes have to be contained on a public deed. Bearer shares and nominee share ownership arrangements are prohibited in Indonesia while nominee directorships although not expressly prohibited are not recognised by law.

Waqf is an Islamic type of legal arrangement created for religious and humanitarian purposes and is regulated and supervised by the BWI. PPATK and LEAs can obtain BO information on legal persons from the SABH registry where available. As banks, and to some extent DNFBPs, collect BO information relating legal persons and foreign legal arrangements as part of their CDD process, PPATK and LEAs using their investigative power have access to such information. However, trustees of foreign established trusts are not under an obligation to disclose their condition to FIs making it more difficult to ascertain their accuracy. Indonesia is not applying available sanctions options for failures to declare basic and BO information on SABH. *Ditjen* AHU does not supervise legal persons for compliance with disclosure and registration of information obligations. MLHR as the supervisory authority of notaries, has not imposed any sanctions relating to their role in the process of incorporation and registration of legal persons.

Indonesia is rated as having a moderate level of effectiveness for IO.5.

Chapter 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key Findings

- a) Indonesia has a strong framework for international cooperation and has entered into a number of bilateral and multilateral agreements for providing and seeking MLA and extradition. The MLHR, as the central authority, administers an integrated electronic case management system for MLA and extradition requests, implemented in 2020.
- b) Generally, Indonesia has received positive feedback from counterparts on the exchange of information, although some delays were reported in some instances. During 2017-2022, Indonesia received 130 MLA requests and 14 extradition requests. Improvements have been noticed after the establishment of the case management system by MLHR. However, the statistics show that Indonesia does not seem to be fully executing incoming MLA requests in a timely manner, with one of the reasons attributed to such delay being lack of adequate human resources in the MLHR and the relevant LEAs.
- c) Indonesia has made 123 MLA and five extradition requests during 2017-22. However, LEAs seem to be not fully utilising MLAs commensurate with the country's risk profile. The primary reason for the relatively small number of outgoing MLA and extradition requests seems to be a general lack of focus on cross-border aspects of ML and predicate offence investigations.
- d) MLHR Guidelines for the handling of MLA (both incoming and outgoing) in criminal matters consider the category of offence (e.g., terrorism/TF, ML, human trafficking, illegal drugs and narcotics, and corruption), which is identified by the NRA. However, the Guidelines are silent on urgency and risk of dissipation and for outgoing MLAs, do not make mention of Indonesia's risks including high/medium risk foreign predicate offences and their origin countries or destination countries for illicit proceeds. In addition, MLHR Guidelines are non-binding for LEAs.
- e) Indonesia is more proactive on informal cooperation, especially on TF given the time-sensitive nature of such cases. For ML and predicate offences, PPATK and most LEAs play a vital role in exchanging information with foreign counterparts on outgoing/incoming requests and spontaneous disseminations. Overall, the scope and focus of Indonesia's proactive informal international cooperation is in line with Indonesia's risk profile. The AT acknowledges that Indonesia is not a major destination for illicit foreign proceeds.

- f) Indonesia pursues illicit assets laundered abroad, but the amounts recovered transnationally are relatively small. Indonesia has some effective practices of using informal cooperation to repatriate assets from abroad (also see IO.8).
- g) PPATK, some LEAs and key supervisors are exchanging information on basic and beneficial ownership, including, in relation to fit-and-proper tests.

Recommended Actions

- a) Indonesia should consider allocating more resources (in particular, for MLHR, INP, AGO and KPK) for timely execution of incoming MLA requests and prioritise these requests based on the criteria of urgency and risk of dissipation.
- b) MLHR should continue to coordinate with LEAs and raise awareness and organise training to prioritise outgoing MLA requests in a timely manner, in line with the country's risk profile.
- c) LEAs should enhance the active use of international cooperation in a systematic manner to recover proceeds of crime committed within Indonesia being laundered in other countries, in accordance with the asset recovery priority, set out in the 2020-2024 National Strategy and Action Plan.

477. The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this section are R.36-40 and elements of R.9, 15, 24, 25 and 32.

Immediate Outcome 2 (International Cooperation)

478. Indonesia is a middle-income country with an open economy and a well-diversified financial sector. It is not a regional or international financial centre, a centre for company formation, or a tax haven. Indonesia faces a threat of domestic funding, transfer and use of funds to provide support to international terrorist groups, such as ISIL. Indonesia co-operates with many jurisdictions, including Australia, Malaysia and Singapore, which are its major partners for law enforcement and supervisory co-operation. Indonesia also engages actively in all areas of informal international co-operation, including supervisory cooperation. Financial supervisors are most active in seeking and providing international cooperation, aligned with Indonesia's ML/TF risk priorities. Competent authorities regularly seek and provide international co-operation and participate actively in various international AML/CFT fora and networks.

Providing constructive and timely MLA and extradition

479. The MLHR is the central authority for MLA and extradition. MLA requests may come directly to the MLHR in case of an MLA treaty and non-coercive measures, or via diplomatic channels in the absence of an MLAT, on the basis of reciprocity. In both cases the MLHR coordinates the MLA. MLA/extradition requests are coordinated by the Directorate of Central Authority and International Law, which has 12 legal analysts and seven full time administration staffs. After reviewing the incoming MLA/extradition request and depending on the stage of the legal proceeding in the requesting country, the MLHR will forward the request to the INP, the AGO, or the KPK. INP, AGO and KPK have 5, 10 and 4 analysts respectively to deal with international cooperation. Procedural requirements for filing an MLA/extradition request to Indonesia are available on the website of MLHR (in English).
480. In March 2020, MLHR launched SIMJaOP, an integrated, encrypted and electronic case management system for MLA and extradition's requests handled by the MLHR, law enforcement agencies and MoFA. These authorities have access to SIMJaOP to input data/documents and monitor updates on MLA request. This system maintains the security and confidentiality of MLA requests. It also includes automatic prioritisation based on urgency as per the MLHR Guidance and NRA/SRA conclusions. A notification feature facilitates tracking and timely follow-up. Indonesia has signed three MLA and extradition multilateral treaties, one regional MLA treaty (ASEAN), ten bilateral MLA treaties, and 12 extradition bilateral treaties. Such bilateral MLATs cover jurisdictions such as Australia, China and Hong Kong, China, and the multilateral MLAT with ASEAN jurisdictions including Singapore. Before the SIMJaOP system became operational, MLHR used to draft, sign and send a formal written letter to competent authorities, which could take one to two weeks.

Mutual legal assistance

481. Criteria to prioritise incoming MLA requests are provided in the 2022 'MLHR Guidelines for the handling of MLA in criminal matters. Prioritisation takes into account the legal framework (bilateral, regional, and multilateral treaties and international conventions), the reciprocity principle and international relations, the category of offence (e.g., terrorism/TF, ML, human trafficking, illegal drugs and narcotics, and corruption) identified in the NRA, and dual criminality. Notably, these criteria are silent on urgency and risk of dissipation. In addition, in relation to outgoing requests, Indonesia's high/medium risk foreign predicate offences and their origin countries or destination countries for illicit proceeds do not seem to be taken into account. During on-site discussions, LEAs did not demonstrate on what basis they prioritise MLA requests that they receive from MLHR.

482. Between 2017 and 2022, Indonesia received 130 MLA requests, including one MLA requests on TF, 13 on ML, 66 on fraud, nine on corruption and three on narcotics. Approximately 53% requests were completed by Indonesia (56) or withdrawn by the requesting countries (13) (see table below). Indonesia attributed this withdrawal to a number of reasons, including the information/evidence requested was no longer needed, the requesting country's LEA completed the required action, Covid-19 related issues and inability of the requesting countries to respond to MLHR's follow-up inquiry. Notably, 61 incoming MLA requests are still pending, including 30 that are under process by Indonesia (none of them relate to ML/TF), and 31 that are pending additional information and/or evidence from requesting countries. Indonesia indicated that MLHR follows up with requesting countries in writing in all instances. In relation to the incoming requests that are under process, a number of factors are involved (e.g., the request relates to taking witness statements and limited information is available on the whereabouts of the persons of interest, need for a court order in some instances and for coordination with other agencies, such as immigration and INP). Covid-19 pandemic also caused some challenges due to travel restrictions.

Table 2.1. Incoming MLA requests

	2017	2018	2019	2020	2021	2022 (July)	Total
MLA requests received	17	26	47	14	17	9	130
MLA provided	14	15	14	7	5	1	56
Withdrawn by requesting countries	1	3	6	0	3	0	13
In progress in Indonesia	0	5	12	5	5	3	30
In progress in requesting countries	2	3	15	2	4	5	31

483. Generally, feedback received from the FATF and FSRB jurisdictions was positive, with few countries indicating some concerns regarding delays in executing the requests. Indonesia acknowledges that the long processing time in some cases was mainly due to the lack of human resources to handle requests in MLHR, AGO, INP and KPK. Authorities also mentioned issues regarding lack of sufficient information and/or evidence in incoming request and delays from requesting jurisdictions to respond to MLHR follow-ups. The average time of completion of the MLA incoming request during 2017-2022 was 14 months. However, improvements have been noticed in recent years after the implementation of the case management system by MLHR. For instance, an incoming MLA request on terrorism received in 2020 and an incoming MLA request on theft and misappropriation received in 2021, were both executed within four months.

Box 8.1. Wise Honest (2019) (also see section 4.4.2.)

In 2019, Indonesia provided evidence relating to a ML case in response to a formal assistance request from the U.S. The evidence received supported the proceedings, and successful Inter-agency cooperation between the MLHR, INP and the US Department of Justice led to successful asset confiscation in the U.S. Based on the MLA request, the INP's Criminal Investigation Agency submitted a search permit and seizure decree to the Balikpapan District Court in order to seize: 1) M/V Wise Honest; 2) 26,500 MT of coal in the M/V Wise Honest, and 3) a number of documents. Throughout the process, Indonesia conducted intensive coordination, including with AGO and INP. Despite Indonesia and the U.S. not having yet concluded a bilateral MLA, Indonesian authorities executed this request based on multilateral treaty (United Nations Convention on Transnational-Organised Crimes), the principles of reciprocity and good relations, in accordance with the Indonesia MLA Law

Extradition

484. Since 2017, Indonesia has received a total of 14 extradition requests (see table 8.2 below). Four requests were completed, including one related to ML. Five were withdrawn. No request related to TF was received and Indonesia rejected one extradition request in 2018 where the request did not meet extradition requirements, but the requested person has been deported to his origin country. Two requests are still under process and two are pending additional information and/or evidence from the requesting countries. On extradition request received in 2018 that is still in progress in Indonesia, the authorities indicated that limited information was provided regarding the person of interest. The requesting country was followed up for additional information and the Indonesian LEAs are currently looking for the whereabouts of the person. The approval for processing the extradition request received in 2021 is under awaited, since Indonesia and the requesting country have not signed and ratified the bilateral extradition treaty. The executed extradition requests cases were based on treaties, or on the principle of reciprocity. They took, on average, one and a half years to complete. Feedback and case studies provided by foreign jurisdictions also indicate that extradition requests are generally dealt effectively.
485. The 2022 MLHR Guidelines do not provide for the criteria to prioritise incoming extradition requests, though its practical impact is not significant considering the limited number of extradition requests received every year. Simplified extradition is possible based on MLHR Guidelines on extradition and on the basis of bilateral treaties. In addition, as per article 75(1-3) of Law 6/2011 concerning Immigration, the immigration mechanism through deportation will be applied to deport the requested person from the Indonesian territory in cases 1) foreigners in the Indonesian territory, who carry out dangerous activities and are reasonably suspected of endangering security and public order or not respecting or disobeying laws and regulations; or 2) foreigners who are in the Indonesian territory for trying to avoid threats and execution of punishment in their country of origin.

486. During the review period, 15 individuals were deported for criminal proceedings and predicate offences, such as fraud, narcotics and organised crime. In repatriating fugitives requested for extradition, authorities indicated that they also use the immigration mechanism in the form of deportation/voluntary surrender as an alternative to simplified extradition. It is noted that in 2018-2022, this mechanism was applied for seven people, who were deported for predicate offences, such as narcotics and fraud. Indonesia indicated that the said deportations were applied in situation where there was a red corner notice (and then the requesting country will be informed to submit extradition request) and where the requesting country only submitted a provisional arrest warrant but could not submit an extradition request within the specified time pursuant to Indonesian laws (20 days).
487. Indonesia also indicated occasions of voluntary surrenders where the person of interest voluntarily returned to the requesting country. This entails that the respondent is repatriated using a deportation mechanism. In this case, the extradition request will be withdrawn by the requesting country, (as accrued in Vaclav Vodicka Case – 2017, where Czech Republic withdrew its extradition request). Indonesia indicated that four competent authorities are involved in deportation mechanisms, namely INP, AGO, MOFA, and Directorate General of Immigration, as the executing agency in the deportation mechanism. The AT has given limited weight to deportation mechanism in the context of this assessment, as this mechanism is not equivalent to extradition and does not fulfil extradition requirements.

Table 8.2 Status of incoming extradition requests

	2017	2018	2019	2020	2021	2022 (April)	Total
Extradition requests received	7	3	1	0	3	0	14
Fulfilled	4	0	0	0	0	0	4
Withdrawn by requesting countries	3	1	1	0	0	0	5
In progress in Indonesia	0	1	0	0	1	0	2
In progress in requesting countries	0	0	0	0	2	0	2
Rejected	0	1	0	0	0	0	1

Box 8.2. Extradition to Hong Kong, China (2019)

In 2017, Indonesia received a request for extradition from Hong Kong, China. The submission of the extradition respondent was fulfilled in 2019, and the individual was extradited to Hong Kong, China to be prosecuted there.

Seeking timely legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements

488. Indonesian authorities make MLA requests to build cases and are willing to pursue proceeds of crime located offshore. The number of outgoing requests has shown an increase as compared to the 2018 MER. Feedback provided by the global network observes that the quality of requests could be improved.

489. Outgoing MLA requests are handled by MLHR following similar procedures as incoming requests. Most requests originate from INP and the remaining from other LEAs like KPK, BNN, and to a less extent from AGO.
490. Between 2017 and 2022, Indonesia made 123 MLA requests including 45 MLA requests regarding ML and no MLA requests on TF/terrorism. 33% of all Indonesia's outgoing MLA requests have been fulfilled. As shown in the table below, the number of outgoing requests has shown an increase in comparison with the 2018 MER (there were 92 outgoing MLA requests, which now increased to 123 and there were 17 requests related to ML, which now increased to 45). During the on-site visit, the LEAs did not refer to the 2022 MLHR Guidelines to prioritise MLA requests. That raises questions on whether LEAs implement them in practice. Indonesia confirmed that the 2022 MLHR Guidelines only applies internally within MLHR and is non-binding for LEAs. This raises additional questions on whether the LEAs have in place internal criteria to prioritise outgoing MLA requests in line with the NRA outcomes and the MLHR Guidelines. Indonesia also acknowledged the need to train investigators to ensure a better understanding of mechanisms to seek assistance and strengthen their efforts to build cases.
491. Interviews during the on-site indicated that LEAs' MLA requests to support investigation relating to predicate offences and related ML are not fully in line with the country's risk profile. The number of outgoing requests relating to high-risk predicate offences appear to be not fully aligned with Indonesia ML risk-profile. This is particularly true for narcotics and narcotics-related ML case, where only 23 requests were sent to foreign jurisdictions over the review period while Indonesia indicated that about 60% of narcotics proceeds are being transferred abroad. In addition, in relation to corruption, 26 requests were sent to foreign jurisdictions and 14 requests on fraud, as shown in table 8.5 below.
492. Most of these requests were made to Singapore (41 requests), Malaysia (17 requests) and Australia (17 requests) and to a lesser extent, to other high risk destination jurisdictions such as Hong Kong, China, Thailand and the U.S. Feedback provided by the global network underlines that the quality of requests made by Indonesia could be improved in some instances. Indonesia did not submit any MLA request regarding TF/terrorism during the review period. Indonesia attributed this to the fact that it utilises other forms of international cooperation, namely informal channels (agency to agency), as explained in the following subsection.

Box 8.3. Jiwasurya case

This ML and corruption scandal involving State-owned life insurance company PT Asuransi Jiwasraya caused IDR 16.8 trillion (EUR 1.1 billion) in State losses. For the purpose of the investigation, AGO obtained data/information from country X on banking transaction and share ownership through MLA requests. This information was used to prosecute the suspects. Formal MLA request to freeze assets and informal assistance request file a court request for the confiscation and seizure of assets owned by the suspects are under process respectively by country X and country Y.

Box 8.4. Asabri case

This corruption and ML case involved PT Asabri (Persero), a State-owned insurance and pension fund for the military, the police and Defence Ministry employees and involving stock manipulation plotted by the main suspects. It incurred

IDR 22.78 trillion (EUR 1.5 billion) in losses to the State. For the purpose of the investigation, AGO sent MLA request to country X. The request is under process.

Table 8.3. Status of outgoing MLA requests

	2017	2018	2019	2020	2021	2022 (July)	Totals
MLA requests sent	50	19	12	11	19	12	123
Fulfilled	21	3	8	0	0	8	40
Withdrawn by Indonesia	1	3	1	3	2	0	10
In progress in Indonesia	16	8	1	5	7	0	37
In progress in requested countries	12	5	2	3	10	4	36
Refused by requested country	0	0	0	0	0	0	0

Table 8.4. Outgoing MLA request from domestic institution, 2017-2022

Agencies	2017	2018*	2019	2020	2021	2022 (July)	Total
INP	4	17	7	4	9	8	49
KPK	4	0	5	3	2	4	18
NNB	44	0	0	0	0	0	44
AGO	0	4	0	4	3	0	11
DG Tax	0	1	0	0	0	0	1
TOTAL	16	16	8	4	11	4	123

Table 8.5. Outgoing MLA requests based on predicate crimes (including on asset tracing)

	2017	2018	2019	2020	2021	2022 (July)	Totals
ML	22	6	4	4	5	4	45
Corruption	4	1	6	5	7	3	26
Narcotics	22	0	0	0	1	0	23
Fraud	0	6	2	2	2	2	14
Embezzlement	0	2	0	0	0	2	4
Shipping crimes	0	1	0	0	1	0	2
Illegal access/cyber crime	0	1	0	0	0	1	2
Other crimes (e.g., tax, forgery, counterfeit and wildlife)	2	2	0	0	3	0	7
Total	50	19	12	11	19	12	123

493. As mentioned in IO.8, Indonesia demonstrated its willingness to trace and recover assets of crime located offshore. However, despite some effort undertaken by ARC, the total amount of asset recovery/repatriation is unclear. Indonesia also uses informal cooperation to repatriate assets from abroad, as indicated below and in IO.8. Asset recovery is a criterion to prioritise outgoing MLA requests in the MLHR 2022 Guidelines. However, this Guidelines is non-binding for LEAs. Therefore, LEAs should enhance the active use of international cooperation in a systematic manner to recover proceeds of crime committed within Indonesia and being laundered in other countries, in accordance with the priority for requesting Asset Recovery using MLA, stated in the 2020-2024 National Strategy and Action Plan for ML/TF. Four case studies (Garuda, Altea, Johannes Marliem and Jiwasraya) demonstrate Indonesia's ability to recover assets outside the formal asset recovery process, which suggest that Indonesia is more proactive using other forms on international cooperation to recover asset than using formal MLA.

Box 8.5. Garuda Case (2020)

In 2020, Indonesian court issued an order to seize assets worth more than EUR 2 billion located in Singapore, owned by a natural person convicted in the Garuda court case (Garuda is an Indonesian State-owned airlines). This conviction was the result of a joint investigation between PPATK, the Singapore CPIB and the UK Serious Fraud Office (SFO) in a bribery case involving a public company in the UK and Garuda airline in Indonesia. PPATK's analysis was crucial to establish the role of Garuda's executives in the corruption and money laundering's cases. Based on information and evidence from these agencies, KPK opened an investigation. A request to conduct freezing and seizure of assets was sent through an MLA request from the Indonesian Central Authority to the Singapore Attorney General's Office. The case is ongoing and represents good use of international cooperation to pursue assets laundered abroad.

494. The table below shows that Indonesia has made five extradition requests, with one case on ML and corruption (in 2019 and executed) and no extradition request on TF. MLHR indicated that the four remaining requests are still in process by the requested countries and MLHR is following up and close communication is ongoing with those jurisdictions to fulfil the requests. In addition to the lack of human resources within the LEAs, as mentioned above, the primary reason for the small number of outgoing MLA and extradition requests seems to be a general lack of focus on cross-border aspects of ML, predicate offence and TF investigations.

Table 8.6. Outgoing extradition based on predicate crimes

No	Year/Crimes	2017	2018	2019	2020	2021	2022 (July)	Total
1	Fraud and Embezzlement	-	-	-	-	2	-	2
2	ML and Embezzlement	1	-	-	-	-	-	1
3	ML and Corruption	-	-	1	-	-	-	1
4	Medical Negligence	1	-	-	-	-	-	1
	Total	2	-	1	-	2	-	5

Seeking and providing other forms of international cooperation for AML/CFT purposes

495. In general, Indonesian key LEAs engages effectively in all areas of informal international co-operation, in exchanging information and supporting operational activity with foreign counterparts in an appropriate and timely manner. Indonesian authorities regularly seek other forms of international co-operation and participate actively in various international AML/CFT fora and networks.

Exchange of Financial Intelligence & Law Enforcement Information

496. Indonesia is using other forms of cooperation to combat ML/TF. PPATK and INP are quite active in exchanging information, and other LEAs to a lesser degree. LEAs and PPATK have legal powers to exchange information with foreign counterparts on ML, TF and predicate offences. Generally, feedback received from global network on other forms of international cooperation with Indonesia was positive.

497. In line with Indonesia's TF risk profile, financial intelligence and law enforcement actively engage in other forms of cooperation with foreign counterparts to combat terrorism/TF. Detachment 88 prioritises informal cooperation for timely execution of requests on TF. Several case studies provided to the AT by Indonesia show that Detachment 88 engages actively with foreign counterparts in informal cooperation on TF. The table 8.10 below shows agency-to-agency cooperation by Detachment 88, INP's Anti-Terror Special Detachment, that was carried out without going through NCB Interpol.

498. FIU-to-FIU

499. **PPATK** has 59 MOUs with foreign FIUs. Egmont Group templates and Egmont Secure Web are used for information exchanges. Relevant controls and safeguards are observed, in accordance with Egmont Group Principles. Information exchange with non-Egmont members is done either through MoU mechanism or based on reciprocity principle.

500. PPATK plays a key role in facilitating other forms of cooperation for ML/TF and predicate offences for the needs of all domestic agencies across the regulatory, law enforcement, revenue, intelligence and social justice spheres.

501. Since 2017, PPATK has sent 31 TF-related requests for information and 23 TF-related spontaneous disseminations of information to foreign FIUs, including high risk countries (Australia, Philippine, Singapore, Türkiye and the U.S.). During the review period, PPATK received 97 incoming requests, including incoming spontaneous disseminations, related to TF/Terrorism from foreign FIUs. PPATK counts three staff in the directorate of analysis and examination, responding directly to all incoming requests based on the PPATK database within an average period of one to three days. In addition, PPATK responds to incoming spontaneous information requests from foreign FIUs, in an effective and timely manner. Most of the time, these requests relate to analysis results, in relation to both ML and TF, and are followed up by an investigation.

Box 8.6. Philippines Bombing Case (2020)

In September 2020, PPATK received incoming spontaneous dissemination from AMLC (FIU Philippines) related to the identities of three Indonesian individuals affiliated with a terrorist organisation and suspects in a suicide bombing case that occurred in the Philippines in August 2020. In November 2020, based on its analysis, PPATK shared information related to the identities of the suspects and account ownership to the INP-Detachment 88. INP, BNPT and Detachment 88 closely cooperated with the Philippine Police and Interpol for the investigation

502. In parallel, PPATK has also made 145 ML-related outgoing requests to foreign FIUs. 60 (41%) were corruption-related and 10 (7%) on narcotics-related. This former number seems relatively small compared to the 60% of narcotics' proceeds being moved abroad. In addition, PPATK has been proactive in making 288 ML-related spontaneous disseminations of information with foreign FIUs, including to high-risk jurisdiction (see table 8.7).

Table 8.7. Spontaneous Outgoing Information Related to ML: top 12 countries

Country	2017	2018	2019	2020	2021	Total
Australia	1	2	10	6	3	22
Singapore	2	2	5	5	6	20
U.S.	2	2	2	8	6	20
Malaysia	2	3	4	4	5	18
Hong Kong, China	0	1	3	2	8	14
Thailand	1	1	7	1	2	12
Philippines	1	1	3	2	3	10
China	1	0	2	1	2	6
India	0	1	2	2	1	6
Chinese Taipei	0	1	2	0	3	6
Germany	1	1	2	2	0	6
Others	20	14	15	13	19	81
Total (all countries)	55	34	70	56	73	288

503. In addition, during the review period, PPATK sent out 32 outgoing requests on behalf of LEAs, namely KPK, AGO, INP, BNN and DGT, to jurisdictions, including Australia, Hong Kong, China, Singapore and Malaysia. Over the period 2018-2021, PPATK's joint investigations were in line with Indonesia ML/TF risk profile.

Table 8.8 PPATK Outgoing Request on behalf of LEAs based on Predicate Crimes

Crimes	2017	2018	2019	2020	2021
Corruption	7	6	4	-	-
Narcotics	1	-	-	-	-
Taxation	-	2	3	1	4
Fraud and Embezzlement	2	1	1	-	-
Total	10	9	8	1	4

504. Based on large number of case studies provided to the AT over the period 2018-2021, PPATK's joint intelligence products were in line with Indonesia ML/TF risk profile. PPATK's active use of other forms of cooperation for TF/terrorism is in line with the time sensitive nature of the TF/terrorism activities.

Table 8.9. Counterparts and issues involved in PPATK joint analysis (2017-2021)

Year	2017	2018	2019	2020	2021
Crime	People smuggling	Terrorism financing	(1) Outlaw motorcycle gang and (2) child sex exploitation	NPO on Terrorism Financing	(1) BEC and (2) NPO on Terrorism Financing
Parties Involved	PPATK, AUSTRAC, BNM Malaysia	PPATK, AUSTRAC, BNM, AMLC-Philippines	(1) PPATK and AUSTRAC PPATK and (2) AUSTRAC, AMLC Philippines	PPATK and AUSTRAC	(1) PPATK, AUSTRAC, STRO Singapore; and (2) PPATK, Austrac, AMLC Philippines

505. During the period of 2017-2021, PPATK has received 517 incoming requests from other FIUs, and received 491 spontaneous disclosures of information from other FIUs.

Table 8.10. Statistics on PPATK incoming and outgoing requests related to ML and TF

Types of Information Exchange	2017	2018	2019	2020	2021	June 2022	Total
Outgoing FIU-to-FIU request	41	24	28	35	17	6	151
Incoming FIU-to-FIU request	75	140	104	97	68	33	517
Outgoing spontaneous information	58	37	71	56	101	14	337
Incoming spontaneous information	97	126	124	105	37	2	491

Law enforcement

506. INP has 40 MoUs with government agencies and law enforcement agencies from 30 foreign countries and jurisdictions and 12 international organisations. INP's international cooperation bureau counts 16 staff and coordinates formal and informal cooperation. It also can exchange information based on reciprocal principles. INP has 19 liaison officers (including those specialising in TF-related issues) attached to Indonesian consulate and embassies spread in 12 countries¹⁶ and jurisdictions including strategically important jurisdictions from a TF perspective such as the U.S., the Philippines, Malaysia, Singapore, and Türkiye.
507. **INP-Detachment 88** is the competent unit specialised in investigating TF. The unit is supported by 16 liaison officers from INP's international cooperation bureau to handle their international cooperation on TF/terrorism cases. INP currently has 40 MoU with foreign countries, covering ML/TF. In line with Indonesia's TF risk profile, financial intelligence and law enforcement actively engage in other forms of cooperation with foreign counterparts to combat terrorism/TF. Detachment 88 prioritises informal cooperation for timely execution of TF related requests. Several case studies provided to the AT by Indonesia show that Detachment 88 engages actively with foreign counterparts in informal cooperation on TF. The following table 8.11 shows agency-to-agency cooperation by Detachment 88 that was carried out without going through NCB Interpol.
508. Over the review period, Detachment 88 sent one request for information through NCB-to-NCB channel and 31 requests to foreign counterpart through intelligence channel on TF during 2017-2022 and completed 15 requests for information (only one is still pending). Overall, Detachment 88 demonstrated that it is seeking and providing other forms of cooperation in a timely and constructive manner. However, in some instances the executing incoming requests could take up to 12 months. Authorities indicated that the faster execution of incoming requests occurs in simple and non-complex cases (e.g., to share the information on cross border movement of individuals with proper identity). However, a longer timeframe is needed to locate and search a suspect with minimal identity information provided by the counterparts.

¹⁶ The U.S.; the Netherlands; Filipina; Timor Leste; Malaysia; Thailand; Australia; Saudi Arabia; Singapore; Germany; Türkiye; Filipina; Malaysia; and Hong Kong, China.

Table 8.11. Statistics of Detachment 88-INP Outgoing Information Requests on TF/Terrorism

Country	2017	2018	2019	2020	2021	2022 (July)	Total
Türkiye	-	-	-	8	-	3	11
Malaysia	5	-	5	-	3	-	13
Philippines	2	-	5	-	-	-	7
Total	7	-	10	8	3	3	31

Box 8.7. Tobpi Case (2022)

In April-May 2020 INP-Detachment 88, PPATK, Australian Federal Police (AFP) and the Philippines authorities informally exchanged information regarding an alleged case of TF, involving the collection and distribution of donations carried out by several NPOs in Indonesia and Australia with global operational activities. On that basis, PPATK opened an investigation in September 2021. Authorities jointly investigated two individuals of Indonesian and Australian nationality suspected of TF. The investigations revealed they were using a sham NPO based in Australia to funding a terrorist organisation called MIT, based in Indonesia. One of the individuals was convicted of TF and sentenced to six years imprisonment and a fine. The other individual is currently being prosecuted.

Box 8.8. AAF case (2018)

In November 2018, the AFP informed Indonesia that an individual suspected of funding terrorism was sending funds to Abu Ahmed Foundation (AAF), an Indonesian NPO. On the basis of that information, INP-Detachment 88 listed the NPO on the DTTOT list and opened an investigation that is still on-going.

509. During the review period, INP sent 114 requests, including 46 ML-related requests, six corruption-related requests, 61 narcotics-related requests. A large proportion was sent to high-risk countries and jurisdiction, including Singapore (59), Malaysia (23), China (14), Hong Kong, China (6) and the U.S. (5) and all of them have been completed. The majority of requests relate to information (on financial transactions, location of assets/suspects, on beneficial owners from corporations), freezing of assets of on-going investigation to foreign countries.
510. Limited information was provided regarding outgoing requests relating to other medium/high risk predicate offences identified in the NRA, such as fraud, transfer of funds and forestry crime. INP indicated that it is still recording the information request manually.

511. INP provided informal cooperation in response to 1 113 requests, including from high-risk countries, for instance Malaysia (32), Singapore (195), Japan (18), UAE (3) and Thailand (2). The majority of information request related to narcotics, fund transfer, fraud, and cyber-crime cases. Overall, INP demonstrated that it is generally seeking and providing other forms of cooperation in a timely and constructive manner.
512. **BNN** is the competent authority to investigate narcotics and narcotics-related ML cases. It has five MoUs with foreign counterparts, covering cooperation, exchange of information, joint investigation, capacity building relating to combating illicit trafficking of drugs and narcotics and related money laundering. In addition, BNN can carry out informal cooperation with other foreign counterparts on the basis of the reciprocity principle. Case studies were cited regarding engagement with PDRM Malaysia and Central Narcotics Bureau of Singapore.
513. Indonesia indicated that about 60% of narcotics proceeds are being laundered abroad. Indonesia underlined that BNN has intensively sought intelligence information to support investigation relating to narcotics and/or money laundering offenses from narcotics predicate offence, particularly over the period 2021-2022. The authorities added that the majority of requests were made to obtain information on financial transactions, individuals, entities and location and ownership of assets and were sent to the Hong Kong, China, Japan, Philippines, and Singapore. Requests were made either directly to foreign counterparts, or indirectly through NCB Interpol and PPATK channels. BNN has also conducted joint investigations with other countries, such as Australia and Singapore.
514. During 2019-2022, BNN received 18 requests from foreign counterparts related to data register, call detail record and shipping registers in Indonesia regarding the narcotic cases and all requests have been completed. In addition, BNN has conducted 12 exchanges of information with foreign authorities, such as with NCB Interpol, AFP, Royal Malaysia Police and Singapore Central Narcotics Bureau. Issues covered included MLA matters, asset tracing of the suspect, investigation process, narcotics smuggling route, and intelligence sharing/information exchange. See Nina Liando's case in IO.8. BNN indicated that it generally takes between three to twelve months to complete a request, depending on complexity and number of assistances per request.
515. **KPK** is the competent authority to investigate and prosecute corruption and corruption-related ML. KPK has 18 MoUs with foreign counterparts but also seeks and provides international cooperation based on bilateral/multilateral agreement and reciprocal principles.
516. Over the period 2017 to 2022, KPK received 82 requests and made 207 requests to foreign competent authorities. Two incoming requests are still pending, and three outgoing requests are still on progress by foreign counterpart in 2022. Type of evidence and information included surveillance, witness, defendant, fugitives, company profile, land/ property and immigration and asset tracing and seizure.

517. KPK indicated during the on-site visit that executing incoming requests depends on each request and takes an average from two weeks to a month and simple requests, such as company/witness profiles can usually be executed within 24 hours. KPK underlined that the majority of corruption proceeds are being laundered in Indonesia. Generally, KPK's informal cooperation is commensurate with Indonesia's risk profile and it is seeking and providing other forms of cooperation in a timely and constructive manner.

Box 8.9. Johannes Marliem case

KPK cooperated with several foreign authorities for the purpose of investigation of a high-profile EUR 180 million Indonesian graft case linked to a national electronic identity card system, known as the Johannes Marliem Case. KPK obtained evidence from the Federal Bureau of Investigation through informal cooperation that strengthened the investigation. As a result, KPK recovered (EUR 6 million) based on informal cooperation with counterparts in the U.S. (predicate offence was in Indonesia and the proceeds have been moved to the U.S.)

518. **The Attorney General's Office of the Republic Indonesia (AGO)** has ten MOUs with prosecution authorities (South Korea, Thailand, Malaysia, the Netherlands, the U.S., Russia, China, Australia, Vietnam, and Singapore) and four liaison officers attached to Indonesian Embassies and Consulates in four high-risk countries (Thailand, Saudi Arabia, Singapore and Hong Kong, China).
519. The exchange of information between AGO and foreign counterparts is effective and is mostly conducted through informal means. AGO indicated that it takes between two weeks to 12 months to complete a request on average, depending on complexity and number of assistances per request. AGO indicated that some incoming requests resulted in domestic criminal proceedings, which could take up to 12 months for the suspect(s) to be convicted in Indonesia.
520. AGO is particularly active in building network and capacity in informal cooperation matters. AGO co-organised seminars/trainings and co-published guidance with foreign counterparts and is also an active member of fora and networks, including International association of Prosecutors (IAP), International Association Anti-Corruption Authority (IAACA) and China-ASEAN Prosecutor General Meeting. This also involves training for prosecutors, jointly with UNODC and OPDAT.
521. Asset Recovery Centre (ARC) of AGO is also a member of Camden Asset Recovery Network (CARIN) and Asset Recovery International Networks – Asia Pacific (ARIN-AP). In the period of 2019-April 2022, AGO received 13 informal requests from 12 foreign counterparts on asset recovery, but the amount/value and the outcome of these requests (locating/tracing/repatriating assets) are not clear.

522. **The Directorate General of Customs and Excise (DGCE)** has 10 MOUs with foreign counterparts and a number of regional and multilateral cooperation¹⁷ agreements. It can also seek and provide informal cooperation in the absence of MOU. Case studies include the “Informal Disclosure Note” shared by the DGCE of the Republic of Indonesia with Malaysian Royal Courts, and information exchange on a narcotics-related case with China.
523. Most requests for information sent to foreign counterparts related to financial flows or transactions, individuals, entities, suspected of being related to alleged customs and excise crimes and related-money laundering, and the location and ownership of assets. During 2017- July 2022, DGCE responded to 3 215 information requests (353 requests for 2022) and sent 8 795 information requests (796 requests for 2022) to foreign counterparts (mostly to China, Vietnam, and Korea). All the incoming and outgoing requests were completed. DGCE indicated that execution of incoming requests depends on each request and generally it takes an average 28 days for incoming request and two-three months for outgoing request. Most requests for information sent from foreign counterparts are related to verification of origin declaration (certificate of origin / declaration of origin) to claim preferential tariff. DGCE’s informal cooperation’s activity seems commensurate with Indonesia risk’s profile.
524. **KLHK** is a newly competent authority, specialising in investigating forestry/wildlife crimes and related ML, which most proceeds are laundered in Indonesia. Given its new mandate, KLHK has not yet engaged in informal cooperation. It has engaged only once with foreign counterpart in the context of handling illegal wildlife crime.
525. **DGT:** DGT proceed periodically and systematically to automatic exchange of information with counterparts. Information relates to financial information, country reports, tax information as agreed by Indonesia and its partner jurisdictions. It also spontaneously exchanges information with foreign counterpart (see table below). DGT indicates that it takes between 15 days to 5 months to complete a request on average, depending on complexity and number of assistances per request. Generally, the average time of response is within 90 days.

Table 8.12. DGT outgoing and incoming spontaneous EOI

Spontaneous EOI/Year	2017	2018	2019	2020	2021	2022 (Jun 2022)
Outgoing	1	30	5	33	0	6
Incoming	45	39	60	42	39	7

¹⁷ **Multilateral:** International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences (Nairobi Convention); Presidential Decree 59/1993 regarding Ratification of International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences; Presidential Regulation 57/2008 regarding Ratification of Multilateral Agreement among D-8 Member Countries on Administrative Assistance in Customs Matters. **Regional:** ASEAN Treaty on Mutual Legal Assistance in Criminal Matters; Strategic Plan of Customs Development (SPCD) 9 – Customs Enforcement and Mutual Assistances.

AML/CFT Supervisors

526. International cooperation by the financial supervisors predominantly includes sharing of information through memoranda of understanding (MOU), spontaneous information requests, international learning interventions and international working groups/forums. Information sharing is prioritised according to the ML/TF risk associated to a country identified through the NRA and SRAs. Priority is given to providing information to those high-risk countries identified according to the ML/TF risk associated through the NRA and SRAs.
527. **The OJK**, as the main financial supervisor, has signed 26 MOUs with their foreign counterparts and other international organisations, and exchanges information through a sound framework adopted from principles set in the several international forums to which the OJK is signatories to. The OJK has actively exchanged information (see table below). The OJK has responded to all requests for information, relating predominantly to fit and proper testing and to some extent investigation for ML/TF. The OJK has a dedicated team of two staff that manage all international requests, with an acknowledgement of receipt within five working days, and on average submission of information within 30 days.

Table 8.13. OJK outgoing/incoming requests

Types of Information Exchange	2017	2018	2019	2020	2021	2022	Total
Completed outgoing requests	52	59	58	62	48	25	304
Completed incoming requests	11	14	20	25	23	12	105

528. From 2017 to 2021, the OJK has received 11 spontaneous information exchanges. Additionally, in the banking sector, the OJK attends virtual colleges and undertakes joint audits and host country inspections in collaboration with their foreign counterparts. The OJK has indicated that the information is received timely and is of good quality. Additionally, the OJK facilitates host country inspections by their foreign counterparts. In instances where the OJK does not have access to required information, they perform a facilitation role with relevant domestic parties to fulfil such requests.
529. **The BI** has six MOUs with foreign counterparts, with exchange of information focused on the strengthening of the financial framework, through a focus on ML/TF and associated systems, policy and regulatory information. Since 2017, there have been 32 engagements where there has been predominantly formal exchange relating to requests of information, information sharing and cooperation with foreign banks, foreign FIUs and the UNODC. The BI has responded to 11 international cooperation requests relating to supervision and licencing with international banks since 2017. No information was provided regarding the timeliness and quality of submission provided by BI.
530. The **PPATK** as a supervisory agency seeks and provides information with foreign counterparts relating to compliance supervision, through learning interventions and observation activities. Since 2015, there have been three joint regulatory exchange programmes with Australia and one workshop held with Timor Leste. PPATK has provided information to foreign counterparts, most notably to Singapore and the Netherlands.

531. **CoFTRA** has implemented information exchange cooperation with foreign counterparts, particularly regarding on VASP licensing related Travel Rule Provision, especially in carrying out its authority to supervise VASPs as their regulator.
532. There is no international cooperation performed by the MLHR and MoF in relation to supervisory AML/CFT purposes.

International exchange of basic and beneficial ownership information of legal persons and arrangements

533. Since 2017 PPATK, BI, OJK, DG Tax and the MLHR have made and responded to requests related to BO information and made and received spontaneous disseminations. OJK and BI have exchanged basic and BO information in relation to fit-and proper tests. MLHR in its new role as agency in charge of the central registry of legal persons is able to exchange basic information and, to the extent it is available, BO information with foreign counterparts. DG Tax has also been actively engaged in the exchange of BO information for taxation purposes.

Table 8.14. International cooperation relating to BO (2017-2022)

		2017	2018	2019	2020	2021	2022 (June)	Total
PPATK	Incoming Request	20	37	39	43	25	17	181
	Outgoing Request	14	8	13	16	5	5	61
	Incoming Spontaneous disclosure	17	26	37	17	11	1	109
	Outgoing Spontaneous disclosure	0	1	24	8	41	6	80
OJK	Incoming Request	11	16	19	23	21	11	101
	Outgoing Request	79	108	116	83	92	63	541
	Incoming Spontaneous disclosure	5	2	2	1	0	2	12
Bank of Indonesia	Incoming Request	0	0	2	3	0	0	5
	Outgoing Request	3	0	4	4	2	0	13
DG Tax	Incoming Request	0	6	3	3	1	1	14
	Outgoing Request	5	2	1	10	5	0	23
MLHR	Incoming Request	4	2	3	1	1	1	12
	Outgoing Request	13	0	0	0	0	0	13

Table 8.15. Status of incoming and outgoing requests relating to BO (2017-2022)

	Number of requests	Completed	Pending	Withdrawn	Not fulfilled
Incoming Requests					
PPATK	181	181	0	0	0
OJK	101	101	0	0	0
Bank of Indonesia	5	5	0	0	0
DG Tax	14	14	0	0	0
MLHR	12	12	0	0	0

	Number of requests	Completed	Pending	Withdrawn	Not fulfilled
Outgoing Requests					
PPATK	61	51	10	0	0
OJK	541	301	47	0	193
Bank of Indonesia	13	13	0	0	0
DG Tax	23	15	8	0	0
MLHR	13	13	0	0	0

Overall conclusions on IO.2

Indonesia has a sound legal basis to provide and seek MLA and extradition and uses a central case management system. The central authority for MLA and extradition, the MLHR, has mechanisms in place to prioritise MLA requests, taking into account high risk predicate offences. Indonesian authorities actively respond to formal international co-operation requests; however, a number of requests are pending. They have received overall positive feedback from counterparts concerning the quality of assistance provided, timeliness could be improved.

Feedback provided by global network observes the quality of outgoing requests could be improved. Indonesia authorities make MLA requests to build cases and the AT acknowledges that Indonesia is not a major destination for illicit foreign proceeds; however, Indonesia is not consistently seeking MLA, fully in line with the country's ML/TF risk profile.

Authorities actively engage in various forms of informal international co-operation with counterparts. They are achieving good results through such co-operation. In particular, INP, KPK, BNN, AGO and DGCE proactively seek and provide informal international cooperation as needed. FIU to FIU information exchange is also strong.

International cooperation by the financial supervisors is wide ranging, including information sharing through MOUs, spontaneous information requests, and working groups. The OJK has been particularly active in seeking and exchanging information. The sharing of information by DNFBP supervisors is focused on supervisory knowledge exchange. Indonesia shares basic and beneficial ownership information of legal persons and arrangements with international counterparts.

PPATK, some LEAs and supervisors have been exchanging proactively and reactively BO information. The AT has given significant weight to Indonesia's active use of other forms of cooperation for TF/terrorism, which is in line with the time sensitive nature of these threats, as well as its proactive role in other forms of cooperation with jurisdictions with which it shares the most serious risks.

Indonesia is rated as having a substantial level of effectiveness for IO.2.

TECHNICAL COMPLIANCE

This annex provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

Recommendation 1 – Assessing risks and applying a risk-based approach

In its 2018 APG evaluation, Indonesia was rated largely compliant with this recommendation. The main technical deficiency related to gaps in the risk-based measures for some sectors.

Criterion 1.1 – Indonesia has completed a range of assessments to identify, assess and understand ML/TF risks. This includes separate national risk assessments (NRAs) of ML and TF in 2015 (updated in 2017, 2019 and 2021). In addition, Indonesia has undertaken a number of separate thematic or sectoral risk assessments (SRAs) on, for example, NPOs, banking, securities, NBFIs, non-bank money changers and MVTs, futures traders, goods and services providers, accountants, auction houses, election funds, customs and excise, cross-border ML, legal persons and arrangements, cooperatives and lawyers and notaries.

Criterion 1.2 – Indonesia has established a National Coordination Committee (NCC) on Prevention and Eradication of ML (Presidential Regulation 6 of 2012, amended by Presidential Regulation 117 of 2016) (see c.2.2 for further information on the NCC). Its functions do not expressly include the co-ordination of actions to assess risks and, except to a limited extent, do not cover CFT. In practice, the NCC has coordinated actions to assess risks, including TF risks, such as the NRA, its updates and sectoral RAs.

Criterion 1.3 – Both ML and TF risk assessments are required to be updated on an annual basis (pages 54 and 55 of the National Strategic Plan on AML/CFT). Indonesia has been updating its risk assessments in practice, through updates to the 2015 NRA. In addition to that, SRAs in financial sector have been updated in 2019 and 2021.

Criterion 1.4 – The ML NRA is a public document and PPATK and relevant competent authorities shared it with FIs, DNFBPs and SRBs and also shared its key outcomes in different forms with regulated entities. The ML NRA is available for download from PPATK and relevant competent authorities' websites. There is a confidential version of the TF NRA, which has been made available to selected staff in each competent authority. A public version, setting out key findings for FIs and DNFBPs, has been made available on the same basis as the ML NRA. In addition, SRAs have been published on sectoral regulators' websites and disseminated to stakeholders through training, seminar and outreach.

Criterion 1.5 – The National Strategy on the Prevention and Eradication of Money Laundering and Terrorist Financing 2020-24 **contains** strategic priorities, which reflect the risks identified in the 2019 ML and TF NRAs and their updates and broadly covers the allocation of resources and other mitigating measures to address ML/TF. This strategy builds on a strategy for 2016–17 and 2017-19. Financial sector supervisors (OJK and BI) have allocated greater resource to providing for risk-based approaches by FIs and to the supervision of high risk FIs.

Criterion 1.6 – (Not applicable) Indonesia has not exempted FIs or DNFBPs from the application of any of the FATF Recommendations.

Criterion 1.7 – See c.10.17. OJK regulation 23(2019), art.2 requires incorporation of the NRA and SRAs in risk assessment, while art.3 requires enhanced measures to be undertaken when higher risks are identified. Similar requirements exist in BI regulation 19.10 (2017), art.7 and 31 for non-bank payment service providers and non-bank money changers. CoFTRA KYC Regulation, art.3 and 28(3) for futures traders require risks to be taken into account and undertaking of EDD where higher risks are identified in order to manage and mitigate the risks. Risk-based requirements and undertaking of EDD exist for other FIs within art.22 of PPATK reg.11(2011), and art.26 of Ministry of Cooperative KYC reg. for cooperatives; in each case it is implicit rather than explicit that the purpose of EDD is the management and mitigation of risks.

Similar requirements exist for DNFBPs (PPATK's reg. on KYC of Goods and Service Provider 2017, art.23, 24, PPATK's reg. on KYC on advocates, art.23-25, PPATK's reg. on KYC on financial planners, art.23-25, MoF reg. on KYC on auction houses, art.20-22, MLHR reg. on KYC on notaries, art.17 and MoF reg.155/2017 on KYC on accountants, art.8B). Art.5 of each of the three PPATK regulations indicate that identified risk should be managed and mitigated. In other cases, it is implicit rather than explicit that the purpose of EDD is the management and mitigation of risks.

Requirements other than those of the OJK and BI the requirements do not explicitly refer to risks identified by the country (e.g., the NRA or SRA). The requirements for FIs and DNFBPs require EDD where higher or high risk is identified. This is slightly different to addressing the requirements of each of sub-criteria (a) and (b) for requiring obliged entities to ensure risks identified by Indonesia (through, for example, the NRA and SRAs) are addressed. In addition, where the purpose of EDD is implicit rather than explicit this is considered as a small technical gap.

Criterion 1.8 – See c.10.18. Specified scenarios where simplified due diligence can be applied have not been subject to a formal risk assessment, though elements of risk are considered in practice for simplified measures in case of lower risks.

Criterion 1.9 – Supervisors and SRBs ensure that FIs and DNFBPs are implementing their obligations under R.1. See analysis of R.26 and R.28 for more information.

Criterion 1.10 – FIs: OJK supervised FIs, which include all categories of FIs with the exception of futures traders (supervised by CoFTRA) are required to: a) identify, assess and understand their ML/TF risks and document their assessments; b) consider all the relevant risk factors; c) keep the assessments up to date; and d) have mechanisms to provide information (OJK AML/CFT reg.12 of 01/2017, art.2(a-d)). There are similar requirements in BI reg.19.10(2017), art.7; CoFTRA reg.8(2017), art.2 and PPATK reg.17(2017) for postal providers. Ministry of Cooperatives reg.6(2017) does not include c.1.10 requirements.

DNFBPs: PPATK KYC reg.7(2017), art.5 for other goods and service providers meets this criterion. For lawyers, PPATK KYC reg.10(2017) art.5-6 contain the requirements. MLHR KYC reg.9(2017) for Notaries, art.4 contains most of the requirements for notaries except for updating the assessment and mechanisms to inform competent authorities. Notaries are also company service providers and the deficiencies also apply to that role. Requirement for risk assessment for accountants and public accountants exist in the MoF CDD reg.155 (2017). Financial planners can also provide company formation and real estate services and the requirements meeting the criterion exist in PPATK KYC reg.6 (2017), art.5.

Criterion 1.11 – FIs: OJK AML/CFT reg., art.3 contains the language of the sub-criteria. Less precise but similar language is contained in art.4, 6 and 7 of BI AML/CFT reg. for non-bank payment and currency exchangers; and art.3 of CoFTRA KYC reg. for futures traders. Art.4, 6, 7 and 12 of BI reg. for payment service providers and currency exchangers other than banks meets sub-criterion (a), and mostly meets sub-criterion (b) in that while the Board must ensure the AML/CFT programme is implemented in accordance with written policy and procedures, there is no explicit reference to enhancement other than to ensure the policy and procedures are in line with changes and developments in products, services and technology, the modus of ML/TF and applicable provisions (see analysis under criterion 1.7 for sub-criterion (c)). Art.3 of the PPATK KYC reg. for postal providers 2011 and art.6(a) of the 2017 reg. for postal providers provide for authorisation by senior management of written policies and procedures on KYC principles (but not other AML/CFT measures) and there is no explicit reference to management and mitigation of risk or to the language in sub-criterion (b); for sub-criterion (c) see c.1.7; it is implicit that the purpose of EDD is to manage and mitigate risk. Art. 26–30 of MCS KYC reg. for cooperatives provide some general requirements on EDD, which cover c.1.11(c) in part (it is not explicit that the purpose of EDD is to manage and mitigate risk); sub-criteria (a) and (b) are not met.

DNFBPs, Art.5(2–4) of the PPATK KYC reg. for other goods and services include specific requirements for approval of risk mitigation policies, controls and procedures, monitoring of implementation and their enhancement if necessary. Art.5 of PPATK KYC reg. for financial planners and art. 5 (2) of the PPATK KYC reg. for advocates contain similar requirements. Art.23-25 of each of the three PPATK reg. contain requirements for the implementation of EDD to manage and mitigate risk. Art.4 of the MLHR KYC reg. for notaries does not appear to contain the specific requirements at sub-criterion (a) for approval by senior management or for sub-criteria (b) and (c). Notaries are also company service providers and are covered under the MLHR reg. Art.2A(4) of MoF CDD reg. for accountants contains some measures but not the requirement for policies and controls to be approved by senior management.

Criterion 1.12 – FI: Art.40 of the OJK AML/CFT reg. art.29(1), (4) and (5) of the BI AML/CFT reg. for non-bank payment and non-bank money changing service providers, art.35 of the CoFTRA KYC reg. for futures traders, art.36 of the PPATK KYC reg. for postal providers and art.25 of the Ministry of Cooperatives KYC reg. for cooperatives permit simplified measures to manage and mitigate risks if lower risks have been identified, except when there is suspicion of ML/TF.

DNFBPs: Art.21 of the PPATK KYC reg. for other goods and services provides for simplified measures in case of customers identified as low risk-based on a risk assessment, except where there is a suspicion of ML/TF. There are similar provisions

for simplified CDD in art.21 and 22 of PPATK KYC reg. for financial planners, Art.21 and 22 of the PPATK KYC reg. for advocates, art.16 of the MLHR KYC reg. for notaries and art.8A of the MoF CDD reg. for accountants.

For both FIs and DNFBPs, criteria 1.9 to 1.11 are met to the extent described above.

Weighting and Conclusion

There are minor shortcomings regarding absence of formal risk assessment for simplified due diligence measures and the MCS regulations for cooperatives do not cover requirements of c.1.10.

Recommendation 1 is rated largely compliant.

Recommendation 2 - National Cooperation and Coordination

In its 2018 APG evaluation, Indonesia was rated largely compliant with this recommendation.

Criterion 2.1 – Informed by the ML and TF NRAs, the NCC has issued a new national strategy for 2020-2024 to mitigate the risks identified. The strategy is a national-level policy incorporating action plans to strengthen the AML/CFT regime of Indonesia. It builds on the earlier strategies for 2012–2016 and 2017-2019. Implementation of the strategy is monitored every three months with regular meetings of the NCC organised by its secretariat (the PPATK) to discuss progress on the action plans. In order to facilitate monitoring, PPATK has developed an online, secured system (the Reporting and Monitoring of National Strategy of Prevention and Eradication of Money Laundering and Terrorist Financing Information Systems (SIPENAS)).

Criterion 2.2 – The NCC is the designated national authority responsible for the coordination of national AML/CFT policies, (AML Law and Presidential Decree 6 of 2012, as amended by Presidential Decree 117 of 2016). The NCC is a coordinating body made up of sixteen government AML/CFT agencies led by the Coordinating Minister for Political, Legal and Security Affairs with the Head of PPATK as the secretary of NCC. Members include the Minister of Foreign Affairs, Minister of Home Affairs, Minister of Law and Human Right, Minister of Finance, Minister of Trade, Minister of Cooperative and SMEs, Governor of Bank Indonesia, Chairman of the Board of Commissioners of OJK, Attorney-General, Chief of Indonesian National Police, Head of State Intelligence Agency, Head of National Counter Terrorism Agency, and Head of National Narcotics Board.

The main functions of the NCC are: (i) formulation of directions, policies and strategies of ML; (ii) coordination of the implementation of programs and activities according to the directions, policies and strategies of ML; (iii) coordination of steps required to handle other matters related to ML/TF; and (iv) monitoring and evaluation of the implementation of the programs and activities according to the directions, policies and strategies of ML. Its functions do not explicitly cover CFT (other than in the context of coordination of steps needed in handling other matters relating to prevention and eradication of TF), though in practice, NCC deals with TF related issues as well. The NCC has established an Executive Team and a Working Team to assist in technical matters related to its functions (see IO.1). The National Strategy is one of the AML/CFT policy outputs of the NCC. PPATK also has a responsibility to coordinate efforts to prevent ML/TF (AML Law, art.41 and CFT Law para 6); it exercises this role by providing the secretariat to the NCC.

Criterion 2.3 – There are mechanisms to coordinate domestic policy-making and operational activity. The NCC and PPATK have responsibilities as described in c.2.2. Operational cooperation includes Memoranda of Understanding (MOU), Memoranda of Agreement (MOA), TF Joint Regulation 2015 (see R.6) and Joint Task Forces.

PPATK has been in close cooperation with relevant agencies, universities, and the mass media in implementing AML/CFT by signing 106 domestic MOUs and MOAs and has held a number of coordination or assistance meetings with LEAs and various other agencies. There are operational coordination mechanisms for agencies designated to investigate and prosecute ML/TF. At the preventive level, operational coordination mechanism among DNFBP supervisors is facilitated by PPATK.

Criterion 2.4 – In October 2017, PPATK established the Task Force in Prevention and Eradication of Proliferation of WMD (WMD Task Force) that consists of PPATK, MoFA, INP, and NERA (Joint Regulation of the MoFA, PPTAK, INP and NERA (PF Joint Regulation 2017). The issues discussed in these coordination forums include the implementation of UNSCR 1540 and UNSCR 1718 and its successor resolutions, and requests for information from the UN, spontaneous information from other countries. The coordination forums coordinate with regulators and individual FIs, among others, in order to discuss potential risk-mitigation issues related to PF incidence in the FI, as well as the de-risking policies that FIs need to take when, the risks can no longer be mitigated by the FIs.

Criterion 2.5 – (Not applicable) Indonesia does not have specific legislation governing data protection and privacy.¹⁸ There is, therefore, no designated data protection authority to bring within the cooperation and coordination framework to ensure the compatibility of AML/CFT and data protection and privacy rules or other similar provisions. Confidentiality provisions are described in R.9.

Weighting and Conclusion

NCC functions do not explicitly include CFT, though in practice it is covered.

Recommendation 2 is rated largely compliant.

Recommendation 3 - Money laundering offence

In its 2018 APG evaluation, Indonesia was rated largely compliant with this recommendation. The remaining minor shortcomings related to: (i) coverage of counterfeiting and piracy of product offences as predicates for ML, and (ii) a lack of clarity on whether sanctions for legal persons prejudice criminal liability of natural persons.

Criterion 3.1 – Indonesia criminalises ML in line with the Vienna and Palermo Conventions (AML Law, art.3-5):

- a) *Conversion or transfer*: Indonesia's ML offence applies to any person that places, transfers, assigns, spends, pays, grants, entrusts, takes out of the country, *changes form*, or exchanges with currencies or negotiable papers in respect of assets known or reasonably suspected to be criminal proceeds (AML Law, art.3).

¹⁸ A Personal Data Protection Act was approved by the Indonesian House of Representatives in September 2022, following the date of the on-site visit.

- b) *Use or possession*: the offence applies to any person who *receives* or *controls* the placement, transfer, payment, grant, donation, depositing, exchange, or uses assets that are known or reasonably suspected to be criminal proceeds (AML Law, art.5).
- c) *Concealment*: the offence applies to any person who *hides* or *conceals* the origin, source, location, allocation, assignment of rights, or the actual assets known or reasonably suspected to be criminal proceeds (AML Law, art.4).

Criterion 3.2 – Indonesia criminalises a wide range of serious offences for ML. It applies a combined threshold and list approach to cover predicate offences. This includes twenty-five categories of offences identified in Indonesia’s AML Law, as well as criminal acts subject to imprisonment of four years or more (AML Law, art.2). All categories of offences, including counterfeiting and piracy, are covered by this combined approach.

Criterion 3.3 – As above, Indonesia applies a combined approach that also covers criminal acts subject to a maximum threshold of imprisonment of four years or more.

Criterion 3.4 – Indonesia’s ML offence extends to ‘assets’, which are defined as moveable or immovable assets, either tangible or intangible, acquired either directly or indirectly (AML Law, art.1(13))., the scope of moveable assets also includes legal documents or instruments evidencing title to, or interest in, such assets (The Civil Code, art.511).

Criterion 3.5 – When proving that property is the proceeds of crime, it is not necessary that a person be convicted of a predicate offence (AML Law, Art.69). The prosecution must only prove that the assets were ‘known or reasonably suspected ... as originating from the proceeds of a criminal act’ (AML Law, arts.3-5).

Criterion 3.6 – Predicate offences for money laundering extend to conduct that occurred outside of Indonesia, provided that such acts constitute a predicate offence had they occurred domestically (AML Law, Art.2).

Criterion 3.7 – The ML offence applies to any person, including those who commit the predicate offence (AML Law, arts.3-5). There is no fundamental principle of domestic law that precludes self-laundering.

Criterion 3.8 – The threshold for the ML offence is ‘assets known or reasonably suspected as originating from the proceeds of a criminal act’ (AML Law, art.3). Therefore, the judge is free in the evaluation of evidence to meet the threshold of the ML offence, and the fault element of intention can be drawn from objective factual circumstances. Furthermore, Art.188 of Criminal Procedure Code, which applies to all criminal offences in Indonesia, provides for an evaluation of indication, “*where an act, event or circumstance which because of its consistency, whether between one and the other, or with the offense itself, signifies that an offense has occurred and who the perpetrator is.*”

Criterion 3.9 – Sanctions for natural persons are proportionate and dissuasive. Under art.3 and 4 of the AML Law, criminal sanctions are imprisonment for a maximum period of 20 years, and a maximum pecuniary sanction of IDR ten billion (EUR 660 000) and IDR five billion (EUR 330 730), respectively. Under art.5 of the AML Law relating to use or possession of proceeds of crime, the sanction is imprisonment for a maximum period of five years and a maximum pecuniary sanction of IDR one billion (EUR 66 500).

Criterion 3.10 – Indonesia imposes criminal liability and sanctions on legal persons (AML Law, art.6). Criminal sanctions can be imposed on the relevant legal person and/or the legal person’s controlling personnel (AML Law, art.6(1)). There are proportionate and dissuasive sanctions including a principal pecuniary sanction of maximum amount of IDR 100 billion (EUR 6.6 million) (AML Law, art.7). Additional sanctions can be imposed, including: (i) the freezing of a portion of or the entire business activities of the corporation concerned; (ii) the revocation of business license; (iii) the dissolution and/or banning of the corporation concerned; (iv) the forfeiture of the corporation’s assets for the State; and/or (v) take-over of the corporation by the State. Sanctions for legal persons can be imposed without prejudice to the criminal liability of natural persons (AML Law, art.6).

Criterion 3.11 – Indonesia’s ML offence includes a range of ancillary offences, including participation in, attempt, assistance or conspiracy to commit (AML Law, art.10). In addition, ancillary offences under Articles 55 and 56 of the Criminal Code are broad enough to cover facilitating and counselling the commission of ML.

Weighting and Conclusion

All criteria are met.

Recommendation 3 is rated compliant.

Recommendation 4 - Confiscation and provisional measures

In its 2018 APG evaluation, Indonesia was rated largely compliant with this recommendation. The remaining technical deficiencies related to *ex-parte* or without prior notice freezing measures, preventing or voiding actions that prejudice confiscation, and protections for bona fide third parties. The APG evaluation also noted technical deficiencies with Indonesia’s ability to confiscate of property of corresponding value outside of corruption cases.

Criterion 4.1 –

a)

(a) - (b) Indonesia has legislative provisions to confiscate property laundered, as well as proceeds and instrumentalities of crime. These provisions are set out in the Criminal Code and Criminal Procedures Code, which apply to all criminal offences in Indonesia, and are reinforced by measures related to ML and terrorism/TF and other predicate crimes in specific laws (see relevant laws below). Art. 42 read with Art.46 CPC provides the authority to order any person (including 3rd parties) to surrender impugned goods for the purpose of investigation and forfeit these when they have resulted from an offense or have been used for committing a criminal offense.

In addition, the Criminal Code provides for forfeiture of specific property as an additional punishment for all crimes in Indonesia (CC, art.10) and property that may be forfeited includes ‘objects’ belonging to the sentenced person, acquired by means of a crime or with which a crime has been committed (CC, art.39(1)).

Money Laundering: where there is sufficient evidence of assets that have not been seized, the judge can instruct the public prosecutor to seize, and then the assets can be confiscated as per the procedures set out in art.39 and 42 of the criminal code (AML Law, art.68 and 81). The defendant must prove that his/her assets are not the proceeds from a criminal act (AML Law, art. 77).

Corruption offences: there are additional penalties including confiscation of tangible or intangible movable assets or fixed assets used to commit or being the proceeds of criminal acts of corruption, including the guilty party's corporation where the criminal acts were perpetrated (Anti-corruption Law, art.18). The defendant must prove that his/her and related third parties' assets are not the proceeds from a criminal act (Anti-corruption Law, art.37).

Narcotics offences: Narcotics, Narcotic Precursors, and equipment or goods used in related criminal offences along with their proceeds can be confiscated (Narcotics Law, art.101(1)). The defendant must prove that his/her and related third parties' assets are not the proceeds from a criminal act (Narcotics Law, art.98).

- b) The above Criminal Code and Criminal Procedures Code apply to Indonesia's TF offence and Indonesia's terrorism offences. Moreover, assets known or reasonably suspected of going to be used and/or of being used directly or indirectly for activities of terrorism, terrorist organisations, or individual terrorists are subject to seizure as the proceeds of a criminal act (AML Law, art.2(2)).
- c) Indonesia can only confiscate corresponding value in relation to corruption cases where there is a State loss (Anti-corruption Law, art.18(1)(b)), or in relation to tax debts including where such debts may be a result of a criminal offence (Tax Law, art.14). For remaining offences, the possibility to confiscate corresponding value is not available.

Criterion 4.2 –

- a) The Criminal Procedures Code provides a range of measures to identify, trace, and evaluate property for confiscation, as well as powers for entry, search and seizure (CC, art.32–37, art.47–49). There are also specific measures for TF, ML, corruption, narcotics, and tax offences which allow authorities to obtain information on assets of suspects or defendants from FIs and DNFBPs (AML Law, art.72; CFT law, art.37; Amended Anti-corruption Law, art.12(1)(c); BNN Law, art.80(c); Law 28 of 2007 on Tax, art.44(2); Customs Law 1995, art.112(2)(g)).
- b) Competent authorities are able to carry out provisional measures, such as seizing of property with a court warrant. However, in urgent cases involving movable property, competent authorities can seize without a court warrant and report to the court subsequently (CCP, art.38). Goods for seizure include: (i) goods or claims of the suspect or the accused of which all or part are presumed to have been obtained from an offence or as the result of an offence; (ii) goods which have been directly used to commit an offence or in preparation therefore; (iii) goods used to obstruct the investigation of an offence; (iv) goods specially made and intended for the commission of an offence; (v) other goods which have a direct connection with the offence committed (CPP, art.38–46). Further, the regulations allow for the freezing of goods related to terrorism and/or transnational organised crime including money laundering and terrorist financing (Minister of Finance regulation number 81/PMK.04/2021).

- c) PPATK can also freeze¹⁹ transactions by FI and DNFBPs that are known or suspected to be the proceeds from criminal acts for up to 15 days (President Regulation 50 of 2011, art.40; AML Law, art. 65-66). ML/TF investigators, prosecutors or the judge can order an FI or DNFBP to freeze and suspend transactions of any persons reported by PPATK to the investigator, the suspect or the defendant for a period of five business days (AML Law, art.70-71; CFT Law, art.22). There are similar freeze provisions related to corruption, narcotics, and terrorism offences (Anti-corruption Law, art.29(4); Narcotics Law, art.80(b); Terrorism Law, art.29). While there is no explicit legal provision that these measures should be carried out *ex-parte* or without prior notice, authorities report that this is done in practice.
- d) This is covered under CC, art 221. Prejudice action is criminalised under the criminal code with a maximum sentence of 9 months imprisonment or a maximum fine of IDR 300 (EUR 0.02) (CC, art.221(1)) which is not proportionate and dissuasive. In addition, the provision sets an exception whenever these prejudiced actions are undertaken by the defendant's blood relatives, spouse or ex-spouse. Taxpayers are prohibited from transferring the right over confiscated property or transferring, leasing, lending, or damaging confiscated property. However, it is not clear whether this would cover all individuals entrusted with managing confiscated property (Tax Law, art.23).
- e) Competent authorities are able to take appropriate investigative measures in support of the existing seizure powers, however, special investigation techniques are not available to all investigators and in the investigation of all predicate crimes (see R.31).

Criterion 4.3 – The Civil Code presents a definition of ownership which provides general protection of property where individuals do not violate the law (CC, Art. 570 and 529). In addition, there are some mechanisms for persons or third parties to file an objection with regard to the suspension of transactions and confiscation related to ML and TF, corruption and narcotics offences (AML Law, art.67(1), 79(6); Anti-corruption Law; art.18-19; Narcotics Law; art.101; CFT Law, art.25 and 26). This is then determined by the courts.

Criterion 4.4 – Indonesia has various mechanisms for managing and, when necessary, disposing of property frozen, seized, and confiscated. The Asset Recovery Centre within the AGO is the key unit responsible for ensuring coordination and management of asset recovery in Indonesia, and maintains a database on all asset recovery activities (AGO Regulation on Asset Recovery Guidelines, 027/A/JA/10/2014; AGO Regulation Number PER-002/A/JA/05/2017 on The Mechanism of Auction of Seizing and Confiscation Asset; and Regulation of the Minister of Finance on Management of State Assets Originating from Goods Confiscated by the State or Gratification Goods, 03/PMK.06/2011).

Weighting and Conclusion

Indonesia has established mechanisms allowing their competent authorities to effectively seize, manage, and dispose of property that represents ML/TF. Indonesia's ability to confiscate property of corresponding value is available for corruption and

¹⁹ Indonesia's legislation refers to "suspend or postpone transaction" rather than freezing (AML Law, Arts 44, 65, 66).

tax offences, which are both risk areas. The remaining minor shortcomings relate to the ability to confiscate property of corresponding value for other offences as well as the statutory uncertainty around some of the *ex-parte* requirements.

Recommendation 4 is rated largely compliant.

Recommendation 5 - Terrorist financing offence

In its 2018 APG MER, Indonesia was rated largely compliant for this recommendation. Indonesia had minor shortcomings in that it had not specifically criminalised the terrorist acts established as criminal offences in the annex to the TF convention.

Criterion 5.1 – Indonesia’s TF offence largely covers the conduct criminalised in Article 2 of the UN Convention for the Suppression of TF. Indonesia criminalises “the provision, collecting, granting or lending of funds, *directly or indirectly*, with the intention, *wholly or partly*, to commit any one of the three crimes of: (i) terrorism; (ii) funding a terrorist organisation; or (iii) funding a terrorist” (Law 9/2013 Regarding Prevention and Eradication of TF Crime (“TF Law”), art.4).

Indonesia defines ‘terrorism financing’ as *all acts to provide, raise, grant or lend [funds] directly or indirectly, for used and/or known to be used to commit terrorism activities, terrorist organisation, or terrorist* (TF Law, art.1(1)). This definition includes a requisite mental element (*mens rea*) of the offence, covers both direct and indirect support, and covers the provision (“provide”) and collection (“raise”) of funds or other assets. As the terms “terrorist” and “terrorist organisation” are not defined in the TF Law, it is not clear that it covers the acts described in the Art(1)(b) and the acts in the Annex of the TF Convention. Indonesia’s definition of funds is consistent with the TF Convention (see c.5.3 below). Indonesia has ratified the TF convention but has not specifically criminalised all the acts established as criminal offences identified in the annex to the TF Convention.

Criterion 5.2 – Indonesia’s TF offence applies to any person who intentionally provides, collects, grants, or lends funds, directly or indirectly, with the intent entirely, or partly, to commit a terrorism crime, terrorism, or use by a terrorist organisation (TF Law, art.4). This covers the financing of individual terrorists and terrorist organisations even in the absence of a link to a specific attack.

Criterion 5.2bis – While the financing of travel for the purpose of committing a terrorist act or providing or receiving terrorist training is not specifically covered by the CFT Law, the general TF offence in art.4 is broad enough to cover this activity. Indonesia has successfully prosecuted and convicted individuals for financing the travel of Foreign Terrorist Fighters (FTFs) under art.4 of the CFT Law (Aminudin Mude). Moreover, in 2018 Indonesia amended the CT law with art.12B, which provides that anyone who “intentionally recruits, accommodates or sends people to take part” in terrorist training is guilty of an offence.

Criterion 5.3 – The TF offence defines funds as “all assets or *movable or immovable* goods, whether *tangible or intangible*, gained in any manners and in any terms,” (TF Law, art.1(7)). This definition is broad enough to extend to any funds or assets whether from a legitimate or illegitimate source.

Criterion 5.4 – The TF offence applies to funds that are provided to a ‘terrorist or terrorist organisation’, even in the absence of a link to a specific terrorist act (TF Law, art.4).

Criterion 5.5 – The intent requirement in Indonesia’s TF offence is “intentionally...used and/or known to be used” (TF Law, art.4). Although the TF Law is silent with respect to the proof required to establish intent, Art.184 of Law 8 of 1981 Concerning the Criminal Procedure (which applies to the TF Law) allows for “an indication” to be a legal means of proof. This is understood by judicial officials and prosecutors to equate to ‘objective factual circumstances’ and has been successfully applied in TF criminal prosecutions.

Criterion 5.6 – The penalties available for TF are proportionate and dissuasive. A person convicted of a TF offence may be imprisoned for up to 15 years and fined a maximum of IDR one billion IDR (EUR 66 000) (TF Law, art.4). This is consistent with the range of sanctions for the criminal act of terrorism of 4 to 20 years’ imprisonment (or in some circumstances death or life imprisonment), and the 20-year maximum term of imprisonment for the ML offence.

Criterion 5.7 – Criminal liability for the TF offence applies to both natural and legal persons. Art.1(3) of the TF Law provides that “person” means “individual or corporate,” and art.1(4) defines “corporate” to mean a “group of organised persons and/or assets, whether incorporated or not.” A corporation convicted of the TF offence, and/or its controlling person, may be fined up to IDR 100 billion IDR (EUR 660 000) and face additional sanctions such as freezing of corporate activities or dissolution (TF Law, art.8). These sanctions appear to be proportionate and dissuasive.

Criterion 5.8 – The TF offence extends to “making wicked conspiracy, trial or assistance to commit terrorism financing crime”, which is subject to the same penalties of the TF offence (TF Law, art.5). This language appears broad enough to cover attempts to commit a TF offence, participating as an accomplice in a TF offence, and contributing to the commission of, a TF offence. Indonesia also criminalises the “intentionally planning, organising, or provoking any other party to commit” a TF offence (TF Law, art.6).

Criterion 5.9 – TF offences are designated as ML predicate offences. Art.2(1)(z) provides that any “other criminal acts subject to the criminal sanction of imprisonment for 4 (four) years or more” is a ML predicate. As Art.4 of the TF Law imposes penalties up to 15 years’ imprisonment, TF is a ML predicate by virtue of this provision. Moreover, Art. (2)(2) of the AML law extends proceeds of crime to “assets known or reasonably suspected of going to be used and/or being used directly or indirectly of terrorism, terrorist organisations, or individual terrorists.”

Criterion 5.10 – The TF offence applies to anyone committing or intending to commit TF crime within or outside the territory of the Republic of Indonesia (TF Law, art.2(1)(a)) and in relation to funds within or outside the territory of the Republic of Indonesia (TF Law, art 2(1)(b)). The definition of terrorism financing in the legislation does not confine terrorism to the Republic of Indonesia.

Weighting and Conclusion

Indonesia has ratified the TF convention but has not specifically criminalised all the acts established as criminal offences identified in the annex to the TF Convention.

Recommendation 5 is rated largely compliant.

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

In its 2018 APG evaluation, Indonesia was rated partially compliant for Recommendation 6. Indonesia's legal framework did not implement TFS pursuant to UNSCR 1267 without delay, did not apply TFS requirements to all natural and legal persons, and did not clearly prohibit the provision of funds or financial services to designated persons.

Criterion 6.1 -

In 2017, PPATK established the Satgas DTTOT task force to manage the listing process for designations made under UNSCR 1267, 1988, and 1373 (PPATK Decree 122 of 2017 (Decree 122)). The membership of Satgas DTTOT includes the PPATK, INP, NCTA, SIA, and MoFA (Decree 122, Second Dictum).

- a) Satgas (Task Force) DTTOT is the competent authority with responsibility for proposing persons for designation to the 1267/1989 Committee and to the 1988 Committee for designation (Decree 122, Fourth Dictum).
- b) Potential designation targets are first listed on the domestic DTTOT list, which is governed by the TF Law and issued by INP following confirmation from the District Court of Central Jakarta (TF Law, Art. 27). As established in Art. 7 of the Joint Regulation on Listing of Terrorists and Terrorist Organisations and Freezing of Funds without Delay (TF Joint Regulation, 2015), relevant agencies such as PPATK, INP, NCTA, and SIA may identify persons (individuals or entities) for designation based on their respective functions. This may include, for example: PPATK identifying persons based on their holdings of STRs and other reported information; INP identifying persons from intelligence and law enforcement information; and intelligence agencies identifying persons from intelligence information. PPATK, as the Secretary of Satgas DTTOT, is responsible for compiling and transmitting information demonstrating that a person fulfils the criteria for designation by the UN (Decree 122, Third and Fourth Dicta). Satgas DTTOT may also provide information to the INP regarding the designation of persons by foreign jurisdictions or the UN for inclusion in the domestic DTTOT list (Decree 122, Fourth Dictum).
- c) PPATK Decree 122 (Sixth and Seventh Dicta) provide the criteria for designating or proposing a designation as "suspected participation" "directly or indirectly, with terrorist activities, terrorist, and terrorist organisation." While this is not explicitly a "reasonable ground" or "reasonable basis" standard, in practice it appears Indonesia uses a 'reasonable basis', distinct from the proof that applies in criminal proceedings. Proposed designations are not conditional upon the existence of a criminal proceeding (Decree 122, Ninth Dictum).
- d) Although it does not specifically describe the procedures and standard forms for listing, Annex 1.3 of Decree 122 refers MoFA to the "procedure and standard that has been designated by UN" in delivering a proposed designation to the UN.
- e) The TF Law, Decree 122, and the TF Joint Regulation provide only that the identity of the person be transmitted to the UN. There does not appear to be any requirement to provide to the UN as much relevant information as possible

on the proposed name and basis for the listing, a statement of case, or whether Indonesia's status as a designating State may be made known. However, some such information is required to be compiled for inclusion on the domestic DTTOT list (TF Law, Art. 27).

Criterion 6.2 -

As described above, the INP is the competent authority for designating persons that meet the UNSCR 1373 designation criteria. This applies to domestic designations and consideration of foreign requests or foreign designations for inclusion on the domestic DTTOT list (TF Law, Art. 27, 43-46).

- a) Satgas DTTOT can receive proposals for domestic designation from its constituent agencies (Decree 122, Fourth Dictum). Foreign requests for designation are passed from the MoFA to Satgas DTTOT (Dicta Fourth of Decree 122). As the Secretary of Satgas DTTOT, PPATK is responsible for compiling the case demonstrating that the person meets the criteria for listing. Satgas DTTOT is responsible for passing the documentation to the INP for the addition of the person(s) on the domestic DTTOT list (TF Law, Art. 27).
- b) The mechanisms for identifying targets for designation following a proposal from a domestic agency and following requests from foreign countries are detailed in c.6.2(a) above. As noted above (c.6.1(c)), Indonesia uses a "suspected participation" standard of proof that appears distinct from the proof applicable to criminal proceedings, although it is not explicitly a "reasonable basis" or "reasonable grounds" standard.
- c) There is no specific time requirement in determining whether the proposed designee meets the criteria for designation. Indonesia underlined that, usually, the DTTOT Project Team meets twice to decide whether the proposed designee meets the criteria for designation and it takes a maximum of three days to complete the process.
- d) See c.6.1(c) above. Decree 122 also cover designations pursuant to UNSCR 1373 (see Dicta Fourth). While this is not explicitly a "reasonable grounds" or "reasonable basis" standard, in practice it appears Indonesia uses a 'reasonable basis', distinct from the proof that applies in criminal proceedings. Proposed designations are not conditional upon the existence of a criminal proceeding
- e) When requesting another country to give effect to domestic designations, Satgas DTTOT through the MoFA passes the request to the foreign jurisdiction along with "complete data and information" in support (Decree 122, Annex 1.4). That includes the name and other relevant information to determine whether this request fulfils the "reasonable" ground on terrorist and TF activities.

Criterion 6.3 -

- a) Satgas DTTOT have legal authorities and mechanisms to collect or solicit information (including intelligence, information held by domestic competent authorities, information sent by foreign competent authorities, and other reliable information) on persons that potentially meet the criteria for designation from relevant agencies (Decree 122, Fourth, Fifth, and Eighth Dicta).

- b) Decree 122 (Fifth Dictum) provides that the identification and proposed designation activities set forth in the Fourth Dictum may operate *ex parte* or without prior notification to the person or related parties.

Criterion 6.4 –

Under the processes described above, UN listings are ultimately transmitted to INP for inclusion in the domestic DTTOT list. Art. 27 of the TF Law then requires the INP to submit an application to the District Court of Central Jakarta. The District Court adjudicates the application to determine the person’s identity as a suspected terrorist or terrorist organisation. The person may be added to the DTTOT list only after INP obtains this adjudication. The District Court can take up to 30 days to review the INP’s application (TF Law, art.27(3)). The allowance of up to 30 days to adjudicate the INP’s application appears modified by Article 27(4) of the TF Law, which provides that once examination reveals a basis for designation, the District Court shall “immediately” find the designation criteria met. Nevertheless, the period for the District Court to determine that there is a basis for designation could be up to 30 days under the TF Law. Annex 1.2 of the TF Joint Regulation (issued by the Chief Justice of the Indonesian Supreme Court in addition to relevant agencies) purports to establish a maximum period of 3 working days to complete the listing process. In any event, whether the adjudication period is 30 days or 3 working days, it exceeds the FATF Glossary’s definition of “without delay” as being within a matter of hours of UN designation. This conclusion is not altered by the issuance of PPATK Regulation 18 (2017) under Art. 44 of the TF Law, which authorizes PPATK to issue circulars to FIs requiring them to postpone transactions for up to 20 days of persons being considered for designation. While use of this authority may allow PPATK in practice to give effect to UN designations “without delay,” it does not itself require immediate freezing of the assets of UN-designated persons. That effect is subject to the discretion of PPATK in issuing the circular.

Criterion 6.5 –

- a) Art. 28(3) of the TF Law requires reporting entities such as the PJK or competent entities, and Circular 5 of 2016 requires all DNFBPs to immediately freeze funds owned or controlled, directly or indirectly, by designated persons. This obligation to freeze applies to reporting entities only and does not extend to all natural and legal persons. In addition, there is no explicit legal provision that these measures should be carried out without prior notice.
- b) Art. 1(7) of the TF Law defines funds to mean “all assets or movable or immovable goods, whether tangible or intangible, gained in any manners and in any terms.” Arts. 4(2) and 4(3) of the TF Joint Regulation further provide that “any funds” include: (i) those owned by persons or corporations who are designated, not just those tied to a particular terrorist act; (ii) those owned or controlled, directly or indirectly, by designated persons or corporations; and (iii) those controlled by other persons acting on behalf of designated persons or corporations. Although there is no explicit mention of funds or other assets jointly owned/controlled or those derived or generated from funds or assets owned or controlled by designated persons, the inclusion of “directly or indirectly” and “gained in any manners and in any terms” in the definition of funds contained in Art. 1(7) of the TF Law appears broad enough to incorporate such funds or other assets into the freezing requirement. Section B1 of Circular

5 of 2016 includes funds owned or controlled, either directly or indirectly, by the list person or Corporation.

- c) There is no general requirement that prohibits natural and legal persons from making available funds or other assets to designated persons. However, FIs are prohibited from providing, extending, or lending funds to or for the benefits of persons or entities listed in the DTTOT (In OJK Reg.23, 2019, art.46(6)) and are prohibited from maintaining business relationships or processing transactions with designated persons (OJK reg.12, 2017, art.42(2)(c)). These requirements do not apply to DNFBPs or other actors.
- d) INP is required to submit the list of designations and any change to supervisory and other relevant agencies, including PPATK (TF Law, art.28). However, there is no explicit legal provision that this should be carried out immediately. When PPATK gets notified of the DTTOT additions, it immediately uploads identifying information on public website and shares the information with registered reporting entities through goAML. In addition, PPATK and supervisory agencies send the listings to FIs (including by letter to the responsible person at each FI) and DNFBPs. OJK Circular 38 (2017) and PPATK Circular 5 (2016) provide guidance to reporting entities on their freezing obligations in relation to persons on the DTTOT list.
- e) Reporting entities (e.g., FIs and DNFBPs) must report whether they have frozen any assets belonging to designated persons (TF Law, art.28(4)). PPATK further implements this requirement by stipulating that postal companies providing money transfer services, pawnshops, and DNFBPs must notify PPATK within 1 business day that they have received information on the updated DTTOT list and whether they have frozen any funds or other assets owned or controlled (directly or indirectly) by designated persons (PPATK Circular 5, 2016).
- f) Any agency or “any person providing service in finance sector or other service related to finance” shall be held harmless from any civil or criminal suit for the good faith implementation of freezing obligations (TF Law, art.24). In addition, third parties that enter into agreements with designated persons prior to designation can petition the INP for access to funds owed to them (TF Law, art.34(1)(j)). This protects the bona fide rights of third parties.

Criterion 6.6 -

- a) For sanctions frameworks under UNSCR 1267 and 1988, persons are directed by the PPATK website to the relevant UN committee for information on the delisting procedure. Although there is no specific guidance regarding procedures to submit de-listing requests to the relevant UN sanctions, Annex 1.6/1.7 of Decree 122 refers to standard operational procedure for de-listing initiated by INP or by application of the law (e.g., if an entity has been dissolved).
- b) With respect to designations under the UNSCR 1373 framework, members of SATGAS DTTOT can deliver de-listing recommendations to the INP (Decree 122). The INP can request a de-listing order from the District Court of Central Jakarta (DCCJ) (TF Law, arts.30-33 and the TF Joint Regulation (2015), Art.7(6)). De-listing may be based on the person successfully challenging the designation in court, the failure to renew the designation, or if it is otherwise null and void. A person may object to freezing of assets by providing to INP the

basis for objection and evidence demonstrating the legal basis of the funds (TF Law, Art.29).

- c) A designated person can challenge the basis for the designation before the DCCJ (TF law, art. 32). A different judge than the one who ratified the designation must adjudicate this challenge (TF Law, art.32(4)). The applicant or INP may appeal an unfavourable adjudication to the High District Court of Jakarta; that court's ultimate decision is final (TF Law, art.32(6-7)).
- d) d-e) PPATK's website purports to have procedures to facilitate review by the UNSCR 1988 committee and inform persons listed pursuant to the UNSCR 1267 framework of the availability of the Office of the Ombudsperson. The website describes the procedures for listing and de-listing and also refers the reader to the UN Security Council homepage. Further, links purported to direct readers to official UN sanctions lists are again only a link to the UN Security Council homepage. Additionally, links purported to be applications for de-listing are in fact a link to a UN memo which describes de-listing procedures.
- e) Although not specific to cases of false positives, a person may challenge the blocking of funds by providing a reason for the objection and supporting evidence to the INP (TF Law, art.29). If the objection is denied, recourse is to file a suit in the DCCJ (TF Law, art.29(5)). PPATK Circular 5 (2016) describes how certain businesses should address false positives, although a person would have to use the process outlined in the TF Law to request unfreezing.
- f) The mechanism for communicating de-listings and unfreezing to FIs and DNFBPs is through the Annexes I.5 to I.8 to the TF Joint Regulation. On receipt of an order from the DCCJ, the INP removes the name and notifies supervisory agencies, who in turn notify reporting entities. These entities must then report to their regulators whether they have unfrozen any funds of the previously designated person. These procedures do not provide any information on timing, so it cannot be determined whether such communication occurs immediately.

Criterion 6.7 –

Art.34(1) of the TF Law excludes some expenses from asset-freezing requirements but, does not explicitly include extraordinary expenses or a mechanism for determining whether to exclude expenses other than those listed. Designated persons or third parties are directed to submit requests for these funds to the INP or the UN, as appropriate (TF Joint Regulation, art.6).

Weighting and Conclusion

The legislative framework on TF TFS has major shortcomings. Legislation provides for a maximum period of 3 days to give effect to UN designations, which exceeds the FATF Glossary's definition of "without delay". The obligation to freeze applies to reporting entities only and does not extend to all natural and legal persons. In addition, there is no explicit legal provision that these measures should be carried out without prior notice. There is no general requirement that prohibits natural and legal persons from making available funds or other assets to designated persons and this requirement do not apply to DNFBPs or other actors. Finally, Art. 34(1) of the TF Law excludes some expenses from asset-freezing requirements.

Recommendation 6 is rated partially compliant.

Recommendation 7 – Targeted financial sanctions related to proliferation

In its 2018 APG evaluation, Indonesia was rated non-compliant. Major shortcomings observed were almost all the DPRK UN-listed persons/entities had not been listed without delay; there was no domestic listing of Iranian UN-listed persons/entities; there was no prohibition on providing funds or financial services to designated persons; and the freeze mechanism was only enforceable on non-bank payment and non-bank money changing service providers.

Criterion 7.1 – In 2017, Indonesia issued the Joint Regulation on Listing of the Identify of Persons and Corporations in the List of Proliferation of Financing of Weapons of Mass Destruction (PF Joint Regulation 2017) to implement TFS with respect to WMD proliferation and financing without delay. The PF Joint Regulation establishes coordination among the relevant agencies in entering the identity of persons and corporations in a WMD list, and freeze funds owned by them. The process established by the PF Joint Regulation begins with receipt of the name and identifying information of an UN-listed person by the MoFA (art.5 and Annex I.I). The MoFA notifies PPATK, INP, SIA, and NERA and these agencies subsequently make a recommendation to PPATK based on a review of intelligence or other available information. PPATK then makes a decision to enter the person on the WMD List and transmits the listing to relevant supervisory agencies. This process should be completed within a matter of hours, at most in one day (PF Joint Regulation, Annex I.I). PPATK’s website describes programs for listings and delistings under UNSCRs related to terrorism and DPRK. No such program is described for UNSCR 2231 related to Iran, although Indonesia designated persons required by UNSCR 2231 in October 2018.

Criterion 7.2 –

- a) All FIs and DNFBPs are required to freeze without delay funds owned or controlled by persons on the WMD List (PF joint reg. 2017, art.6(4)). OJK-supervised FIs must review periodically their customers to determine whether they appear on the WMD List (OJK reg.23 (2019), art.46). If an FI detects similarities between a customer’s information and a WMD listing, it must perform an immediate freeze. FIs regulated by BI are required to examine customers against the WMD List and freeze without delay (BI reg.19.10 (2017), art.47). Futures brokers must freeze without delay the funds of any customer on the WMD List (CoFTRA Regulation 10 (2017), art.2). However, there is no general obligation for all natural and legal persons to freeze such funds or other assets, and there is no explicit legal provision that these measures should be carried out without prior notice.
- b) Freezing obligation extend to all circumstances listed in c.7.2(b) (PF Joint Regulation, arts. 6(4) and 6(5)). BI reg.19, art.47, CoFTRA reg.10, Annex I and OJK reg.23 (2019) require relevant FIs to refer to the PF Joint Regulation in performing freezes.
- c) Art.16 of the PF Joint Regulation directs relevant agencies to conduct efforts to prevent against activities to provide, raise, grant, or lend funds to persons and entities on the WMD list. Apart from the freezing provisions described in response to sub-criterion 7.2(b), art.46 of OJK reg.23 (2019) explicitly prohibits FIs from providing, extending, or lending funds to or for the benefit of a person and entities on the WMD List and art.42 prohibits taking on, maintaining, or

conducting transactions for a person on the WMD List. The BI reg.19 (2017) refers to other actions in accordance with law including terminating the business relationship. COFTRA regulations do not have similar explicit prohibitions. There is no general prohibition with respect to nationals or persons in Indonesia on providing funds or other assets to designated persons.

- d) Supervisory agencies are required to communicate electronically to their regulated entities the listing, freezing, revocation of freezing, and delisting of listed persons (PF joint reg., art.14). There is no legal timing requirement, however supervisors are using several channels to automatically provide information to supervised entities about the WMD List, similar to the description in sub-criterion 6.5.d. for DTTOT list.
- e) FIs and DNFBPs must report to their supervisors within 3 days on whether they have frozen any assets belonging to a designated person (PF joint reg. art. 6(6)). Counterpart regulations are contained in Art. 46 of OJK reg.23(2019) and CoFTRA reg.10, Annex I. Arts.47 and 54 of BI reg.19.10 (2017) require reporting, but within 10 days. The PF joint reg. and supervisory reg. are silent on reports of attempted transactions or other actions taken by FIs and DNFBPs.
- f) Third parties that entered into contracts with listed persons prior to their designation can petition PPATK for access to funds owed to them (PF joint reg, art.13(1)(j)). However, beyond this specific measure, there is no protection for *bone fide* third parties acting in good faith when implementing the obligations under Recommendation 7.

Criterion 7.3 -

Supervisors can review implementation of the requirement to freeze without delay (PF joint reg., art.11). Administrative sanctions including written warnings, monetary penalties, restrictions to business activities, license termination, and action against management for violations of its requirements, which are consistent with those of the PF joint reg. can be imposed by BI (BI reg.19.10 (2017), art.57). CoFTRA reg.10 similarly provides for administrative sanctions for violations (art.5), the amount of the fine is not specified. For OJK supervised FIs, violations of the Regulation may be subject to administrative sanctions including warning or reprimand letters, monetary penalties, limits or freezing of business activities, and termination or listing of management (OJK reg.23 (2019), art.66). OJK reg.23, however, does not itself impose on such FIs the requirement of c.7.2.a and the PF joint reg. to freeze without delay the funds or assets of designated persons, rather, art.46 of OJK Regulation 23 provides that FIs shall periodically assess their customers to determine whether they match persons on the WMD List, and immediately freeze accordingly. Although the elucidation of OJK reg.23 refers FIs to the PF joint reg.in performing freezes, it is unclear whether art.66 of the same regulation may be used in sanctioning violations of the PF joint reg. No sanctions apply to DNFBPs for violations of the PF joint reg.

Criterion 7.4 -

- a) PPATK website contains information on listing and delisting with respect to UN terrorism sanctions and UNSCR 1718. The terrorism sanctions section links to the UNSCR 1730 on the Focal Point process and to the UNSC website. The section regarding UNSCR 1718 contains a link to the UNSC website as well as procedural details.

- b) FIs and DNFBPs must unfreeze the assets of persons who are not designated but whose funds are frozen because of a mistaken identity (PF joint reg., art.8). The regulated entity needs to clarify with PPATK that the person is not designated. Some regulators have issued guidance to their supervised entities, including through OJK Circular 31(2017) and CoFTRA reg.10.
- c) basic expenses that can be excluded from an asset freeze upon request to PPATK or the UN are listed (PF joint reg. art.13). Extraordinary expenses are not explicitly addressed.
- d) The procedures for communicating de-listings and unfreezing to FIs and DNFBPs are set out in PF joint reg. art.9. Once PPATK receives a MoFA recommendation and verifies that a person has been delisted by the UN, it removes him/her from the domestic list. PPATK then notifies the relevant supervisors who in turn notify their regulated entities, who must report within 3 days on any unfrozen funds of the previously designated person.

Criterion 7.5 –

- a) Interest or earnings can be added to funds in frozen accounts that relate to rights arising before the date of listing (PF joint reg. art.7(1)).
- b) A designated person may make payment to a third party related to obligations incurred before the date of designation (PF joint reg. art.13). This does not apply when the obligation pertains to material, tools, goods, technology, assistance, training, funding assistance, investment, broker activities or services, or goods/others activities related to WMD proliferation, or when the payment would be made directly or indirectly to a designated person. Art.13 does not explicitly require consultation with the UNSC as required by c.7.5(b), except in art.13(5) where it states certain exemptions of freezing to be proposed for consideration of the UN.

Weighting and Conclusion

Indonesia has made progress in developing its framework for TFS related to proliferation. It has a process for identifying and designating persons without delay, for unfreezing funds or using them for authorized purposes, and has extended requirements to freeze across FIs. However, the framework contains gaps in its enforceability because it does not apply to all natural or legal persons, does not require reporting for attempted transactions, or clearly prohibits the provision of funds or services to designated persons.

Recommendation 7 is rated partially compliant.

Recommendation 8 – Non-profit organisations

In its 2018 APG evaluation, Indonesia was rated largely compliant with Recommendation 8. The main technical deficiencies were the lack of measures to address the activities of NPO managers and directors (identified in the 2015 TF NRA as being involved in the misuse of NPOs); insufficient clarity on how often NPOs are required to verify donation recipients or review internal management approval processes; the absence of policies for promoting accountability, integrity and public confidence for non-legal entity CSOs; and a lack of effective cooperation, coordination, and information sharing among the relevant authorities and organisations.

Criterion 8.1 –

- a) Indonesia classifies all NPOs as civil society organisations (CSOs) or “ormas” under Art. 1(1) of Law 17 (2013) on Civil Society Organisations (CSO Law). Out of a population of 491 328 CSOs, Indonesia reported to have identified 576 CSOs that fall within the FATF NPO definition; however, this information does not appear in the 2022 NPO SRA. Indonesia’s 2022 SRA, building on the TF NRAs from 2015 and 2019, identified 32 at-risk NPOs. The number of medium risk (64 861) and low risk entities (361 051) identified in 2019 was not updated in 2022(see IO.10.2 for further details). The scope of this review was restricted to incorporated NPOs in Ministry of Law and Human Rights and unincorporated NPOs registered in Ministry of Home Affairs located in the capital of a province. The information used came from PPATK sources and written consultation with 28 participants from LEAs, supervisory agencies, supervised entities. Only three NPOs were consulted, namely National Amil Zakat Agency and Dompot Dhuafa. Indonesia clarified that this determination was based on a methodology that took into account five criteria: i) legal status; ii) characteristics and type of the NPO; iii) geographic area in which the NPO is operating; iv) whether the NPO is raising or disbursing funds (for purposes e.g., charitable, religious, cultural, educational, and social); and v) the analysis of FIU, DTTOT, investigation, prosecution, and conviction data. Indonesia clarified that the 32 at-risk entities were actually treated as suspect organisations and were subject to investigation by INP (Detachment 88). In any event, 32 entities seems low compared to the NPO population size and Indonesia’s risk and context. The methodology used to qualify “high risk NPO” does not seem to capture all high-risk organisations, including those outside the 15 high-risk areas.
- b) In its 2015 TF NRA, Indonesia identifies the main TF threats to NPOs from individual perpetrators to be university students, NPO management, merchants and religious leaders. The 2016 regional risk assessment on NPOs, and the 2019 TF NRA further develops Indonesia’s analysis of the nature of threats posed by terrorist entities to NPOs, which includes collecting funds/donations for the benefit of terrorist groups including by self-funding and through social media channels. The NRA also identifies, to some extent, the ways in which terrorist actors abuse NPOs. In 2022 SRA the nature of threats identified included disguise (sham) NPOs established by the terrorists for TF; internal threats from chairmen and secretaries; collection of cash (including through hawala). Use of social media and offline charity boxes were identified as high-risk fundraising modes and the use of domestic fund transfer and savings was a common feature.
- c) The 2019 TF NRA and the 2022 NPO SRA reviews the effectiveness of various measures, including laws and regulations, which seek to mitigate the risk of TF abuse of the NPO sector. However, it is unclear whether the authorities have consequently adapted their adequacy to be able to take proportionate and effective action to address the risks identified.
- d) Indonesia reviewed TF risk to CSOs in 2015, 2019, and in 2022. It also issued a research report “update on suspicious financial indicators and abuse of NPOs in TF for banking industry” in 2020.

Criterion 8.2 –

- a) Indonesia’s NPO reg. (2017), CSO Law (2013), art. 21, CSO implementation reg. (2013), art. 26 and CSO Foreign Citizen Regulation (2016), art.29 refers to the

need for integrity in the NPO sector. Policies promoting transparency, integrity and accountability in the administration and management require NPOs to: i) manage their finances in a transparent and accountable manner (CSO Law, arts. 21,37); ii) proceed to regular, public financial reporting on their use of donations, but only in the case where they are received from membership dues and aid/donation from society (CSO Law, arts. 37-38); implying that it excludes the situation where they receive aid/donation from foreigners or foreign institutions and State budget; and iii) deliver against their stated purpose.

- b) Art.18 of the NPO reg. requires the PPATK to educate NPOs about TF risk and TF prevention. There is no mention of educating the donor community. Very limited outreach and educational programmes were undertaken to raise and deepen awareness among NPOs and the donor community about the potential vulnerabilities of NPOs to TF abuse and TF risks, and the measures that NPOs can take to protect themselves against such abuse.
- c) NPO supervisors engage with NPOs and share information on the implementation of the NPO Regulation, but the activities do not specifically address TF risk and vulnerabilities. The 2022 SRA contains some good practices examples. However, only three NPOs were consulted in the SRA process. There is no indication that NPO supervisors worked with NPOs to develop best practices.
- d) Art. 37 of the CSO Law requires the use of a national bank to conduct transactions. In 2020, PPATK published a research report (see c.8.1.d). However, it drew its information primarily from interviews with the financial sector.

Criterion 8.3 –

- a) Measures applying to certain NPOs are provided by the CSO Law and the NPO Regulation. These are not based on risks identified. They include the obligation to register for formal NPOs only. However, Indonesia counts many informal CSOs (groups of individuals affiliating together without legal form or formal registration). NPOs receiving donations from membership and aid/donation from society are required to proceed to regular, public financial reporting on their use of donations (Arts. 37 and 38 of the CSO Law). In addition, NPO are required to identify the benefactor and keep record during 5 years for: (i) individual donations over 5 million IDR (EUR 307), or (ii) donations from or disbursements to jurisdictions that are deemed to have insufficient AML/CFT standards.
- b) Arts. 15-20 of the NPO reg. provide the framework for CSO supervision in Indonesia. The authorities can request a report from CSOs on the identity of donors/grantees, a report on donations and disbursements, as well as other information relating to the NPO's governance and controls (CSO Law, arts.55 and NPO reg., arts.15-16).

Criterion 8.4 –

- a) See c.8.3 for details on the monitoring tools at the authorities' disposal. Supervision needs to be based on risk assessment (NPO reg, art.16). MOHA Circular 220/1485/SJ/02.2020 provides guidelines for risk-based supervision of NPOs, with a specific focus on TF. However, targeted supervision is limited

and no targeted supervision has been put in place to prevent TF for high-risk NPOs. Authorities can request a report on donations and disbursements and clarifications to monitor the compliance with the requirements. These measures are based on risks identified (NPO reg., arts.15 and 16). NPOs are subject to external supervision by a governmental body or a regional government (CSO Law, arts.53-56). This supervision is not risk-based and the measures do not seem to allow the competent authorities to monitor the compliance of NPOs with R.8 requirements.

- b) Arts. 60-82 of the CSO Law set out some limited sanctions (e.g., written warnings, suspension of activities and de-registration) that can be applied to NPOs breaching the requirements related to c.8.2(a). Art. 19 of the NPO Regulation extends these same sanctions to breaches of the TF-specific obligations created by that Regulation e.g., relating to the national TF-list (art.5) and record keeping (art.6). The available sanctions are dissuasive but not proportionate. For NPOs, civil and criminal sanctions are applicable to managers and employees, but not necessarily to directors and members of the board (NPO law, art.81).

Criterion 8.5 –

- a) Indonesia has established mechanisms to ensure information exchanges, cooperation and coordination between competent authorities possessing relevant information on NPOs. Art. 42 of the CSO Law requires related agencies to set up information systems (SIPENDAR System). Art. 17 of the NPO Law provides the legal basis for Inter-agency information exchange and international information exchange. Coordination and cooperation, led by PPATK, is implemented through an integrated supervision team.
- b) Detachment 88 is responsible for investigating suspected cases of CSOs being exploited by or supporting terrorism/TF.
- c) Art. 17 of NPO Regulation provides the legal basis for the information exchange between authorities. Criminal Procedure Code (see R.31) also provides investigators with the power to access information.
- d) PPATK can share STRs on CSO with LEAs and relevant authorities.

Criterion 8.6 –

Foreign governments are required to submit requests for information, in particular, on NPOs suspected of TF through the MLHR, as the central authority for MLA, or via established bilateral cooperation mechanisms, (e.g., FIU-to-FIU basis) (NPO reg. art.17(3)).

Weighting and Conclusion

Indonesia has put certain measures in place for preventing and detecting TF abuse through NPOs that has some elements of the risk-based approach, however moderate shortcomings exist. The exercise to identify the subset of CSOs that fall within the FATF definition and at-risk NPOs is ambiguous. Limited evidence exists on educating the donor community about the potential vulnerabilities of NPOs to TF abuse; working with the NPO community to put measures, practices, and policies in place to protect them; putting risk-based/targeted measures and supervision in place.

Recommendation 8 is rated partially compliant.

Recommendation 9 – Financial institution secrecy laws

In its 2018 APG evaluation, Indonesia was rated compliant with Recommendation 9.

Criterion 9.1 – The AML Law and CFT Law provide for information sharing between competent authorities.

Access to information by competent authorities

Any bank and other transaction secrecy restrictions do not apply to law enforcement, prosecutors and judges to access information they require to properly perform their function in combating ML and TF (AML Law, art.72 and CFT Law, art.37). Similar provisions apply to PPATK for ML issues (Art. 45, AML Law). The AML Law (art.41.1.a) provides PPATK with the power to request and obtain data and information from government agencies and private institutions for AML matters exempted from secrecy provisions (AML Law, art.41.2). However, there are no specific provisions on CFT matters.

Sharing of information between competent authorities at the national and international level

Indonesian laws do not inhibit sharing of information covered by financial institution secrecy obligation between competent authorities, either domestically or internationally.

Sharing of information between financial institutions

There is no prohibition on sharing of information between FIs where this is required by R.13, 16 or 17. OJK reg.12 (2017), art.58 provides for financial group-wide exchanges of information for the purpose of CDD and risk management on ML/TF. This includes all domestic and overseas office networks and subsidiary companies. Similar provisions are in BI reg.19.10 (2017) (art.10,2(a)) and CoFTRA reg.8 (2017), art.43). PPATK reg.7 (2017) does not preclude sharing between postal providers and other FIs as required by R.16. R.13 and R.17 are not applicable to postal providers and savings and loans cooperatives as they do not provide correspondent banking or other similar services or have branches overseas.

Weighting and Conclusion

Bank and other transaction secrecy restrictions do not apply to PPATK to access to information required to properly perform its function in combating ML. There are no similar express provisions covering PPATK for TF issues.

Recommendation 9 is rated largely compliant.

Recommendation 10 – Customer due diligence

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.10. The main technical deficiencies were gaps in the legal requirements relating to: the time within which CDD must be undertaken by futures traders, cooperatives, and beneficiary banks in wire transfers; the definition of BO; the timing of verification and the RBA for cooperatives; and CDD of legal arrangements for future traders.

Criterion 10.1 – The AML and CFT laws do not prohibit FIs from keeping anonymous accounts or accounts in obviously fictitious names. However, the sectoral regulations for FIs prohibit such accounts (OJK reg.12/2017, art.18(1)), CoFTRA reg.8/2017, art.18(1), BI reg.19.10/2017, art.36(1)(b), MCS reg.6/2017, art.18(d) and PPATK reg.9/2017, art.17(1)).

Criterion 10.2 – AML Law (art.18) stipulates four of the five circumstances when CDD is required for all FIs and includes both ML and TF. These requirements are repeated and further articulated in the sectoral regulation, as described below. The fifth circumstance is covered in the sectoral regulation.

- a) The obligation to undertake CDD when establishing business relations is contained in the sectoral regulations (OJK reg.12/2017, art.15(a); BI reg.19.10/2017, art.15(a); CoFTRA reg.8/2017, art.16(a); MCS reg.6/2017, art.15(a); and PPATK reg.11/2017, art.11.
- b) FIs are required to conduct CDD measures when conducting any occasional transactions, which meets the threshold identified in the sectoral regulations (100 million IDR, EUR 6 614), as follows: OJK reg.12/2017, art.15(b); BI reg.19.10/2017, art.15(b); CoFTRA reg.8/2017, art.16(b); PPATK reg.11/2011, art.17; and MCS reg.6/2017, art.15(d). However, the MCS reg. is not explicit to include situations where the transaction is carried out in several operations that appear to be linked. Occasional transactions are not allowed in futures trading as all customers must open an account and be subject to CDD. Art. 15(b) of the Elucidation to OJK reg.12/2017 clarifies that the requirements apply to transactions that are suspected as being related.
- c) FIs are required to conduct CDD measures when carrying out occasional transactions that are wire transfers, as follows: OJK reg.12/2017, arts.15(c) and 51(3); BI reg.19.10/2017, arts.15(c) and 41(1). However, this criterion does not apply to other FIs such as the postal services and cooperatives as they are not allowed to provide wire transfers (Law 3/2011).
- d) FIs are required to conduct CDD measures when there is a suspicion of ML/TF (OJK reg. 12/2017, art.15(d) and its Elucidation; BI reg.19.10/2017, art.15(d) and its Elucidation; CoFTRA reg.8/2017, art.16(d); MCS reg.6/2017, art.15(c); and PPATK reg.17/2017, art.14(c)). This applies regardless of any exemptions or thresholds that are referred to elsewhere under the FATF Recommendations.
- e) CDD measures are required if an FI has doubts about the correctness or validity of any previously obtained customer information (Art. 15(e) of OJK Regulation 12 (2017); Art. 15(c) of BI Regulation 19.10 (2017); Art. 16(c) of CoFTRA Regulation 8 (2017); Art. 14 (d) of PPATK Regulation; and Art. 15(b) of MCS Regulation 6 (2017)).

Criterion 10.3 – FIs are required to identify and verify information and supporting documents of all customers (OJK reg.12/2017, arts.12,20-22,24-25(1); BI reg.19.10/2017, arts.14-21; CoFTRA reg. 8/2017, arts.20,21,23; PPATK reg.17/2017, arts.16(a),18,19,22-25,37; and MCS reg.6/2017, arts.20,21,23)).

Criterion 10.4 – Reporting entity is required to know whether a customer is acting on its own behalf, or on behalf of another person (AML Law, art.20). If the customer is acting on behalf of others, the reporting entity should request more information regarding the identity and supporting documents of the customer and such other

persons concerned. The sectoral regulations also contain this requirement (OJK reg.12/2017, art.25(2); BI reg.19.10/2017, art.23; CoFTRA reg.8/2017, arts.22,23(2); PPATK reg.17/2017 arts.26-27; and MCS reg.6/2017, arts.22-23)).

Criterion 10.5 – These requirements are contained in each of the sectoral regulations. However, the definition of beneficial owner differs in the various regulations, with one sectoral regulation meeting the FATF Standards and others diverging from the FATF Standard. Non-bank payment and money changing service providers are required to identify and verify the identity of beneficial owners, in accordance with arts.23-24 of BI reg.19.10/2017 and its elucidation. Art.1 of this regulation provides a definition of beneficial owner which is consistent with the FATF Standards. The Definition of BO for the MCS is split into two different regulations, Art.1/17 of MCS reg./2017 and Art.1 of the MCS Directive 30/2019. All of the other sectoral regulations are deficient with regard to this criterion, to some extent. Art. 20 of OJK reg.12/2017 requires OJK supervised FIs to identify the beneficial owner in relation to prospective customers (natural persons, legal persons and legal arrangements). Further, arts.27-28 of the same regulation require that FIs identify and verify beneficial owners. However, the definition of beneficial owner in this regulation (Art. 1) is not consistent with the FATF Standards as it refers to ‘any persons’, which could include legal persons. Art.26 of CoFTRA reg.8/2017 and arts. 26-27, 37 of PPATK reg.17/2017 create similar requirements for futures traders and postal providers, respectively, but the definition of beneficial owner (Art.1) also allows for legal persons to be the beneficial owner.

Criterion 10.6 – FIs are required to understand the profile, aim, and intended purpose of the business relationship (OJK reg.12/2017, art.26). Similar requirements exist for other FIs (BI reg.19.10/2017, art.14; CoFTRA reg.8/2017, art.21; PPATK reg.17/2017, arts.19,23-24; and MCS reg.6/2017, art.21).

Criterion 10.7 –

- a) FIs are required to conduct ongoing monitoring of the business relationship including of the customer’s transactions to ensure they are in line with their understanding of the nature of the business relationship and customer’s risk profile, including the source of funds (OJK reg.12/2017, art.44(1)). There are similar ongoing monitoring obligations for other FIs (BI reg.19.10/2017, art.27; CoFTRA reg.8/2017, art.38(1); PPATK reg.17/2017, art.42; and MCS reg.6/2017, art.31).
- b) FIs are required to keep CDD information up-to-date (OJK reg.12/2017, art.44(2-3)). Similar requirements exist for other FIs (BI reg.19.10/2017, art.28; CoFTRA reg.8/2017, art. 38(2-3); PPATK reg.17/2017, art.44; and MCS reg.6/2017, art.33).

Criterion 10.8 – OJK supervised FIs and futures traders are required to understand the nature of the customer’s business and its ownership and control structure (OJK reg.12/2017, arts.20(1) (b-c), 22(1)(b) (2-3), 23 and 26 and CoFTRA reg.8/2017, art.21(1-2)). The Cooperatives cannot accept legal entities as customer (Law 25/1992, art.1,18).

Criterion 10.9 – For customers that are legal persons or legal arrangements, FIs are required to identify the customer and verify its identity through the following information:

- a) OJK supervised FIs are required to obtain the customer’s name, licence number from competent authorities, deed in corporation/company article of association,

address of the domicile, and identity document of the party authorised to represent legal persons or legal arrangements in conducting business relationship with FIs, and to identify and verify the customer (OJK reg.12/2017, arts.20,22 and 23). Similar requirements exist for other FIs (BI reg.19.10/2017, arts.16,17,18; CoFTRA reg.8/2017, art.21(1); PPATK reg.17/2017, art.19(2,3); and MCS reg.6/2017, art.21). However, the CoFTRA regulation covering futures traders does not contain requirements for legal arrangements. The Cooperatives cannot accept legal entities as customer (Law 25/1992, art.1,18).

b) See above.

c) See above.

Criterion 10.10 – For customers that are legal persons, FIs are required to:

- a) identify and verify the identity of the natural person controlling the legal person (OJK reg.12/2017, art.28; BI reg.19.10/2017, art.23(2); Bappebti reg.8/2017, art.26; PPATK reg.17/2017, art.20; and MCS reg.6/2017, art.22). However, the shortcoming in the definition of BO mentioned in c.10.5 affects the compliance with this sub criterion.
- b) When there is doubt under (a) regarding the identity of the BO FIs are required to identify and verify the identity of the natural persons (if any) controlling the corporation through other means (OJK reg.23/2019, art.28(7)). Further, if an FI doubts that the party controlling the legal person through ownership is a beneficial owner, or if no individual has control through ownership, then it must carry out identification and verification of individuals, if any, who control the corporation or legal arrangements through other forms (art.28). For other FIs, similar requirements exist (BI reg.19.10/2017, arts.24(1); Bappebti reg. 8/2017, art.26(3); and PPATK reg.17/2017, art.20).
- c) Where there is no natural person identified as the BO: FIs are required to identify and verify the identity of the relevant natural person who holds a position on the board of directors, or similar position (OJK reg.23/2019, art.28). Similar requirements exist for other FIs (BI reg.19.10/2017, art.24(2); Bappebti reg.8/2017, art.26(4); and PPATK reg.17/2017, art.20).

Criterion 10.11 –

- a) FIs are required to identify: a) the party that entrusts the property (settlor); b) the party that is entrusted with and manages the property (trustee); c) the guarantor (protector); d) the party that receives the benefits (beneficiary) or class of beneficiary; and e) the natural person that controls the trust (OJK reg.23/2019, art.28(5)). Similar requirements exist for other FIs (BI reg.19.10/2017, art.16(1.c. and 2.c.); and PPATK reg.17/2017, art.21). Cooperatives and futures traders are prohibited from accepting a legal arrangement customer (art.4(1)(d) of COFTRA reg.8/2019 and Law 25/1992, art.1,18).
- b) The conclusions for c.10.11(a) are applicable for this sub-criterion.

Criterion 10.12 –

(a)-(c)

FIs, including insurance entities, are required to apply CDD measures to the beneficiary of life insurance and other investment-related insurance policies

immediately after the beneficiary is identified or designated (OJK reg.12/2017, art.37(1)). CDD measures include: (i) obtaining the name of natural person or corporation or legal arrangement that is the beneficiary (for a beneficiary that is identified as a specifically named natural or non-natural person), and (ii) obtaining sufficient information concerning the beneficiary to satisfy the FI that it will be able to establish the identity of the beneficiary at the time of the claimed insurance (for a beneficiary that is designated by characteristics, or by class, or by other means). Furthermore, FIs are required to verify the identity of the beneficiary at the time of an insurance-claim pay-out (art. 37(3)).

Criterion 10.13 - FIs are required to include the beneficiary of a life insurance policy as a relevant risk factor in determining whether EDD measures should be applied (OJK reg.12/2017, art.38(1)). Such FIs should apply EDD, including to identify and verify the identity of the BO of the beneficiary at the time of an insurance-claim pay-out where FIs determine a beneficiary as high risk or a PEP (art.38(2)).

Criterion 10.14 – Futures traders are prohibited from establishing a business relationship prior to identification and verification (Bappebti reg.8/2017, art.23(8)). All other FIs are generally required to verify the identity of the customer and beneficial owner before establishing a business relationship or conducting transactions for occasional customers but are permitted to delay the verification process as long as the FI has implemented risk management procedures (OJK reg.12/2017, art.25; BI reg.19.10/2017, art.22; PPATK reg.17/2017, art.38(1)(a); MCS reg.6/2017, art.24(2); and MSC Directive 30/2019, Part 4).

- a) The delay to complete verification after the establishment of the business relationship differs in the various regulations. For OJK supervised FIs, when verification has been delayed, the verification process must be completed as soon as possible after the business relationship is established. BI supervised FIs need to complete the verification promptly and cooperatives within 14 days of the establishment of the relationship. Postal providers are also allowed 14 days to complete verification for customers who are natural persons and 90 days for customers that are legal persons (corporations), which is not consistent with the requirement that verification is completed ‘as soon as reasonably practicable’.
- b) The delayed verification should not interrupt the normal conduct of business (OJK reg., art.25 (8)). Similar requirement exists for money changers and MVTS (BI reg., art.22 (2)). For postal services and cooperatives, regulations are not clear that delayed verification can occur only in instances in which this is essential not to interrupt the normal conduct of business (this does not apply to futures traders, as they are not permitted to delay verification).
- c) All FIs are required to effectively manage the risks through the introduction of risk management procedures.

Criterion 10.15 – All FIs are required to adopt risk management procedures concerning the conditions under which a customer may utilise the business relationship prior to verification (see c.10.14).

Criterion 10.16 – OJK reg.12/2017 contains provisions relevant to this criterion: a) Art.44(2) requires FIs to update CDD information if changes become known to the FI from its monitoring of the customer; b) the Elucidation to art.44(2) specifies that FIs are required to conduct CDD when a STR has been filed on an existing customer. This should be conducted considering the materiality and risk level and should be carried

out in a timely manner, taking into account the timing of the CDD procedure that has been applied previously and the adequacy of data that has been obtained; and c) art.62(1.a) required FIs to submit action plans of AML/CFT programmes, including with regard to CDD on existing customers, by May 2017. The Elucidation to art.44(2) of OJK reg.23/2019 require FIs to conduct CDD as appropriate on an ongoing basis. Art.28 of BI reg.19.10/2017 and its elucidation requires service providers to keep CDD information updated, including on existing customers. Art.47 of Bappebti reg.8/2017 requires futures traders to submit action plans of AML/CFT implementation of existing customers based on customer risk assessments and the availability of adequate information previously obtained. Similar requirements exist for cooperatives (MCS reg.6/2017, art.48) and postal providers (PPATK reg.17/2017, arts.53(1-2 (a))).

Criterion 10.17 – FIs are required to risk assess their customers and apply EDD where ML/TF risks are higher (OJK reg.12/2017, arts.2,16,30,31(2),34); BI reg.19.10/2017, arts.31-33; Bappebti reg.8/2017, art.28(3); PPATK reg.11/2011, art.22; and MCS reg.6/2017, art.26).

Criterion 10.18 – simplified CDD measures are permitted if the account is for the payment/receipt of salaries or is related to government programmes, or the customer is a publicly-listed company, government-owned company, government agency or State institution, or has a simple and low ML/TF risk profile (OJK reg.12/2017, art.40(1,4)). Simplified CDD measures do not apply whenever there is a suspicion of ML/TF, or specific higher-risk scenarios apply (art.40(7)). Simplified CDD measures include obtaining basic information on the customer, such as the name, date and place of birth, address, ID number with supporting identity documents (art.40(2-3)). Similar requirements exist for other FIs (BI reg.19.10/2017, arts.29-30; Bappebti reg.8/2017, art.35; PPATK reg.17/2017, art. 6(4); MCS reg.6/2017, art.25; and MCS reg.6/2017, arts.20-22). These simplified CDD requirements are not fully consistent with the FATF Standard in this area, which allows for lower intensity application of the R.10 CDD measures but does not allow for any of the required CDD measures (c.10.3-10.7) to be completely disappplied. The requirements do not address some required CDD measures e.g., the verification of persons purporting to act on behalf of the customer, the identification of the BO, and ongoing due diligence.

Criterion 10.19 –

(a-b) FIs must reject a transaction or terminate a business relationship with a customer if the customer refuses to comply with the CDD measures or the FI doubts the correctness of information submitted by the customer (AML Law, arts.21-22). In such cases, FIs must report the termination or rejected transaction to the PPATK as a suspicious transaction. The sectoral regulations contain similar provisions (OJK reg.12/2017, art.42; BI reg.19.10/2017, art.36; Bappebti reg.8/2017, art.36; PPATK reg.17/2017, arts.40 (1-3,6); and MCS reg.6/2017, art.36).

Criterion 10.20 – Where FIs form a suspicion of ML/TF and believe that the CDD process will tip-off the customer, they must discontinue the CDD process, and file a STR with PPATK (OJK reg.12/2017, art.42(4); BI reg.19.10/2017, art.38; Bappebti reg.8/2017, art.36(4); PPATK reg.17/2017, art.40; and MCS reg.6/2017, art.32(2-4)).

Weighting and Conclusion

There are minor shortcomings concerning when CDD is required for the cooperative

and postal providers. There is a lack of consistent definition of beneficial owner, and therefore of requirements to identify beneficial owners and verify identities, including for customers that are legal persons.

Recommendation 10 is rated largely compliant.

Recommendation 11 – Record-keeping

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.11. The main technical deficiencies were the lack of clarity on whether information can be provided swiftly by some reporting entities and the absence of an explicit requirement for cooperatives to keep transaction records.

Criterion 11.1 – FIs are required to maintain all records on transactions, both domestic and international, for a minimum period of five years (AML Law, art.21). OJK supervised FIs are required to maintain documents associated with financial transactions for five years (OJK reg.12/2017, art.56(2)). Companies Record Keeping Law 8/1997 stipulates that the duration of the record-keeping should be 10 years (arts.6, 11). Similar requirements exist for other FIs (BI reg.19.10/2017, art.51(1-2); Bappebti reg.8/2017, art.41(1-2); and PPATK reg.17/2017, arts.46 (1,2 (a)). Cooperatives are required to maintain records relating to suspicious transactions for five years, but there is no requirement for cooperatives to keep comprehensive transaction records (MCS reg.6/2017, art.35(1)).

Criterion 11.2 – Reporting entities must maintain records and documents of the identity of customers for five years from the end of the business relationship (AML Law, art.21(2)). FIs are required to maintain customer and walk-in customer records for no less than five years as of the termination of the business relationship, including customer identity, correspondence, results of any analysis undertaken, account files, business correspondence and transaction information (OJK reg.12/2017, art.56(1-2)). Similar record-keeping requirements exist for other FIs (BI reg.19.10/2017, art.51(1-2); Bappebti reg.8/2017, art.41(1-2); and PPATK reg.17/2017, arts.46 (1), 46 (2)(b-e)). Cooperatives are required to keep correspondence with customers and documents relating to BO information for five years from the end of the business relationship (MCS reg.6/2017, art.35(1-2)). However, there are no requirements for cooperatives to maintain other CDD and account files, or the results of analysis undertaken.

Criterion 11.3 – One of the objectives of the record-keeping requirements for FIs is to allow transaction reconstruction when requested by competent authorities (OJK reg.12/2017, elucidation of art.56(1)), clarifying that documents may be kept in the original form, copies, electronic form, microfilm or any other form that can be used as evidence under the law. Specific requirements exist elsewhere (BI reg.19.10/2017, Elucidation of Art. 51) and Bappebti reg.8/2017, art.41). There are no requirements for cooperatives to maintain records that allow for the reconstruction of individual transactions.

Criterion 11.4 – Art. 72(1) of the AML Law stipulates that in ML cases, investigators, public prosecutors, or judges shall be authorised to request the reporting entity to provide written statements concerning assets of any person reported by PPATK to the investigators, suspect, or defendant. FIs must provide data, information, and/or documents administered, as soon as possible and no later than three working days after the request by the OJK and/or other authorised authorities (OJK reg.23/2019,

art.56, para 4). Similar requirements exist for other FIs (BI reg.19.10/2017, art.51(3); Bappebti reg.8/2017, arts. 40(6,7); PPATK reg.17/2017, art.46 (3, 4); and MSC Circular Directive 30/2019, art(6)).

Weighting and Conclusion

Some minor shortcomings remain. Cooperatives are required to maintain records relating to suspicious transactions for five years, but there is no requirement for cooperatives to keep comprehensive transaction records. In addition, there are no requirements for cooperatives to maintain other CDD and account files, or the results of analysis undertaken.

Recommendation 11 is rated largely compliant.

Recommendation 12 – Politically exposed persons

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.12. The main technical deficiencies were gaps in the requirements for a risk-management system for savings and loans cooperatives, and a lack of any requirements for postal providers.

Criterion 12.1 –

In relation to foreign PEP, banks, capital market institutions and NBFIs (OJK supervised entities) are required to have risk-management systems to identify whether the customer or beneficial owner is a PEP (OJK reg.12/2017, art.32(1)(a)). Similar requirements exist for all other FIs (BI AML/CFT reg.19.10/2017, art.34(1)); futures brokers/traders (Bappebti reg.8/2017, art.30(1)(a)); postal providers (PPATK reg.17/2017, art.28) and savings and loan cooperatives (MCS Directive 30/2019, art.7). The definition of PEPs is in line with the FATF definition.

- a) Most FIs are required to obtain senior management approval before establishing business relationships. OJK supervised entities are required to obtain senior management approval before establishing business relationship with foreign PEPs (OJK reg.12/2017, art.32). Similar requirements exist for other FIs: futures brokers (Bappebti reg.8/2017, art.30(1)(b)); savings and loan cooperatives (MCS reg.6/2017, art.30(1, 2) and art.31 of PPATK reg.17/2017. There are no requirements for the BI supervised entities.
- b) OJK-supervised entities are required to regularly conduct EDD to verify the source of funds and of properties of customer or beneficial owners identified as PEPs (OJK reg.12/2017, art. 32(1)(c)). Similar requirements exist for all other FIs, (BI AML/CFT reg.19.10/2017, art. 34(3)); futures brokers Bappebti reg.8/2017, art.30(1)(c)); savings and loan cooperatives (MCS reg.6/2017, art.27(1)); and postal providers (PPATK reg.17/2017, art.29(2)).
- c) OJK supervised entities are required to conduct enhanced ongoing monitoring on the business relationship with foreign PEPs (OJK Reg.12 (2017), art.32(1)(d)). Similar requirements exist for all other FIs, including service providers (BI AML/CFT Reg. 19.10 (2017), art.34(3)(b)); futures brokers (Bappebti Reg.8 (2017), art.30(1)(d)); savings and loan cooperatives (MCS Reg. 6 (2017), art.28); and postal providers (PPATK Reg.17 (2017), art.31(1)(d)).

Criterion 12.2 –

- a) For domestic PEPs or persons who have been entrusted with a prominent function by an international organisation, in addition to performing CDD measures, OJK supervised entities are required to have risk-management system to identify whether a customer or the beneficial owner is such a person (OJK reg.12/2017, art.33(a)). Similar requirements exist for other FIs, (BI AML/CFT reg.19.10/2017, art.34(1)); futures brokers (Bappebti reg.8/2017, art. 28(1) & 29); postal providers (PPATK reg.17/2017, art.32). For savings and loan cooperatives, requirements are restricted to foreign PEPs and do not cover domestic PEPs (MCS Directive 30/2019, art.7).
- b) OJK supervised entities are required to adopt the measures in criterion 12.1(b-d) if there is a higher risk in the business relationship (OJK reg.12/2017, art.33(b)). Similar requirements exist for other FIs (BI AML/CFT reg.19.10/2017, art.31(2)); postal providers (PPATK reg.17/2017, art.31) and futures brokers (Bappebti reg.8/2017, art.30(2)). Savings and loan cooperatives are not required to take reasonable measures to establish the source of wealth and/or funds of customers and beneficial owners identified as PEPs; and to conduct enhanced ongoing monitoring on that relationship. In addition, the additional definition of a PEP for savings and loan cooperatives (“Politically Exposed Person, hereinafter abbreviated as PEP, shall be people who are politically popular”) (MCS reg.6/2017, art.1 (19)) does not align with the FATF Glossary.

Criterion 12.3 – OJK supervised entities, futures brokers and postal services are required to apply the relevant requirements of c.12.1 and 12.2 to family members and close associates of all types of PEPs (OJK reg.12/2017, art.34; Bappebti reg.8/2017, art.31 and art.33 of PPATK reg.17/2017. Similar requirements exist for service providers (BI AML/CFT reg.19.10/2017, art.35); with the exception of requirements at 12.1.b and requirements to adopt the measures in criterion 12.1(b-d) in case there is higher risk business relationship with domestic PEPs (c.12.2b). For saving and loan cooperatives, provisions on foreign PEPs at art.26(2) of MSC reg.6/2017 apply to family members or close associates of PEPs (MCS Directive 30/2019, art.7). Shortcomings identified under 12.1 and 12.2 apply.

Criterion 12.4 – For life insurance policies, OJK supervised entities are required to verify the identity of any beneficiary at the time of payout (OJK reg.12/2017, art.37). Where the beneficiary and/or the beneficial owner of the beneficiary is a PEP, art.39 requires notification to senior management prior to the payout of the policy proceeds, conduct of enhanced scrutiny of the whole business relationship with the policy holder, and consideration of filing a STR.

Weighting and Conclusion

The technical deficiencies concern that BI supervised entities and postal providers are not required to obtain senior management approval before establishing business relationship with foreign PEPs. In addition, For savings and loan cooperatives, requirements are restricted to foreign PEPs and do not cover domestic PEPs.

Recommendation 12 is rated largely compliant.

Recommendation 13 – Correspondent banking

In its 2018 APG evaluation, Indonesia was rated compliant with R.13.

Criterion 13.1 – Banks are required to:

- a) Gather information on the profile of the recipient and/or intermediary bank, its reputation, the level of implementation of the AML/CFT program in its country of domicile; and other relevant information (OJK reg.12/2017, art.47(1,2)). This should be based on publicly available information issued by competent authorities. There is no explicit requirement to gather information on whether the respondent institution has been subject to a ML/TF investigation or regulatory action.
- b) Conduct an assessment of the AML/CFT programs of the recipient bank and/or intermediary bank (OJK reg.12/2017, art.47(4)).
- c) Obtain approval from a senior officer for the business relationship with the prospective recipient bank and/or intermediary bank (OJK reg.12/2017, art.47(3)); however, banks are not explicitly required to obtain approval from the senior management before establishing new correspondent relationship.
- d) Understand the respective AML/CFT responsibilities of each institution (OJK reg.12/2017, art.47(5)). Other similar relationships to cross-border correspondent banking (e.g., MVTS) are not covered under requirements (13.1 (a-d)).

Criterion 13.2 – For “payable-through accounts”, the transferring banks are required to satisfy themselves that recipient banks and/or intermediary banks (OJK reg.12/2017, art.49):

- a) have implemented adequate CDD and monitoring processes that is at minimum similar with standards stipulated in the OJK reg.12/2017 on its customer that have direct access to the accounts of the correspondent bank; and
- b) are willing to provide identification data of the customer concerned if requested by the transferring banks. That is narrower than CDD.
- c) **Criterion 13.3** – Transferring banks are prohibited from having or continuing cross-border correspondent banking relationship with shell banks (OJK reg.12/2017, art.50(b)) and to ensure that their recipient and/or intermediary banks do not allow the use of their accounts by shell banks (art.50(c)). This prohibition and requirement apply to cross-border relationships only, which is narrower than the requirement of c.13.3.

Weighting and Conclusion

Relationships similar to cross-border correspondent banking are not covered. There is no explicit requirement to gather information on whether the respondent institution has been subject to a ML/TF investigation or regulatory action. Banks are not explicitly required to obtain the senior management approval before establishing new correspondent relationship.

Recommendation 13 is rated largely compliant.

Recommendation 14 – Money or value transfer services

In its 2018 APG evaluation, Indonesia was rated compliant with Recommendation 14.

Criterion 14.1 – There are two types of MVTS providers: banks and non-bank legal entities, conducting funds-transfer activities. Banks are required to be licensed Act 7/1992 (art.1), as amended by Act 10/1998. Non-bank legal entities that conduct fund transfer activities shall be incorporated in Indonesia and are required to obtain permit from BI (Act 3/2011, art.69).

Criterion 14.2 – Penal sanction of imprisonment not exceeding three years and a fine not exceeding three billion IDR (EUR 184 000) is provided for any person conducting fund-transfer activities without a licence (Act 3/2011, art.79). BI is entitled to identify natural or legal persons carrying out MVTS without a license or registration (art.22). BI may take the following actions: give recommendation, organise consultative meeting, impose sanction, request for reviewing the composition of management, request cooperation to other institutions, and prepare guidelines or manual for industry. The action to identify natural/legal persons undertaking MVTS activities without a license includes: BI and INP have renewed MoU and issued guidance in 2019, regarding criminal offence in payment system and money changing service. During March 2017- March 2022, 81 unlicensed MVTS were closed or directed to obtain license.

Criterion 14.3 – MVTS providers are reporting entities (AML Law, art.17 and CFT Law, art.11). BI monitors the compliance of non-bank MVTS providers with AML/CFT obligations (BI AML/CFT Regulation, art.35). Banks providing MVTS are subject to supervision by OJK (OJK reg.12/2017).

Criterion 14.4 – Both MVTS providers and their agents must be Indonesian legal entities and obtain a licence from BI (Act 3/2011, art.69).

Criterion 14.5 – Service providers are required to cooperate with third parties, including agents, to ensure they implement their AML/CFT programs (BI AML/CFT reg. for non-bank payment and non-bank money changing service providers, art.12). MVTS providers that use agents are required to include them in their AML/CFT Programs and monitor them for compliance with these programs.

Weighting and Conclusion

All criteria are met.

Recommendation 14 is rated compliant.

Recommendation 15 – New technologies

In its 2018 APG evaluation, Indonesia was rated largely compliant with Recommendation 15. The evaluation identified minor shortcomings with respect to non-bank payment service providers, non-bank money changers, cooperatives and postal providers regarding the obligation on existing products, timing of risk assessment and comprehensiveness of the requirements. Since then, the FATF Standard and the Methodology have substantially changed to incorporate assessment of compliance with obligations related to virtual assets (VA) and virtual asset service providers (VASP).

New technologies

Criterion 15.1 – Indonesia have conducted ML/TF risk assessments in the financial technology sector. For example, PPATK and BI published a risk assessment for non-bank payment service providers and money changers, which assesses the exposure of the Indonesian financial system, in particular, FinTech products to ML/TF risks. OJK and CoFTRA conduct risk assessment of new products, business practices and technology for the FIs under their remit. OJK also reviews, assesses and approves FIs' new products or services, delivery mechanisms and technology. The FIs are required to assess the ML/TF risks in relation to the development of new products and new business practices (OJK reg. 12(2017), art.14; CoFTRA reg.8(2017), art.15(1); and MCS reg.6(2017), art.45(2)). Non-bank payment and money changing service providers are required to risk assess new technologies and new products (BI reg.19.10(2017), art.50) The Postal services are required to assess the risk related to the new products, Art. 13 (1) PPATK reg. 17 (2017).

Criterion 15.2 – (a) and (b) OJK supervised FIs are required to undertake the risk assessments prior to the launch or use of new products and practices, including new delivery mechanisms and the use of new or developing technology (for both new and pre-existing products), and to take appropriate measures to manage and mitigate the risks (OJK reg.12(2017), art.14). Similar requirements exist for non-bank payment and money changing service providers (BI reg.19.10(2017), art.50), futures traders (CoFTRA reg.8(2017), art.15) and cooperatives (MCS reg.6(2017), art.45.2 and MCS Directive 30(2019), part8). The postal services are also required to conduct risk assessment before launching the new products, Art. 13 (2) of PATTK reg. 17 (2017).

Virtual assets and virtual asset service providers

Indonesian regulatory framework uses the term 'crypto assets' and has defined the term as: "crypto assets are intangible commodities in digital form, using cryptography, information technology networks, and distributed ledgers, to regulate the creation of new units, verify transactions, and secure transactions without the intervention of other parties." (CoFTRA reg.8(2021), art.1.7). Indonesia articulates that a reference to digital form in the definition is considered in the wider sense, and all forms of virtual assets come under the purview.

Criterion 15.3 –

- a) CoFTRA and PPATK conducted a sectoral ML/TF risk assessment of crypto assets in 2019. The risk assessment is based on a wide range of quantitative and qualitative data, including the value of VAs traded, clients' profile, nature of VASPs' operations in Indonesia and case studies of law enforcement investigation cases.
- b) Indonesia is developing its risk-based approach to respond to the risks posed by VAs and VASPs. Indonesia has taken several measures following a ministerial decision to regulate the VAs as a commodity, subject to futures contracts traded on the futures exchange. While VA is allowed to be traded as a commodity (regulated by CoFTRA), their use is prohibited as a means of payment by BI. BI and CoFTRA take a coordinated approach in this regard. Indonesia developed a regulatory framework for regulating the sector through a number of regulations (Minister of Trade reg.99/2018) regarding general policy for the implementation of crypto asset; CoFTRA reg.2/2019 regarding implementation of commodity physical markets on the futures exchange; reg.5/2019 (replaced by reg.8/2021 regarding technical provisions for the

implementation of the crypto asset physical market in the futures exchange and reg.6/2019 for the implementation of AML/CFT requirements by the sector. In addition, BI issued three separate regulations prohibiting the use of VA in processing payment transactions.

- c) Indonesia permits trading of VA on its futures exchange only by licensed crypto asset physical merchants (VASPs), which are required to implement AML/CFT program requirements, including on monitoring transactions, updating risk assessment of customers, and taking EDD measures for high-risk customers (CoFTRA reg.8/2021, art.14(1)(e)(12), art.16(1)(j), art.27(6) and art.28(2)). However, these obligations do not set out specific measures required in criteria 1.10 and 1.11. In particular, the regulation does not indicate whether the risk assessments need to be documented and whether VASPs need to have appropriate mechanisms to keep supervisory authorities informed of risks. There is no requirement for the policies, controls and procedures to be approved by senior management or monitoring the implementation of such controls.

Criterion 15.4 –

- a) **(i-ii)** VASPs are required to obtain a licence from the Head of CoFTRA in order to carry out their activities (CoFTRA reg.8(2021), art.13(1)). Art.14 of that regulation lays out the conditions that must be met before a license can be granted. No natural person can act as a VASP as only limited liability companies can apply to become traders on the futures exchange (Bappebti reg.2(2019), art.12(1)(a)).
- b) VASPs are prohibited from being controlled, directly or indirectly, by individuals who i) are incapable of carrying out legal actions; ii) have been declared bankrupt or been a director or commissioner found guilty of causing a company to go bankrupt in the last five years; iii) have been convicted of a crime committed in the economic or financial field; iv) have been sentenced for more than five years; v) lack good character and morals; or vi) do not have knowledge related to the Physical Trade of Crypto Assets (CoFTRA reg.8(2021), art.23(1)). The term ‘controller’ includes controlling shareholders; beneficial owners; members of the board of commissioners and directors; executive officers; and other controllers who can directly or indirectly influence company policy, run management or exercise control through other means (CoFTRA reg.8(2021), art.23(4 and 5)). However, these requirements do not explicitly extend to other crimes than the economic crime or associates of criminals.

Criterion 15.5 – Proportionate and dissuasive sanctions apply to persons who carry out VASP activities without being licensed. Any person conducting such activity without licence is subject to sanctions in accordance with the relevant statutory provisions (CoFTRA reg.8(2021), art.51(2)). The relevant legislation, Law 32 (1997) on commodities futures trading, as the Crypto Assets recognized as commodities, provides for administrative sanctions, including written warnings, fines, restrictions on business activities and revocation of business licences/approvals (art.69). Art.71 of this law provides for criminal sanctions of up to five years imprisonment and fines up to IDR 6.5bn (EUR 368 422 000) for parties conducting trading activities without a licence.

Indonesia has taken action to identify natural or legal persons that carry out VASP

activities without the requisite license. This includes inspection of unlicensed trading companies and blocking of the websites of unlicensed service providers.

Criterion 15.6 –

- a) CoFTRA is the designated competent authority monitoring compliance of VASPs with AML/CFT requirements (Law 32(1997), art.4; CoFTRA reg.8(2017), arts.6-7).
- b) CoFTRA has adequate powers to supervise and ensure compliance by VASPs with AML/CFT requirements. CoFTRA has the power to conduct inspections, compel the production of information and impose a range of administrative, financial and criminal sanctions (Law 32(1997), art.66). These include written warnings, fines, restrictions on business activity, suspension and revocation of licences (Law 32 (1997), arts.69, 71). Criminal sanctions include an imprisonment term of up to five years. While financial penalties can be applied, the level of fines indicated in law/regulation (Government reg.49(2014), art.160 and Law 32/1997, art.71) only relates to trading activities without a licence and non-submission of periodical reports and not the broader compliance requirements.

Criterion 15.7 – CoFTRA has issued general regulations, including guidance to assist VASPs to apply AML/CFT measures and report suspicious activity (CoFTRA reg. (2017) and CoFTRA reg.8(2021)). Indonesia has also carried out a sectoral risk assessment of VAs/VASP (2019), which has been shared with the sector. The risk assessment report highlights the potential vulnerabilities of the sector for ML/TF and their underlying factors, the geographical distribution of risk within Indonesia, customer risk profiling, the threat description and other quantitative and qualitative information. PPATK and CoFTRA have provided general feedback on reporting of suspicious transactions by the sector, though more specific feedback will be helpful to assist VASPs in compliance with requirements.

Criterion 15.8 -

- a) CoFTRA can impose a range of administrative, financial and criminal sanctions (Law 32/1997, art.66). These include written warnings, fines, restrictions on business activity, suspension and revocation of licences. Criminal sanctions include imprisonment term of up to five years (Law32 (1997), arts.69, 71). While financial penalties can be applied, the level of fines indicated in law/regulation (Government reg.49(2014), art.160 and Law 32/1997, art.71) only relates to trading activities without a licence and non-submission of periodical reports and not the broader compliance requirements.
- b) Whilst art.50 (4) of CoFTRA Reg.8 (2017) provides for administrative sanctions to be imposed on directors and senior management of futures brokers, these sanctions relate to only written warning and no other forms of sanctions.

Criterion 15.9 – VASPs are required to implement AML/CFT program and preventive requirements (CoFTRA reg.6(2019), art.2(a-b)). Obligations to conduct CDD/EDD for VASPs and to ensure correctness and completeness of customers' information and their background are also set out in art.27.1 of CoFTRA reg.8(2021). Other preventive measures apply to VASPs as applicable requirements for futures brokers apply to them as well.

For virtual asset transfers, travel rule obligations are set out for VASPs, which require

all VA transfers above the threshold (1000 USD) to be accompanied by sender's information (name, address, wallet address, identity number, place and date of birth) and receiver's information (name, address and wallet address). For transfers below the threshold, the required information includes sender's and receiver's names and wallet addresses. VASPs are prohibited from facilitating the movement or transfer of VAs, if they do not apply the travel rule principle (CoFTRA reg.8(2021), art.38.3).

Criterion 15.10 – Relevant targeted financial sanctions obligations are contained in CoFTRA reg.6(2019), arts.2(c-d), 4 and 6. In addition, there is a separate regulation concerning targeted financial sanctions related to proliferation that applies to VASPs (reg.10 (2017)).

Criterion 15.11 – PPATK can cooperate with foreign counterparts including in relation to its supervisory functions (AML Law, art.90 and CFT Law, art.41) and provide a wide range of international cooperation in relation to ML/TF and predicate offences relating to virtual assets. However, there is no legal basis for CoFTRA for exchanging information with their foreign counterparts.

Weighting and Conclusion

BI regulated entities are required to risk assess new technologies and new products. Indonesia has taken several measures to regulate VAs as a commodity, subject to futures contracts traded on the futures exchange; however, some deficiencies remain. Financial penalties for VASPs in line with R.26, 27 and 35 exist, but their level is not indicated in law/regulation for broader compliance failures. In addition, sanction applicable to directors and senior management of VASPs is limited to only written warning. While PPATK can cooperate with their foreign counterparts, there is no legal basis for CoFTRA for exchanging information.

Indonesia is rated largely compliant.

Recommendation 16 – Wire transfers

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.16. There were minor gaps with record keeping for intermediary banks for walk-in customers and recipient banks. There were also some shortcomings in the wire transfer and TFS regime governing postal providers, however this sector was considered insignificant.

Ordering financial institutions

Criterion 16.1 – A funds transfer order must include both (a) originator and (b) beneficiary information (Funds Transfer Act, 3/2011, art.8). This information includes the name of the originator and beneficiary, their account numbers or their address. Banks are required to obtain and verify originator and beneficiary information for both domestic and cross-border wire transfers (OJK reg.12/2017, arts.51-52). This includes the name of the originator and beneficiary, the account number, the address and the identity number. There are similar obligations for the payment system service providers (BI AML/CTF reg., art.41). In terms of scope, provisions cover banks and payment system service providers. For wire transfer through bank, originator banks are required to identify and verify originator and beneficiary information (OJK reg.23/2019, art.51(1.a.1)). Other FIs are not allowed to make cross-border wire transfer.

Criterion 16.2 – Banks and the payment systems service providers are required to

include in the batch file accurate originator information and full beneficiary information on several individual cross-border wire transfers from a single originator. The required information includes account number or transaction reference number and should be traceable in the country of the beneficiary (for banks: OJK reg.12/2017, art.52, for payment service providers: BI reg.19/10/2017, Elucidation art. 42 paragraph (1)).

Criterion 16.3 – Any amount of transaction is required to obtain information of originator and beneficiary which shall at least include name of originator and of the beneficiary, their account number or transaction reference number, and their address (OJK AML/CFT reg. art.51 and 52). For payment service providers, for cross border fund transfers of less than IDR ten million (EUR 614) or equivalent, the required information shall contain the names of the originator and of the beneficiary, and their account number or unique transaction reference number (BI reg.19/10/PBI/2017, art.42(2)).

Criterion 16.4 – For any amount of transaction, originator and beneficiary information is required to be identified and verified by the bank (OJK AML/CFT reg.23/2019, art.51(1.a.1)). It is unclear if a payment service provider is required to verify the information pertaining to its customer where there is suspicion of ML/TF. Rather they rely on the general obligation of BI Regulation requiring the payment services providers to conduct the CDD in case of doubt about the customer information (art.15).

Criterion 16.5 – The requirements provided under c.16.1 do not differentiate between domestic and non-domestic wire transfers. Paragraph 7 of the general elucidation of the Fund Transfer Law 3/2011, it is stated that Funds Transfer activities are not only within the territory of Indonesia, but also to outside of the territory of Indonesia and from outside into the territory of Indonesia.

Criterion 16.6 – Art.51(1)(a) OJK Regulation 12/2017 applies to domestic and cross border wire transfers and requires that all information regarding sending customers must be available. Art.51(2) clarifies that for activities of fund transfer within Indonesia, banks should submit written information within three working days based on written request from the recipient bank, and/or the competent authority, if the recipient bank can only obtain information regarding account number or reference number of transaction. Similar requirement applies to money services providers (BI reg.2017, art. 42 (4)).

Criterion 16.7 – All FIs are required to keep identities of customer and transaction information for no less than five years (OJK reg.12/2017, art.56 (1) and (2)).

Criterion 16.8 – The transferring bank is required to refuse to execute the fund transfer where the required originator and beneficiary information referred to in Art.51(1.a.1) is not obtained (OJK reg.12/2017, art.54(1)). Similar requirements apply for the money services providers (BI reg.2017, art.42 (5)).

Intermediary financial institutions

Criterion 16.9 – For all wire transfers, intermediary banks must forward messages and instructions of fund transfer, as well as administer information received from transferring banks (OJK reg.12/2017, art. 51(1.b)). Art.43(1) of BI Reg.2017 applies to money services providers.

Criterion 16.10 – The continuing bank is obliged to forward messages and funds transfer instructions, and administer information received from the sending bank or

other successor bank with the shortest period of time 5 (five) years (OJK reg.23/2019, art.51 para(1)(b)). Arts.43(2-4), 51 of BI Reg.2017 applies to money services providers.

Criterion 16.11 – If an intermediary bank receives a transfer order from an overseas sending bank that is not equipped with originator or beneficiary information as referred to in art.51 para(1)(a)(1), it is obliged to carry out adequate measures, which are in line with straight-through processing, to identify transfers of funds that are not equipped with that information (OJK reg.23/2019, art.54, para (1a)). Similar obligations apply to the money services providers under art.43 of BI Reg.2017 and its Elucidation.

Criterion 16.12 – Intermediary banks should have policies and procedures based on risk in determining whether to execute, reject or suspend a transfer in the case that the information is not complete (OJK reg./2019, art.54(2), (3)). It may supplement it by adequate follow-up. For money services providers, this obligation falls under a general obligation of BI reg.19/2017, art.6, which requires the MVTS to have policies and procedures based on risk in determining whether to execute, reject or suspend a transfer in the case that the information is not complete.

Beneficiary financial institutions

Criterion 16.13 – Art. 54(2) of OJK reg.23/2019 and its Elucidation provide measures along with adequate follow-up required for beneficiary financial institutions to take measures based on risk, including tighter monitoring, including post-event monitoring and real-time monitoring, and also identification of cross-border wire transfers that lack required originator information or required beneficiary information. Similar obligations apply to beneficiary services providers under BI reg.2017 (art.44).

Criterion 16.14 – Art.51, para (3) of OJK reg.23/2019 states for any amount of transaction, the beneficiary financial institution is required to verify the identity of the beneficiary in the event that the identity has not been verified beforehand, and administer the information referred to record keeping requirements. Similar obligations apply to beneficiary services providers under art.41 of BI reg.2017.

Criterion 16.15 – Recipient banks and money services providers should have policies and procedures based on risk in determining whether to refuse or delay a transfer and complement it with appropriate follow-up action in the case that the information is not complete (OJK reg. on FIs, arts.54 (2) and (3), BI reg.2017, art.44).

Money or value transfer service operators

Criterion 16.16 – BI AML/CFT reg.19.10/2017 for non-bank payment service providers and non-bank money changing services and its Elucidation set out AML/CFT obligations for fund transfer conducted by them (arts.41–44 and 51). However, it is not clear whether the service providers are required to verify the information pertaining to its customers where there is a suspicion of ML/TF. No information is available either regarding whether MVTS providers are required to comply with such requirements when they operate through their agents.

Criterion 16.17 – Non-bank payment service providers acting as controlling ordering and beneficiary sides of a wire transfer are required to take into account and analyse all information regarding the originator and beneficiary in determining whether to file an STR to the competent authority (BI reg.19.10/2017, art.45 and its Elucidation). No information is available regarding whether the MVTS provider

should be required to file an STR in any country affected by the suspicious wire transfer and make relevant transaction information available to the FIU. There are no specific requirements in the PPATK reg.11/2011.

Implementation of Targeted Financial Sanctions

Criterion 16.18 – FIs are required to take freezing action without delay for all funds owned or controlled, directly or indirectly, by natural persons or corporations based on the list of suspected terrorist and terrorist organisation (CFT Law, art.28(3)). Administrative/financial sanctions are available for non-compliance, including suspension (OJK AML/CFT reg., arts.65–66). Additional guidance is provided in OJK Guideline 38/2017 on Freezing without Delay. Sanctions also exist for non-bank payment and money changing services (BI reg.19.10/2017, art.57), and PPATK Circular 5/2016 for postal service providers.

Weighting and Conclusion

In terms of scope, provisions cover banks and Payment System Service Providers but not all FIs as per criterion 16.1. Requirement for payment service providers to verify the information pertaining to its customer where there is suspicion of ML/TF is unclear. There are gaps regarding requirements to allow ordering financial institutions to execute wire transfer. No information is available whether MVTs providers are required to comply with requirements when they operate through their agents.

Recommendation 16 is rated largely compliant.

Recommendation 17 – Reliance on third parties

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.17. There were minor gaps in the requirements for FIs to determine the level of the country risk of the third party.

Criterion 17.1 – The AML/CFT framework allows banks, capital market institutions, non-bank FIs ((OJK Regulation 12 (2017), art.41) and non-bank payment and money changing service providers and Postal services to rely on third party CDD providers (BI AML/CFT reg.19.10/2017, art.39 (1-4) of PATTK reg.17/2017. Commodity future traders and cooperatives are not allowed to rely on third-party CDD measures (art.34 of CoFTRA AML/CTF Regulation). OJK-supervised FIs are required (a) to obtain the CDD information immediately (b) to take adequate measures to ensure that the third party is willing to fulfil the request for information and copies of supporting documents immediately when required by the FSI in relation to implementation of the AML/CFT program; and (c) to satisfy itself that the third party is a FIs/DNFbps that has a CDD procedure and is subject to regulation and supervision by the authority in accordance with the provisions of legislations (OJK reg.12/2017, art.41(4)(a),(c) and (d)). Similar requirements exist for non-bank payment and money changing service providers (art.40 (2) (a), (b) and (d) of the BI AML/CFT reg.19.10/2017 and for postal service, art.39 PATTK reg.17/2017.

Criterion 17.2 – For non-bank payment and money changing service providers, art.40(2)(e) of the BI Regulation 19.10 (2017) prohibits reliance on third parties based in high-risk countries. Art. 41(5) of the OJK Regulation 12 (2017) allows OJK-supervised FIs to rely on third parties based in high-risk countries, subject to the following restrictions: the third party needs to be in the same financial group as the

FI, the financial group has to have an AML/CFT programme in place consistent with the FATF Recommendations, and the financial group must be supervised for AML/CFT. Further, Art. 41(4)(e) requires OJK-supervised FIs to take notice of information related to country risk in the event that they rely on a third party to conduct CDD. The postal services are required to pay attention to the information related to the risk of the country where the third party operated, Art 39 (4) (e) of PATTK Reg. 17/2017.

Criterion 17.3 – OJK-supervised FIs that rely on a third party that is part of the same financial group are required to ensure that the third party applies CDD and record keeping requirements, has an AML/CFT programme in line with Indonesian regulations, that it is supervised at the group level, and that any higher country risk is adequately mitigated by the group’s AML/CFT policies (OJK reg.12/2017, art.41(6)). Art.40(2) of the BI AML/CFT Regulation 19.10/2017 contains similar requirements for non-bank payment and money changing service providers but does not specifically require ensuring that the third party applies record-keeping requirements and has an AML/CFT programme. There are no specific requirements related to the postal services as they do not rely on financial group.

Weighting and Conclusion

Minor deficiencies relating to the lack of specific obligation for non-bank payment and money changing service providers to ensure that the third party that is part of the same financial group applies record-keeping requirements and has an AML/CFT programme.

Recommendation 17 is rated largely compliant.

Recommendation 18 – Internal controls and foreign branches and subsidiaries

In its 2018 APG evaluation, Indonesia was rated compliant with R.18.

Criterion 18.1 – FIs in the banking, the capital market, and the non-bank financial industry sectors (OJK-supervised FIs) are required to implement risk-based AML/CFT programmes (OJK reg.12/2017, art.4). The internal control requirement is applied to all FIs regardless their size. They are required to have internal AML/CFT programmes, including appointment of an officer in charge of implementing the AML/CFT program; screening procedures in hiring new employees; on-going training programmes; and group-level compliance and audit (OJK reg.12/2017, arts.8-10; 57–61). The effectiveness of the AML and CFT program implementation specifically related to internal control system shall be proven through examination by independent parties (OJK reg.12/2017, art.57 (2.c)). For other FIs, similar requirements are contained in arts.8–10 of BI AML/CFT reg. for non-bank payment and money changing service providers, arts.42–46 of CoFTRA KYC Regulation for futures traders, arts.47(1-2), 51(a-c) of PPATK reg.17/2017, and arts.39–42 of the MCS reg.6/2017.

Criterion 18.2 – FIs are required to implement group-wide AML/CFT programmes, including ensuring policies and procedures for sharing information, the provision of customer, account and transaction information and ensuring confidentiality of shared information (OJK reg.12/2017, art.58). Elucidation of art.58(1.a) explains that the exchange of information includes customer’s typologies, modus, and profile. These provisions regulate exchanged information broadly, so it can be inferred that

information related to unusual transactions and activities can be exchanged. For other relevant FIs, art.10 in the BI Regulation 19.10/2017, and art.43(1) of CoFTRA KYC Regulation for futures traders apply. Postal providers and cooperatives are not part of financial groups.

Criterion 18.3 – FI are required to implement: (i) the higher AML/CFT requirements, if the host's requirements are less than the home requirements; and (ii) in the event that the host country does not permit proper implementation of AML/CFT measures consistent with the home-country requirements, financial groups are required to apply appropriate additional measures to manage the ML/TF risks, and inform their home supervisors (OJK reg.12/2017, art.58(3), (5)). There are similar compliance requirements in art.11 of BI reg.19.10/2017 and arts.43(3-5) in CoFTRA KYC reg. for futures traders. Postal service providers and cooperatives are not permitted to have foreign branches (Cooperative Law 1992, art.7.2).

Weighting and Conclusion

All criteria are met.

Recommendation 18 is rated compliant.

Recommendation 19 – Higher-risk countries

In its 2018 APG evaluation, Indonesia was rated largely compliant. The APG evaluation noted the remaining gaps related to requirements for postal providers and cooperatives.

Criterion 19.1 – FIs are required to apply EDD to business relationships and transactions from higher-risk countries which the FATF has publicized for the purpose of taking preventive measures (OJK reg.12/2017, art.36 and Elucidation of art.32, BI reg.19.10/2017). For future traders the requirements are in art.33(1-2) of CoFTRA KYC Regulation for futures traders. There are similar requirements related to the postal services and cooperatives.

Criterion 19.2 – Financial service providers (in the banking, capital market, non-bank payment system services and non-bank money changing services sector), establishing a business relationship with a customer and/or conducting a transaction originating from a high risk country according to the FATF, are required to apply EDD and seek confirmation and clarification from the relevant authorities, including PPATK, to determine whether and what countermeasures should be applied (OJK reg.23/2019 and its elucidation and BI reg.19.10/2017, art.32). Countermeasures include (1) introducing relevant reporting mechanisms or systematic reporting of financial transactions; (2) prohibiting the establishment of a branch office or representative office in the country concerned, or consider that the branch office or representative office is located in a country that does not have an adequate AML/CFT systems; (3) limiting business relationships or financial transactions with the country or person identified in that country; (4) prohibiting reliance on third parties in the country concerned to carry out the CDD process; or (5) asking to review and change, or if necessary stop, correspondent relations with financial institutions in the country concerned.

Art. 36 OJK Regulation 23/2019 and its Elucidation stipulate that FIs should conduct prevention measures independently after requesting confirmation and clarification from the related authority. The measures have several options such as limitation on

business relationships or financial transactions with the country or persons identified in that country; and/or prohibition to rely on third parties located in the country concerned for the conduct of the CDD process. However, the BI Regulations do not require to apply these countermeasures in proportion to the risks and do not explicitly specify that it can apply them independently of any call by the FATF to do so. The postal services have similar requirement to the money changers and MVTs, and the PATTK regulation does not specify the measures that can be taken in proportionate to the risk. Other financial institutions such as the cooperatives and future traders are not covered. It is not clear, however, what other countermeasures beyond EDD may be available, or independently of any call by the FATF to do so.

Criterion 19.3 – PPATK and OJK publish on a timely basis on a website all FATF public statement as well as any concerns about weaknesses in the AML/CFT systems of other countries, as identified by the FATF. This information is publicly available to financial institutions.

Weighting and Conclusion

There are minor gaps regarding the requirements relating to the application of EDD and countermeasures, which do not cover all financial institutions.

Recommendation 19 is rated largely compliant.

Recommendation 20 – Reporting of suspicious transaction

In its 2018 APG evaluation, Indonesia was rated compliant with Recommendation 20.

Criterion 20.1 – FIs are required to report both ML and TF suspicious transactions to the FIU as soon as possible but within a period not exceeding 3 (three) business days from the determination of suspicion (AML Law, arts.25(1); TF Law, art.13(1)). The definition of suspicious transactions covers all funds suspected to be proceeds of criminal activity or related to TF (AML Law, art.1(5)(a-d); CFT Law, art.1(6)(a-b)). PPATK has issued detailed guidelines and procedures on the submission of suspicious transactions reports by FIs and DNFBPs, including appointment of reporting officers, and information on how and what to report (Head of PPATK reg. 09/1.02.2/PPATK/09/12; and Head of PPATK reg. 11/ 2016).

Criterion 20.2 – FIs are required to report all suspicious transactions as defined in the AML and TF Law without the application of any threshold for reporting. This indirectly covers attempted transactions (AML Law, arts.1(5)(c), 22(1)(a), art.3(2)(a) of reg. of the Head of PPATK 09/1.02.2/ PPATK/09/12). Neither of these legal dispositions address the exact concept of attempted transactions. However, the cancelled transactions of Art.1(5)(c) of the AML Law and the duty to report a suspicious transaction in cases where the customer refuses to proceed with the CDD process, both foreseen in the AML Law and the PPATK Regulation, can be constructed as referring to the concept of attempted transactions.

Weighting and Conclusion

All criteria are met.

Recommendation 20 is rated compliant.

Recommendation 21 – Tipping-off and confidentiality

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.21. The main technical deficiency was that the CFT Law was found to have no provision for the protection of financial institutions, their directors, officers or employees, from criminal or civil liability for breach of any restriction on disclosure of information, if they report their suspicions in good faith to the FIU.

Criterion 21.1 – All reporting entities, officials and their employees are exempt from criminal and civil liability for compliance with the reporting obligations (AML Law, Art. 29; CFT Law, Art. 17).

Criterion 21.2 – Members of the board of directors, commissioners, management or employees of reporting parties are prohibited from disclosing the fact that an STR or any other related information has been submitted to PPATK (AML Law, Art. 12(1); CFT Law, Art. 10(1)). There is an exception for the provision of information to supervisory agencies, although no exception is foreseen for the exchange of information between FIs that are part of the same financial group (AML Law, Art. 12(2)).

Weighting and Conclusion

There is no exception to the tipping-off provision for situations of exchange of information between entities of the same financial group.

Recommendation 21 is rated largely compliant.

Recommendation 22 – DNFBPs: Customer due diligence

In its 2018 APG evaluation, Indonesia was rated largely compliant with Recommendation 22. There were some gaps in relation to BO and PEPs for accountants.

Criterion 22.1 –

- a) Not applicable as gambling, including casinos, are prohibited under art. 303 of the Penal Code.
- b)
 - b-c)** Art. 8 of the AML Law outlines the key CDD principles for all DNFBP reporting entities. The CDD implementation provisions for real estate agents and dealers in precious metals and stones (DPMS) collectively as Other Goods and Services are supported by Regulation 7/2017. The timing of verification articulated in arts. 26 and 27 of Regulations extends past reasonably practicable, allowing for 14 days.
- c) Five separate categories are noted, namely Lawyers (advocates), Land Deed Official, Notary, Accountant and Financial Planner. The CDD implementation requirements are set in the PPATK KYC Regulation for Advocates, the MLHR KYC Regulation for Notaries, PPATK KYC Regulation for Financial Planners, PPATK KYC Regulation for Land Deed Official and MoF CDD Regulations for Accountants and Public Accountants. The MoF CDD Regulations for Accountants and Public Accountants however do not adequately address CDD provisions relating to anonymous accounts, intended nature of client business, identification of senior management, determination of beneficial ownership for

legal arrangements, trust or partnerships; timing of verification considerations, existing customers, and failure to CDD and related tipping off concerns. MLHR KYC Regulation for Land Deed Officials do not adequately address senior management identification and CDD for existing customers. The timing of verification articulated in Regulations for Advocates, Accountants and Financial Planners extends past reasonably practicable, allowing for 14 days.

- d) Company service providers are not formalised separately in Indonesian law or regulation, and trusts cannot be formed under Indonesian law, but foreign trusts or trustees may operate in Indonesia. There is no AML/CFT framework indicated for the operation of trusts or trustee services.

Additionally, in Indonesia, motor vehicle dealers, art and antique dealers and auction houses also included in the definition of DNFBP and are subject to CDD requirements.

Criterion 22.2 – The AML Law (art.21), PPATK KYC Regulation for Other Goods and Services (art.33), PPATK KYC Regulation for Advocates (art.33), MLHR KYC Regulation for Notaries (art.23) and PPATK KYC Regulation for Financial Planners (art.33), require DNFBPs to mostly comply with record keeping requirements in line with R.11. These requirements ensure all obligatory records on CDD measures and transactions are maintained for at least five years after the completion of the relationship or transaction. Regulations for Notaries do not include records of analysis results for low and medium risk customers. For accountants, requirements do not cover record keeping in relation to the completion of transaction, and analysis of customer risk rating. The MoF CDD Regulations for accountants (Art. 10) does not adequately cover transaction record reconstruction.

Criterion 22.3 – Indonesia applies the relevant requirement on PEPs for DNFBPs to some extent. Read with art.5 of PPATK Regulation 2/2105 and arts.23-24 of the PPATK Regulations for Other goods and Service providers and Financial Planners, Lawyers and art.17 of MLHR Regulation for Notaries and Art. 8B of MoF CDD Regulations for Accountants, which require DNFBPs to perform CDD measures under criteria 12.1 for PEPs. There is however no requirement for management sign off prior to establishing a relationship with a PEP.

Criterion 22.4 – PPATK KYC Regulation for Other Goods and Services (art.39), PPATK KYC Regulation for Advocates (art.39), MLHR KYC Regulation for Notaries (art.31), PPATK KYC Regulation for Financial Planners (art.39) and MoF CDD Regulation for Accountants (art.2B) contain the requirements for DNFBPs to comply with R.15 on new technologies.

Criterion 22.5 – DNFBPs are allowed to rely on third parties to perform CDD requirements, subject to the conditions in this criterion, as detailed in PPATK KYC Regulation for Other Goods and Services (arts.30-31), PPATK KYC Regulation for Advocates (Arts.30-31), MLHR KYC Regulation for Notaries (art.25), PPATK KYC Regulation for Financial Planners (Arts.30–31) and the MoF CDD Regulations for Accountants (art.7A). Although accountants can operate in groups, third party reliance within the same group is not included in Regulations.

Weighting and Conclusion

There is a mixed level of application across the DNFBPs, where the Regulations for DPMS and estate agents as DNFBPs noted as other goods and services cover the criteria to a greater extent. The Regulations for the accountancy profession do not fully address the criteria, and to some extent the Regulations for Notaries. Regulations

for Notaries do not include records of analysis results for low and medium risk customers. For accountants, requirements do not cover record keeping in relation to the completion of transaction, analysis of customer risk rating and transaction record reconstruction. PEP application is noted but does not require management approval of a relationship with a PEP by any DNFBP.

Recommendation 22 is rated largely compliant.

Recommendation 23 – DNFBPs: Other measures

In its 2018 APG evaluation, Indonesia was rated largely compliant. The main technical deficiencies were the absence of requirements for accountants to report attempted transactions or to maintain internal controls and other R.18 measures. Under the CFT Law, there was deemed to be no provision for the protection of those reporting in good faith.

Criterion 23.1 –

- a) The AML Law (arts.1(5) and 2(2)) and AML reg.43/2015, arts.1(8) and 8), requires all DNFBPs to report suspicious transactions to PPATK as soon as possible and within a period not exceeding three days from the determination of suspicion. The STR definition includes no monetary threshold for reporting and cancelled transactions are covered, this is interpreted to include attempted transactions. STR reporting is further covered in art.35 of the PPATK KYC Regulation for Other Goods and Services, art.24 of the MLHR KYC Regulation for Notaries, art.35 of the PPATK regulation for lawyers and art.35 of the PPATK KYC regulation for Financial Planners. Art. 2(2) of the AML Law includes TF reporting as an STR, linking a proceed of a crime to mean assets known or suspected for terrorism, terrorist organisations or individual terrorist activities. The TF reportable event of both a proceed of a crime and where funds or transactions are related to TF are covered. STR reporting in relation to TF is further covered in art.1(8) of the PPATK KYC Regulation for Other Goods and Services, art.1(6) of the MLHR KYC Regulation for Notaries and Art. 1(9) of the PPATK regulation for lawyers, Art.9(c) of the PPATK KYC regulation for Financial Planners and Art.1(11) of the MoF Regulations for Accountants.
- b) See above.
- c) Trusts cannot be formed under Indonesian law. Notaries, lawyers, accountants and financial planners also provide company formation services and may act as professional trustee of a foreign client.

Criterion 23.2 – PPATK KYC Regulation for Other Goods and Services (arts.36–38), PPATK KYC Regulation for Advocates (arts.36–38), and PPATK KYC Regulation for Financial Planners (arts.36–38) require DNFBPs to have procedures to mostly comply with the internal-control requirements set out in R.18, with the exclusion of STR information sharing. The provisions for Notaries and Land Title Register do not consider most provisions under R.18, including testing of internal controls, group wide programmes and foreign branch considerations. Art.2 of Law 5/2011 prohibits foreign branches of Public Accountant Offices.

Criterion 23.3 – DNFBPs are required to apply enhanced due diligence to business relationships and transactions with natural and legal persons from high-risk countries and apply countermeasures when called on to do so by the FATF under PPATK KYC Regulation for other Goods and Services (arts.23–25), PPATK KYC

Regulation for Advocates (art.17), MLHR KYC Regulation for Notaries (arts.23-25) and PPATK KYC Regulation for Financial Planners (arts.23-25) and MoF Regulation (arts.7A and 8B). Measures to advise on AML/CFT system weaknesses of other countries could not be adequately demonstrated.

Criterion 23.4 – Art.29 of AML Law protects the reporting parties, officials, and their employees from civil or criminal liability for implementation of reporting obligations. Art.12 of AML Law prohibits the board of directors, commissioners, management, or employees of the reporting parties to disclose the contents of an STR. Any breach of disclosure requirement is punishable under art.12(5) of the AML Law.

Weighting and Conclusion

There is adequate application across the criteria in relation to ML. For TF, these obligations are read across different Laws and Regulations, and although a complicated regulatory construction, the TF reporting requirement is evidenced. Notaries, and accountants' legislative framework does not fully address internal controls and it could not be demonstrated that DNFBPs are advised of AML/CFT system concerns relating to other countries.

Recommendation 23 is rated largely compliant.

Recommendation 24 – Transparency and beneficial ownership of legal persons

In its 2018 APG evaluation, Indonesia was rated partially compliant with R.24. The main technical deficiencies were that the periods between amendments of basic information and notification to authorities was not timely, nominee directors were not explicitly prohibited with no measures to mitigate their risk, and gaps in access to beneficial ownership information.

Criterion 24.1 – Indonesia has mechanisms that (a) allow for the identification and description of the different types of legal persons that can be incorporated, and (b) the processes for creation of those legal persons and for obtaining and recording basic and beneficial ownership information related to them. The types of legal persons that can be incorporated in Indonesia are for profit and not for profit legal persons.

For profit legal persons are (i) limited companies and (ii) cooperatives. Under Law 40/2007 concerning the Limited Liability Companies (LLCs Law), both Private Limited Companies and Public Limited Companies, including foreign companies can be incorporated. Under Indonesian law, foreign citizens and/or corporations can only invest in Indonesia under the form of LLC as required by Law 25/2007 on foreign investment and these are identified by the CDD process conducted by notaries while preparing the public deed of incorporation of the LLC. In 2020, Art.109 of the Omnibus Law on Job Creation (Law 11/2020) introduced the Single Partner Limited Liability Company (SPLLC) in the Indonesian legal system. Under Law 25/1992 (Cooperatives Law), cooperatives can be incorporated.

Not for profit legal persons that can be incorporated in Indonesia are (i) the associations, regulated under MLHR Decree 3/2016 (Associations Law) and (ii) foundations, regulated under MLHR Regulation 2/2016 (Foundations Law) which also apply to foreigners. Associations are legal entities of non-profit nature that aggregate a certain number of members that join together to achieve certain objectives in social religious and humanitarian fields. Foundations consist in a certain

amount of assets separated as an autonomous patrimony allocated to achieve certain objectives in social religious and humanitarian fields and that can be established by its founder(s) either while living or upon their death through a will.

All legal persons with exception from SPLLCs require the intervention of a notary in their incorporation (LLC Law, art.7(1); Cooperatives Law, art.7; Associations Law, art.1(3); Foundations Law, art.1(3)). SPLLCs are created by a simple Letter of Establishment submitted to registration on the MLHR by the founder (art.153A(2) of LLC Law as amended by the Omnibus Law).

Besides the intervention of the notaries, all legal persons require a certificate of approval of their incorporation deeds from the Ministry of Law and Human rights (MLHR) after registration. Further requirements common to all types of legal persons are the creation of a (i) certificate of business domicile (SKDP), (ii) taxpayer identification number (NPWP) and (iii) trading business license (SIUP). All these common features of all type of legal persons are obtained during the registration process in the Electronic Registration System of Legal Persons (SABH) managed by the *ditjen* AHU.

LLCs, associations, foundations and cooperatives are subject to registration with the MLHR (LLC Law, art.7 and art.3 of the MLHR Regulation 21/2021 for LLCs, art. 9 of the Associations Law for Associations, art.10 of the Foundations Law for Foundations, and MLHR Regulation 14/2019 for cooperatives).

All information related to the mechanisms of creation of LLCs, foundations, associations and cooperatives is publicly available in the MLHR website (<http://panduan.ahu.go.id/doku.php>).

Criterion 24.2 – Indonesia has comprehensively assessed its ML and TF risks associated with all types of legal persons, through a dedicated risk assessment on legal persons in 2017. A specific Legal Arrangements Risk Assessment was done in 2019. This assessment was managed by PPATK with input from key competent authorities, FIs, DNFBPs, and industry associations. The assessment breaks down the analysis by different types of legal persons and other vehicles for investment that are not legal persons, addressing the specific risks posed by each specific sub-type. Further SRAs were carried out, as in the case of the Foreign LLCs Risk Assessment of 2020.

Criterion 24.3 – All legal persons created in Indonesia are required to be registered. LLCs are established by notaries and are required to be registered online with MLHR within 60 days after establishment in order to obtain legal entity status (LLC Law, art.7(4) and 10(1)).

Information that LLCs are required to register includes information related to the company's incorporation, including name, address, and other personal details of the first members of the Board of Directors and the Audit Committee. The Articles of Association must at a minimum include, among other information: (i) name and domicile of corporation, (ii) name of officials and total members of directors and members of the Audit Committee; (iii) procedure for appointing replacement, dismissal of members of directors and members of the Audit Committee (LLC Law, art.15, MLHR reg.21/2021, art.6). This information is publicly available, for a small fee, upon request, and via MLHR website (www.ahu.go.id) (MLHR Regulation M.HH-03.AH.01.01/2009, art.7).

Foundations are required to register their incorporation deeds with the MLHR within

10 days to obtain recognition as legal entities (Foundations Law, art.11(2)). Information required in the incorporation deed includes name and domicile, goals and objectives as well as identification of the activities required to achieve those goals and objectives, initial assets separated from the personal assets of founders in the form of money or other assets, procedures for the appointment, dismissal and replacement of patrons, executives and supervisors, their rights and obligations, procedures for organising and conducting meetings of foundation elements. In addition, notaries are also required to obtain and record additional documents related with the creation of foundations which include, a copy of the foundation deed of establishment, statement letter of the foundation domicile including address, proof of payment or bank statement or statement from the founder which states the amount of initial assets, legality and proof of payment of foundation, name approval, legalization, foundation announcement (MLHR reg.13/2019, art.13(4)).

Associations are required to register their incorporation deeds in the MLHR in order to obtain recognition as legal entities (Associations Law, art.9 (1); MLHR reg. 3/2016). Notaries are also required to obtain and record additional documents related with the creation of foundations which include, among other, a copy of the association deed of establishment or copy of the association deed of establishment amendment, according to the original document, a statement letter of the domicile of association including address, the association source of funds, the association working program, a copy of the minutes of meeting of the association establishment (MLHR regulation 10/2019, arts.12(1) and (4)).

Finally, all articles of incorporation of legal persons created and amended under Indonesian Law are published in the Official Gazette (LLCs Law, art. 30(1)(b) and (c); Associations Law, art.5; Foundations Law, art.24; Cooperatives Law, art. 10(3)).

Criterion 24.4 – Company directors are required to maintain all information pertaining to the company as well as a list of their shareholders at the head office of the company (LLC Law, arts.15, 29, 50 and 100). Similar obligations apply to executives of foundations (Foundations Law, art.48), and cooperatives (MLHR reg.14/2019). No requirements were identified in relation to associations.

Criterion 24.5 – All legal persons have to register with the Companies Register within 60 days of the signing of their incorporation deed (LLC Law, art.10(1); Associations Law, art.7 and Cooperatives Law, art.11(4)) or 10 days in the case of foundations (Foundations Law, art.11(2)). This timeframe presents a potential impediment to the timely availability of information on legal persons through the Companies Register. Amendments to the articles of incorporation of LLCs must be made through a public deed drafted by a notary within 30 days of the general meeting that decides the amendments (LLCs Law, art.21(5) and MLHR reg.21/2021, art.9(5)).

The articles of incorporation of an LLC may determine specific conditions for the transfer of shares (ex. the attribution of a preference right to existing shareholders) but if no specific conditions are required or if the required conditions are met the shares on an LLC are transmitted though the draft of a public deed with the intervention of a notary with a copy of this deed being submitted to the LLC (LLC Law, art. 56(1) and (2)). Anytime that a transfer of shares occurs, the list of shareholders that the Board of Directors of LLCs has to organize according to art.50 of the LLC Law must be amended to reflect those shares transfers. This list, that must be permanently updated and held in the head office of the LLC contains (a) the name and address of shareholders; (b) the total amount, number, date of acquiring of shares controlled by shareholders and its classification if these shares are issued more than one category;

(c) the total amount of paid-up capital against any share and (d) the name and address of any individual or legal entity that has any pawning right on shares or as beneficial party of shares fiduciary collateral and date of acquiring the pawning right or date of such fiduciary guarantee registration.

Any amendments to the incorporation act of a foundation must be equally made through a public deed with its contents being approved by the MLHR through a request that must be submitted within 60 days of the amendment made (MLHR reg.2/2016, art.18). Cooperatives also have detailed requirements to ensure updates to their articles of incorporation are registered within 60 days of the signing of the amendment deed (MLHR reg.14/2019). Equal requirements apply to associations that are required to register or to inform certain amendments to their articles of association (MLHR reg.3/2016, art.17). However, there is no requirement related to maximum period to submit the updated information to the Ministry.

Criterion 24.6 – Presidential Regulation 13/2018 concerning the Implementation of the Principles of Knowing the Beneficial Owner of Corporations to Prevent and Eradicate ML/TF (2018) (BO Presidential Regulation) contains specific measures addressing the requirements of criterion 24.6 (b) by determining in its art.14 (2) that any corporation shall appoint an official or employee to implement the principle of knowing the beneficial owner and provide information on the corporation and beneficial owner of the corporation upon the request of the authorised institution and law enforcement institutions. For the purposes of this BO Presidential Regulation, corporations are limited liability companies (LLCs); foundations; associations; cooperatives; limited partnerships; firms and other forms of corporations (art.2). The concept of BO is defined in art.1(2) and is in line with FATF standards. Arts.3-10 determine who shall be considered a BO for each type of corporation while art.11 determines the sources of information that may be used to determine the BO of the corporations. Art.13 foresees the possibility of the BO of a corporation to be determined ex-officio by some public competent authorities. Art.16 determines the information required to identify the BO of a corporation. Moreover, all corporations should submit their BO information with competent authorities (art.18 (1)) which can proceed to its verification (art.17 (2)). This submission must occur either at the time of application for establishment, registration, validation, approval, or business licensing of the corporation, for newly established corporations (art.15 (2) (a)) or while the corporation is running their business or activities within 3 days of any changes having occurred (art. 20 (1) and (2)), for already existing corporations (art.15 (2) (b)). Besides this, corporations shall update information on their BO every year (art.21).

In addition, Indonesia uses a combination of methods to collect BO information through existing information as allowed under criterion 24.6 (c). This includes (i) using existing information obtained by FIs and DNFBBs when conducting CDD as analysed under R.10 and R.22 (ii) information held by competent authorities, namely the MLHR in the cases of LLCs, associations and foundations and the MCSME in the case of cooperatives in their respective capacity as registers of those different types of legal persons, as well as the Register of Companies as detailed in c.24.3, (iii) information held by the companies and other legal persons themselves as described under c.24.4 and c.24.5.

Criterion 24.7 – Verified BO information (art.17(1)) must be submitted to competent authorities during the process of incorporation (art.19(1)(a)) or within seven business days after the corporation receives its business permit/proof of registration

from the competent authority (art.19 (2)). Implementation of the principle of knowing the BO of a corporation when it is running its business or activity shall be done by the corporation by submitting a change of information on the BO to the competent authority through the Corporate Administration Service System (art.20(1)), within three business days since the change of information on the BO. These legal provisions provide the legal framework to determine that the BO information submitted to competent authorities is accurate and up to date.

Criterion 24.8 – Article 14(2) of Presidential Regulation 13/2018 addresses this criterion by determining that corporations shall appoint an official or employee to implement the principle of knowing the BO of a corporation and provide information on the corporation and BO of the corporation upon the request of the authorised institutions and law enforcement agencies. The concept of corporation utilised in this Presidential Regulation includes limited liability companies; foundations; associations; cooperatives; limited partnerships; firms; and other forms of corporations (art.2(2)). However, there is no specific obligation that the appointed company official or employee should be resident in the country.

Criterion 24.9 – There are several different legal dispositions with requirements concerning the maintenance of information and records concerning legal persons.

FIs and DNFBPs, including notaries, are required to retain documents relating to CDD obligations for a minimum of five years from the end of a business relationship with a customer (AML Law, art.21).

Companies are required to keep the relevant documents for a period of 10 years from the cessation of activity of the company (Law 8/1997 concerning corporate documents, art.11). This obligation impends over the company itself and liquidators must keep such information for a minimum period of five years (Presidential reg.13/2018, art.22(2)).

One final way of accessing information on legal persons by LEAs, public prosecutors or judicial authorities is reliance on notaries. Their intervention is required in the constitution and changes operated in any legal persons by drafting the required public deeds and they have an obligation of keeping records of all official documents in perpetuity (Law 30/2004 or Notaries Law).

Criterion 24.10 – Competent authorities have the powers necessary to access basic and, where available, beneficial ownership information in a timely manner on the different types of legal persons through the MLHR website in the case of LLCs, associations and foundations and cooperatives. Information regarding public companies is available via the stock exchange website (<http://www.idx.co.id>). LEAs, prosecutors and judicial authorities are empowered under Article 72 of the AML Law and Article 37 of the TF Law to have access to information required to discharge their respective duties. PPATK has access to all necessary information based on Art. 41(1)(a) of the AML Law and article 1(9) of the TF Law.

Criterion 24.11 – The LLC law provides that only nominative shares can be issued (LLCs Law, art. 48). Limited liability companies are required to transfer shares through a deed that must be submitted to the relevant Minister for approval before the transfer operates its effects (LLCs Law, art.56).

Criterion 24.12 – Nominee shareholders are specifically prohibited for both domestic and foreign investors and any agreements entered for the nomination of shareholders are voided (Law 25/2007, the Capital Investment Law, arts.33 (1) and

(2)). Indonesian law does not recognise the concept of nominee directorship. Any rights and obligations associated with the condition of director, when performed by a third party, will depend on the granting of specific powers through power of attorney. The instrument granting power of attorney has to be drafted by a notary and has to clearly identify the parties in the relation.

Criterion 24.13 – There are no specific criminal sanctions for the breach of obligation of LLCs to provide accurate/updated BO information. Although there are criminal sanctions for failure to register in accordance with the Obligatory Registration of Companies Number 3 of 1982 (arts.32 and 34), there are no sanctions for the breach of obligations under the LLC Law. Other administrative sanctions are available through sanctions available to supervisory authorities (Art.24 of the Presidential Regulation 13/2018 on BO references sanctions for breaches to its requirements, to regulatory provisions). Criminal sanctions are possible under general sanction for false information under the Criminal Code.

Criterion 24.14 – Basic and, where available, beneficial ownership information can be obtained by foreign authorities both through the MLHR and MCSME websites as well as from the companies register managed by *ditjen* AHU. Powers available to PPATK and other supervisors allow for the exchange of information on basic and beneficial ownership information collected by FIs and DNFbps during the CDD process. Competent authorities in possession of BO information may exchange such information with international counterparts according to cooperation agreements held with those counterparts for the purposes of exchanging of information (Presidential reg. on BO, art.26). In its capacity as FIU, PPATK has a wide range of powers that allows it to share information with foreign counterparts including on basic and BO information. There are no constraints on LEAs' powers to obtain information on shareholders from companies in the context of an MLA request. There are doubts on the timeliness on the information exchange when Indonesian authorities have to use their domestic investigative powers to satisfy a request from a foreign competent authority.

Criterion 24.15 – PPATK must provide feedback to domestic and foreign parties on information submitted to PPATK within 3 working days of receiving the information (Circular Letter 4 of 2017 regarding guidance of information delivery from domestic parties and overseas parties, section D). For BO information requested through MLA channels, MLHR's (as central authority) MLA requires requesting countries to provide feedback. Likewise, PPATK must request feedback on the information it disseminates both to domestic and foreign counterparts. In this case the request for feedback must follow the dissemination of the information itself. The OJK has a legal basis to provide feedback in a timely manner to competent authorities on the use and usefulness of the information obtained (Information Exchange SOP). Pursuant to Guideline for information exchange with foreign financial supervisors, issued by OJK, DINT/Work Unit must provide feedback to foreign parties on information received within 3 working days of receiving the information. Indonesia has not provided information on mechanisms of monitoring the quality of assistance received by other agencies.

Weighting and Conclusion

Indonesia has conducted a thorough risk assessment of the different types of legal persons that can be created. Indonesia has comprehensive regulations to collect basic and BO information in accordance with R.24, as well as mechanisms to ensure access to the information for law enforcement purposes. Most deficiencies identified are

minor. The most significant deficiency relates to the lack of available sanctions that are proportionate and dissuasive for failure to comply with obligations to provide accurate/updated BO information.

Recommendation 24 is rated largely compliant.

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

In its 2018 APG evaluation, Indonesia was rated partially compliant with R.25. The main technical deficiency was that there was no requirement to ensure trustees of a foreign trust, disclose their status to FIs or DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold. No other types of legal arrangements were analysed.

Criterion 25.1 (a) – Indonesian law does not provide for express trusts or other types of legal arrangements with similar structures or functions (except for *waqfs*) to be formed or otherwise governed. There is nothing preventing a trust or trustees created under the law of another country from operating in Indonesia.

However, Indonesia recognises a type of legal arrangement relevant for the purpose of this recommendation which is known in Indonesia as the *waqf* and is used in Indonesia for religious and humanitarian purposes. The elements relevant in the *waqf* are as follows: (i) the *waqf* (individual, legal person or organization) that pledges the assets, (ii) the *nazir* (individual, legal person or organization) that administers the assets, (iii) the assets pledged in *waqf*, (iv) the pledge itself, (v) the allotment of the *waqf* assets (individual, individuals or purpose in whose benefit the assets shall be used i.e., *mauquf alaihis*) and (vi) the *waqf* period (that can be fixed or perpetual).

All these elements of the *waqf* are contained in a deed of pledge of the *waqf*. After being drafted, the deed must be registered with the Ministry of Religious Affairs (MoRA) and the Indonesian Waqf Board (BWI) (art.32 of Law 24/2004 – *Waqf* Law and arts.38 to 43 of reg.42/2006 – *Waqf* Regulation). A copy must be in the possession of the *waqif*, *nazir*, *mauquf alaihis* and the regency/city land office in the case where immovable goods are pledged (article 34 (e) of *Waqf* Regulation).

Criterion 25.1 (b) – The management of assets by the *nazir* is guided and supervised by the BWI and MoRA. In providing this guidance and supervising the activity of the *nazir*, government agencies can engage the services of other government agencies, community organisations, experts, international agencies and other parties deemed necessary (*Waqf* Law, arts.49(2), 65 and *Waqf* reg., art.56). Information of the parties rendering these services is maintained by the government agencies engaging them.

Criterion 25.1 (c) Professionals that have the capacity to carry out the function of professional trustees for trusts created under foreign law but operating in Indonesia (lawyers, accountants, financial planners and custodians) are covered entities for AML/CFT preventative measures (AML Law, art.17, CFT Law, arts.11 and 12). When conducting CDD on their customers as analysed in R.22, they will have to obtain identification information on the settlor, other trustees (if any), protector (if any) and beneficiaries of the trust that they will take on as their customer. These professionals are equally subject to record keeping obligations for a period of five years as analysed under R.11 and R.22. However, for any other Indonesian entities providing trustee services to foreign trusts that are not covered institutions under the AML Law or to foreign trustees operating in Indonesia, there are no similar requirements. In relation

to *waqfs*, the MoRA and BWI keep this information as public record.

Criterion 25.2 Indonesian professionals and FIs assuming the role of trustees of a foreign trust constituted under foreign law are required to maintain CDD information accurate and up to date as analysed under R.10 and R.22. However, there are no legal provisions requiring any other person or entity that may assume in Indonesia the role of trustee of a foreign trust constituted under foreign law that is not a covered entity under the AML/CFT Laws. In relation to *waqfs*, MoRA and BWI keep this information accurately and updated in a record that is publicly available.

Criterion 25.3 There are no requirements in the AML Law or any other statute or regulation in Indonesian law requiring trustees to disclose their status to FIs and DNFBPs when forming business relationships or carrying out occasional transactions. Art. 28(1)(c) of OJK Regulation 12 (2017) determines that FIs have a duty to identify and verify the identity of the beneficial owner of a prospective customer or walk in customer including the cases where these may be trustees. However, there is no obligation for them to disclose their identities as trustees in which case FIs will not be able to determine that condition except when a voluntary disclosure occurs.

The direct involvement of the Islamic Financial Institutions (LKS-PWU) on the reception and acceptance of the cash pledged in *waqf* makes it immediately known to it the condition of the financial assets pledged and the identity of the *nazir* (arts.22-27 of the *Waqf* Regulation with special focus on art.26 that indicates the mandatory requirements that the Certificate of Money Waqf must contain).

Criterion 25.4 There are no provisions in Indonesian law that prevents trustees of a foreign trust operating in Indonesia, or Indonesian covered entities providing trustee services to a foreign trust from providing competent authorities or FI and DNFBPs with information relating to trusts, or for providing information on beneficial ownership and the assets of the trust. Information on *waqfs* is held by government authorities and available to any LEAs, other competent authorities or the general public.

Criterion 25.5 Competent authorities and LEAs have all the powers necessary to access CDD information, in accordance with R.10 and R.22 and, to the extent where it is available, basic and beneficial ownership information held by trustees of a foreign trust operating in Indonesia, or Indonesian covered entities providing trustee services to a foreign trust and other FI and DNFBPs, while using their powers as discussed in R.27 and R.31.

Criterion 25.6 The vast array of powers available to PPATK and the supervisors allow the exchange of information on CDD and basic and beneficial ownership information obtained by FIs and DNFBPs. LEAs powers are available to obtain information from trustees of a foreign trust operating in Indonesia, or any Indonesian entities providing trustee services to a foreign trust that are not supervised by the Financial Services Authority or PPATK. There is no prohibition of the use of these powers to obtain beneficial ownership information in response to MLA requests. Similarly, PPATK and LEAs can request information pertaining to *waqfs*. Minor shortcomings exist in Indonesia's compliance to Rec.40.

Criterion 25.7 As analysed under R.35, there are sanctions for Indonesian covered entities providing trustee services to a foreign trust that fail to comply with CDD obligations. However, for any other Indonesian entities providing trustee services to foreign trusts that are not covered institutions under the AML Law or to foreign trustees operating in Indonesia, there are no sanctions available for failure to perform

their obligations. Waqf Law provides criminal sanctions for any person who intentionally, illegally onerously disposes of *waqf* assets (art.67(1)), donates *waqf* property (art.67(2)) or uses or personally benefits from the management of the assets pledged in *waqf* (other than those authorised as remuneration) (art.67(3)).

Criterion 25.8 As analysed under R.35, Indonesia has some proportionate and dissuasive administrative and criminal sanctions applicable to Indonesian covered entities providing trustee services for foreign trusts. However, there are no sanctions available for breach of obligations under c.25.1(c) regarding trusts for foreign trustees operating in Indonesia or for other Indonesian entities providing trustee services to foreign trusts that are not covered entities. Since the information related to *waqfs* is held in a public register, there is no need for sanctions according to this criterion in the case of *waqf* information.

Weighting and Conclusion

Express trusts or other legal arrangements with similar structures or functions (except for *waqfs*) cannot be formed under Indonesian law. However, nothing prevents trustees of trusts constituted under foreign law from operating in Indonesia. FIs, DNFBPs and reporting party acting as professional trustees of a foreign trust are required to collect and maintain CDD information on the relevant parties of the trust, in accordance with R.10, R.11 and R.22. This includes basic and BO information. However, there is no requirement to ensure trustees of a foreign trust to disclose their status to FIs or DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold. *Waqfs* are a much more common type of legal arrangement that exists in Indonesia. The regulation relating to *waqfs* comply with the requirements of this recommendation. Sanctions do not cover all possible trustees operating on behalf of a foreign trust.

Recommendation 25 is rated partially compliant.

Recommendation 26 – Regulation and supervision of financial institutions

In its 2018 APG evaluation, Indonesia was rated largely compliant with Recommendation 26. The main technical deficiencies were that the MCSME had not yet adopted a risk-based approach to supervision, and the OJK approach to supervising NBFIs was not fully risk-based.

Criterion 26.1 – See c.27.1 for the framework for designating AML/CFT supervisory authorities for FIs and their powers to supervise and ensure AML/CFT compliance ((BI Regulation 19.10 (2017), PPATK Regulation 11 (2011) and MCS Regulation 6 (2017)).

Criterion 26.2 – Article 9(h) of Law 21/2011 (OJK Law) authorises the OJK to license or register FIs under its areas of responsibility.

Banking: Art.16 of Law 10/1998 on Banking Law provides for licensing requirements for commercial and rural banks. Under Arts. 7(1) and 55 of OJK Law, the OJK took over responsibility from BI for licensing banks and the implementation of the licensing provisions in the Banking Law and associated regulations. A bank can only provide banking services upon granted licence by OJK (OJK reg.12/2021, art.2). Chapter 3 of the Regulation provides further detail on licensing requirements and processes. The legislation does not allow for the establishment or continued operation of shell banks.

Securities: Law 8/1995 of Capital Market Law requires licensing of securities companies (art.30(1)). Government Regulation 45 (1995) on Capital Market Organisation (Regulation on Capital Market Organisation) contains details of the licensing requirements and process (arts.31-60). OJK is responsible for licensing securities companies (OJK Law, art.9(h)) and has issued Regulation 20/04/2015 for companies conducting business activities as investment managers.

Insurance: Law 40/2014 of Insurance Law (art.8) requires licensing of all insurance service providers by the OJK, with the licensing requirements detailed in arts.7–9. There are further requirements and processes in MoF Decree 426 06/2003 on Business Licensing and Institutional Aspects of Insurance Companies and Reinsurance Companies (MoF Decree on Insurance Licensing).

Other FIs: The licensing requirements for other FIs are summarised below:

- Non-bank MVTs: Funds Transfer Law requires licensing of non-bank MVTs providers (art.69). Details of licensing requirements for non-banks are articulated in art.11 of BI Payment Service Providers regulation (No. 23/6/PBI/2021).
- Non-bank money changers: BI Regulation 18/20/2016 on non-bank foreign exchange business requires such service providers to be licensed. The licensing requirements are provided under arts.12–18.
- Finance companies: Finance companies are licensed by OJK (OJK Law, art.9(h)). There are further requirements and processes in OJK regulation 28/POJK.05/2014.
- Futures traders: The Commodities Futures Trading Law provide for licensing or registration depending on the nature of the provider (art.6(b)).
- Pension funds: The Pension Fund Law requires ministerial approval for any pension fund to be established (art.6).
- Micro-finance: Law 1/2013 concerning Micro Finance institutions requires such institutions to be licensed by the OJK (art.9) and OJK Regulation 12/POJK.05/2014 concerning Business Licensing and Institutional Licensing of Micro Finance Institutions subject such institutions to licensing requirements.
- Cooperatives: Law 25/1992 requires a process analogous to registration (art. 9-10) and Regulation of Minister of Cooperatives and Small and Medium Enterprises 10/2015 about Institutional Cooperatives includes licensing requirements.
- Guarantee institutions: Law 1/2016 concerning Guarantee Companies and OJK Regulation 5/POJK.05/2014, provide a licensing framework for these institutions.
- Postal providers: Post Indonesia is a government-owned statutory corporation.

Criterion 26.3 –

OJK: OJK Regulation 27/3/2016 applies a fit and proper test to main parties of FIs. Main parties must be approved by the OJK before performing any actions, duties and functions. The test includes financial adequacy, integrity, good ethics, and absence of a criminal record (a period of ten years must have elapsed following a sentence being concluded for general crimes and 20 years for more serious crimes such as financial crime and ML). Main parties are the parties, which own, manage and monitor, and/or have significant influence on the FI. In broad terms, this applies to controlling shareholders, directors and members of the board of commissioners or equivalent. Controlling shareholders are defined as legal bodies, individuals, and business groups holding shares or equivalent in the FI and having the ability to control it.

OJK Circular Letter Number 39/SEOJK.03/2016 (for Bank), 57/SEOJK.04/2017 (Securities Company), 2/SEOJK.04/2020 (Investment Manager), and

31/SEOJK.05/2016 (NBFI) define control to mean more than simply ownership by shares as it extends to an action that aims to influence the management and/or company policy, in any way directly or indirectly.

Banks have to carry out an assessment prior to appointment of executive officer. Executive officers are individuals, members of Board of Directors or officers having significant influence on policies and/or operations of financial institutions (OJK reg.12/2021 regarding Commercial Banks). Banks are required to report appointment or dismissal of senior management (executive officer) every month to OJK. Main parties of financial institutions including directors, commissioners, and all executive officers (senior management) of OJK supervised entities should be subject to reassessment in the event they are suspected or involved in matters relating to integrity, financial eligibility, financial reputation (OJK reg. 14/POJK.03/2021, arts. 2, 5). This can lead OJK to prohibit the party to become main controlling party or own shares. This prohibition can last up to 20 years if the party has committed a criminal offence (art.11). The financial integrity/reputation tests of art.4 of OJK Regulation 27/3/2016 can be used to require the deposits of FI capital not to originate from ML. Nevertheless, this does not meet the criterion's requirement in relation to associates of criminals.

BI: Presidential Regulation 13/2018 on Implementation of the Principles of Knowing the Beneficial Owner of Corporations to Prevent and Eradicate ML/TF requires all reporting entities to determine their beneficial owner (arts.1 and 4). The definition includes ownership and control elements BI Regulation BI 23/6/PBI/2021 regulates the BI's assessment of potential criminality. BI can conduct a fit and proper test of controlling shareholders, directors and commissioners, who should not have been criminally convicted within the last five years prior to applying to these positions (art.18 and 21). The concept of controlling shareholder is defined as 25% ownership and voting rights or direct or indirect control over the reporting entity. Not all beneficial owners are necessarily covered and senior management does not fall within the scope of the Regulation. In addition, there are no explicit provisions in relation to associates of criminals.

CoFTRA: Fit and proper checks on beneficial owners and legal owners is carried out by Jakarta Futures Exchange. Government Regulation 49/2017 on the Implementation of Commodity Futures Trading provides that a futures broker may not be controlled directly or indirectly by an individual who has been declared bankrupt or found guilty of causing a company to be declared bankrupt in the last five years, convicted of financial crime, convicted of any penalty of more than five years and does not have good character or morals (art.52). In practice, CoFTRA's scrutiny of future brokers and VASPs covers both initial and ongoing stages, though this would not necessarily capture associates of criminals.

MCS: There are no fit and proper requirements for cooperatives.

PPATK: While the AT has not been provided with a written document, fit and proper tests for Post India, supervised by the PPATK are carried out by the Ministry of Communication and Information.

Criterion 26.4 –

- a) Core Principles Institutions are subject to regulation and supervision. OJK regulates and supervises banking, capital market, and insurance sector including AML/CFT regime (OJK Law 21/2011, art. 6). Indonesia's compliance with Core Principles which are relevant to AML/CFT assessment underline a

broad implementation (IMF Country Report 2018; Implementation of the IOSCO Objectives and Principles of Securities Regulation Detailed Assessment of Observance November 2010; the December 2012 Detailed Assessment of Compliance of IMF Country Report No. 12/335 on Indonesia: Financial Sector Assessment Program Basel Core Principles Assessment).

- b) Other FIs are subject to licensing or registration as set out in c.26.2. See c.26.5 for the level of technical compliance and level of supervision or monitoring having regard to the ML/TF risks in each sector, including systems for monitoring and ensuring compliance by MVTS providers and FIs providing a money or currency changing service with national AML/CFT requirements.

Criterion 26.5 –

OJK: OJK circular letters articulate a risk-based approach to supervision (9/SEDK.03/2018 for commercial banks (revised by 3/SEDK/03.2019); 2/SEDK.03/2019 for rural banks (revised by 6/SEDK.03/2019); 4/SEDK.04/2019 for custodian banks; 2/SEDK.04/2019 for securities companies; 3/SEDK/04/2019 for investment managers; and 1/SEDK.05/2019 for NBFIs). Frequency, scope and intensity of on-site/off-site supervision take into account the ML/TF risk assessment (circular Letter of BoC of OJK Number 9/2018) as well as a) the risk profiling of the FI group (Chapter 4.b.1.b.3, p.46-47 of Circular Letter Commercial Bank; Circular 9/SEDK.03/2018, chapters 1, III and IV) on policies, internal controls and procedures (page 29); b) the ML/TF risks present in the country (p.6 of Circular 9/SEDK.03/2018 (chapter 1, section B.2)) c) the diversity and number of financial institutions or groups. It is not clear that the degree of discretion allowed under the RBA are addressed (p.5 Circular 9/SEDK.03/2018 (chapters 1, III and IV)).

BI: BI Regulation 19.10/2017 on non-bank MVTS and money changers (art.52) requires the BI to undertake RBA to supervision. The BI AML/CFT RBA supervisory guideline clarifies that the frequency, duration and scope of inspections should take into account: a) the risk profiling of the FI internal controls, policies, and procedures; b) ML/TF risks present in the country; and c) diversity and number of financial institutions or groups, including the degree of discretion allowed to them under the RBA.

CoFTRA: CoFTRA Regulation 9/2017 covers AML/CFT risk-based supervision for future brokers and provides that frequency and intensity of supervision take into account all the elements at criterion 26.5. There is no similar document for VASPs. VASPs' inspections are guided by generic workplan.

MCSME: MCSME has issued basic procedures for risk-based supervision for cooperatives under Deputy of Supervision Decree 37/Kep/Dep.6/IV/2018.

PPATK: The PPATK Technical Procedure for Off-site and On-site Compliance Audit applies to DNFBPs but does not cover FIs.

Criterion 26.6 –

OJK, BI and CoFTRA's guidance and regulations cited above provide that these supervisors should review the assessment of the ML/TF risk profile periodically and when there are change in management and operation of the financial institution (also see IO.3). There are no similar provisions for PPATK and MCSME.

Weighting and Conclusion

Core Principles FIs are required to be licensed and other FIs should be licensed or registered. Competent authorities take legal or regulatory measures to prevent criminals from holding or being the beneficial owner of a significant or controlling interest or holding a management function in a FI; however, some deficiencies exist relating to coverage of senior management and associates of criminals for BI and OJK. PPAATK and MCSME's procedures do not address criteria 26.5 and 26.6.

Recommendation 26 is rated largely compliant.

Recommendation 27 – Powers of supervisors

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.27. The technical deficiencies identified were a lack of sanctions powers for the supervisor of postal providers (PPATK) and the absence of a legal provision to compel the production of information from cooperatives.

Criterion 27.1 – AML Law require supervisory and regulatory authorities to supervise compliance of reporting entities (arts.18(4) and 31(1)). This provision relates to and reflects the supervisory and regulatory authorities appointed under general supervisory legislation. CFT Law provides that a supervisory and regulatory agency is an agency having the authority to supervise, regulate, and/or impose sanctions (art.1(12)). With regard to the reporting of suspicion, AML Law (art.31(1)) and CFT Law (art.14) provide that supervision of compliance with the obligation to report suspicion is undertaken by supervisory agencies and/or PPATK. Articles 20-22 of President Regulation 50/2011 provide supervisory powers for the PPATK, sufficiently broad to include supervision of compliance with reporting obligations.

Each of the supervisory authorities has issued regulations, which impose AML/CFT requirements on supervised entities. The OJK AML/CFT Regulation contains powers to supervise compliance of OJK institutions. BI Regulation 19.10/2017 (art.52) assigns compliance responsibilities to the BI, with article 19 of the BI AML/CFT Regulation for non-bank foreign exchange traders and article 35 of the BI AML/CFT Regulation for payment system providers other than banks containing similar provisions. Article 34 of the PPATK Regulation 11/2011 and article 44 of the MCSME Regulation 6/2017 provide for supervision of compliance of supervised entities. CoFTRA AML/CFT Regulation for futures brokers, article 2 of CoFTRA Regulation 9/2017 on implementation of compliance supervision and monitoring of AML/CFT program on futures brokers gives CoFTRA the authority for supervision of implementation of AML/CFT programmes either independently or with the PPATK.

Criterion 27.2 – The conjunction of the articles of the AML Law mentioned at c.27.1, Articles 1.1 and 9 of the OJK Law and the 2017 and 2019 OJK AML/CFT Regulations empower the OJK to conduct AML/CFT inspections. In addition, Chapter 3 Circular 9/SEDK.03/2018 provides that risk-based supervision of AML/CFT program include off-site supervision; and on-site supervision and inspection. Similar provisions cover other banks, securities company, investment managers and NBFIs (See Circular letter 2/SEDK.03/2019 for rural banks (revised by 6/SEDK.03/2019); 4/SEDK.04/2019 for custodian banks; 2/SEDK.04/2019 for securities companies; 3/SEDK/04/2019 for investment managers; and 1/SEDK.05/2019 for NBFIs).

Article 52(3) of BI Regulation 19.10/2017 provides explicit power to conduct on-site inspections. The other BI AML/CFT regulations, article 4 of the Commodities Futures Trading Law, article 44(1) of the MCSME AML/CFT Regulation and article 34 of the PPATK Regulation 11/2011 provide a power of supervision. These supervisory provisions provide sufficient legal authority to undertake AML/CFT on-site inspections. In addition, article 11 of the Government AML Regulation 43/2015 provides PPATK and/or any designated supervisory authority with authority to supervise compliance by reporting entities with reporting obligations.

Criterion 27.3 – Article 56(4) of the OJK AML/CFT Regulation states that data, information and/or documents for FIs should be provided to the OJK when it requires. There are also focused powers available in the OJK Law (art.49) and Capital Market Law (art.100) for the investigation of potential criminal acts, which might be applicable to AML/CFT in some circumstances. Power to obtain information is available under art.51(3) of the BI Regulation 19.10 (2017). Art.41(6) of CoFTRA AML/CFT Regulation for futures brokers contains an explicit information gathering power. The PPATK Regulation 11 (2011) and the MCSME Regulation 6 (2017) do not contain such provisions. In addition, Government AML Regulation 43 (2015) does not include an explicit provision.

Criterion 27.4 – See c.35.1 for the analysis of the sanctions' powers in the AML and CFT Laws. Also see c.35.1 for analysis of the powers available to each supervisory authority under general supervisory legislation and the AML/CFT Regulations they issue and administer.

Weighting and Conclusion

The PPATK and the MCSME regulations do not contain explicit provisions to compel production of information relevant to monitoring compliance with the AML/CFT requirements. Supervisors are authorised to impose sanctions; some deficiencies are identified at R.35.

Recommendation 27 is rated largely compliant.

Recommendation 28 – Regulation and supervision of DNFBPs

In its 2018 APG evaluation, Indonesia was rated partially compliant with R.28. The main technical deficiencies were not all DNFBPs supervisors had policies and procedures for a RBA to supervision; lack of procedures and processes for AML/CFT supervision of notaries and no beneficial ownership requirement for DNFBPs that are companies.

Criterion 28.1 – (Not applicable) Gambling, which includes the operation of a casino, is prohibited under Article 303 of the Criminal Code.

Criterion 28.2 –

Arts.18(4) and 31(1) of the AML Law oblige supervisory and regulatory authorities to supervise compliance of reporting entities with the KYC principle, including risk assessment and associated CDD procedures and reporting. Supervision of TF risk assessment and associated reporting is enabled through the AML Law. The PPATK has been designated with supervisory responsibility under Art. 31(2) of the AML Law. Art. 41 of PPATK KYC Regulations for Financial Planners, Advocates and Other Goods and Services appoint the PPATK as responsible for supervision of compliance for the purposes of those regulations.

The MoF is specified as the supervisory agency for Accountants and Public Accountants in terms of Art. 12 of the MoF CDD Regulation for Accountants and Public Accountants. MLHR is specified as having supervisory responsibility under art.67(1) of Law 30/2004 on notaries, supplemented by Circular Letter AHU.UM.01.01-1239 that details monitoring and ensuring AML compliance and TF reporting. The DNFBP supervisory agencies, as detailed in the table 2 of Chapter 1 have issued AML/CFT regulations for their sector, as described in R.22 and R.23. The framework has been extended beyond the types of DNFBP specified by the FATF.

Circular 5 of 2016, part D, appoints the PPATK as the supervisor for all DNFBPs in relation to freezing of funds and assets in relation to TF.

Criterion 28.3 – PPATK Regulation 13/2016 and the MLHR Circular letter AHU.UM.01.01-1239 detail a framework/system of supervision. This includes CDD, RBA for ML/TF, monitoring and reporting. The MoF provides a system of supervision relating to the implementation of CDD as part of the professional standards within the MoF Supervision Guidelines KEP- 34/PPPK/2021, which is limited to public accountants.

Criterion 28.4 –

Covered in 28.2 above.

a)

- i. With regard to lawyers, Arts.3(i) and 10(1) of Advocate Law 18/2003 stipulate that the requirements for licensing as an advocate exclude an individual who has been convicted of a criminal offence punishable by imprisonment of five years or more and that an advocate can be dismissed from the profession permanently upon criminal conviction with the final judgment imposing an imprisonment of four years or more.
- ii. Articles 6 and 16 of Law 5/2011 for Public Accountants contain similar requirements except that the provision applicable after licensing refers to five years' imprisonment.
- iii. Real estate agents, precious stone and metal dealers and financial planners are required to obtain a licence from both the Department of Trade and the provincial government prior to trade and on an annual basis. There are some basic requirements, including a police record of no criminal convictions. It is however not noted if this covers beneficial owners, persons holding controlling interest or a management function of the DNFBP.
- iv. Article 3 of the Notary Law states that in order to be appointed as a notary, one of the conditions is to have never been sentenced to prison based on a final and binding judgement for committing a crime punishable by imprisonment for a period of five years or more. For DNFBPs that are LLCs, Art. 93(1) of Law 40/2007 precludes a person from becoming a member of the BOD who, within five years before appointment: (a) was declared bankrupt; (b) was a member of a BOD/BOC found guilty of causing a company to be declared bankrupt; or (c) was punished or will be punished for committing a crime detrimental to state finances and/or relating to the financial sector.

b) There are sanctions ranging from warnings, fines, publications and revocation of licences set in articles 42-46 of the PPATK Regulations for other goods and services, advocates and financial planners. These sanctions do not however apply for failures

relating to allowing anonymous clients and failure to freeze funds pursuant to R.6. Further, there is no reference to directors/senior management being subject to sanctions, only the reporting entity itself. MLHR Regulations 61 of 2016, impose administrative sanctions for notaries and include written warnings; temporary suspension; honourable dismissal; or dishonourable dismissal depending on the severity of violations committed. Criminal and civil violations are processed through the judicial proceeding mechanism. Arts 13 and 14 of MoF Regulations for Accountants covers most sanctionable events, except new technologies, reliance on 3rd parties, high-risk countries, or SDD. Sanctions range from warnings to freezing only. Sanctions are applicable directly to the accountant, read with Art 26 of Law 5 of 2011 where an accountant is inseparable from the individual.

Criterion 28.5 –

The PPATK, MLHR and the MoF have written frameworks in place.

PPATK: Article 24 of PPATK Regulation 13/2016 provides for risk profiling of individual DNFBPs subject to its supervision into low, medium and high-risk categories, including consideration of internal controls, policies and procedures within the process. The PPATK has also issued a technical procedure for on-site and off-site compliance audit. DNFBPs responding to the questionnaire are profiled as low, medium or high risk. Respondents categorised as high risk are subject to on-site inspection. This framework appears to cover sub-criterion (a) in part although the intensity of supervision is not comprehensive, the frequency of supervision is not covered and it is not clear to what extent the characteristics, diversity and number of supervised entities might be included in the questionnaire; and much of sub-criterion (b) although it is not clear whether the Regulation provides for a degree of discretion based on risk.

Notaries: Circular Letter Number AHU.UM.01.01-1239 on guidance for compliance supervision of notaries includes a basic RBA for the supervision of notaries. It includes risk assessment and profiling of each notary, taking account of controls, policies and procedures and a RBA which leads to off-site supervision of low and medium risk notaries and on-site supervision of high and very high-risk notaries. This would appear to cover sub-criterion (a) to some extent although the intensity of supervision is not comprehensive and the frequency of supervision is not covered; and sub-criterion (b) to some extent as the degree of discretion does not appear to be included.

Accountants: The MoF Supervision Guidelines KEP- 34/PPPK/2021 provides for a consolidated supervision framework for the public accountant profession, including all legislative obligations of which the AML/CFT legislation is specifically referred to. The focus of supervision relates to registration on goAML, internal AML/CFT policies and the implementation thereof. Risk based application is covered in general, taking note of the SRA as part of the risk ranking tools required. This would appear to cover sub-criterion (a) to some extent as the frequency and intensity is not covered for AML/CFT supervision; and sub-criterion (b) to a lesser extent as the risk sensitivity is limited to SRA considerations only.

Weighting and Conclusion

The three supervisory bodies have each established a risk focused AML/CFT supervisory framework. Their regulatory powers are clearly articulated in relation to AML, with CFT (risk and reporting matters) linked to the CDD and STR principles. The MoF supervision framework is limited to public accountants. The frequency of

supervision in relation to the risk sensitive nature could not be demonstrated. The barriers to entry by criminal elements are evident in the professions, benefiting from their industry standards, and to a lesser extent in other DNFBPs. DNFBPs that register as an LCC, although not mandatory to do so, are subject to criminal checks.

Recommendation 28 is rated partially compliant.

Recommendation 29 - Financial intelligence units

In its 2018 APG evaluation, Indonesia was rated compliant with Recommendation R.29.

Criterion 29.1 – Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), also known by Indonesian Financial Transactions Reports and Analysis Centre (INTRAC) is the Indonesian FIU. Article 1(2) of the AML Law defines the PPATK as the agency established in the context of preventing and eradicating ML, while article 40(d) and 44 establishes its competence as FIU. PPATK is the national agency for receipt, analysis and dissemination of STRs and other information relevant to ML, associated predicate offences and TF.

Criterion 29.2 – PPATK is responsible to receive and analyse STRs submitted by FIs and DNFBPs (AML Law, art.23(1)(a)), Government reg.43/2015, art.7(1)).

PPATK also receives (i) cash transaction reports and (ii) wire transfer reports (AML Law, art.23(1)(b)), art.23(1)(c) for FIs and art.27(1) and art.7(2) of Government reg.43/2015 for DNFBPs).

Criterion 29.3 – (a) PPATK can request and use information originally obtained or subsequently requested from reporting entities, or any other related parties or agencies (AML Law, art.44(1)(a)(b)(c)). The aforementioned is not dependent on filing of a STR.

(b) PPATK has access to a wide range of financial, administrative and law enforcement information. PPATK has the power to request and obtain data and information from government agencies and/or private institutions necessary to discharge its functions (AML Law, art.41(1)(a); Presidential reg.50/2011, art.3(a) and 4). Procedures to access data and information held by public entities and/or private institutions is regulated by Government reg.2/2016.

Criterion 29.4 – (a) PPATK conducts operational analysis as required by art.40(d) of the AML Law and arts.29 to 46 of Presidential reg.50/2011.

(b) PPATK also conducts strategic analysis in the form of annual typologies reports, red flag indicators for specific crime types/sectors, as well as other trends and patterns for ML/TF. This strategic analysis is shared with law enforcement, supervisors and reporting entities periodically.

Criterion 29.5 – PPATK has the power to disseminate spontaneously, or upon request information and the results of its analysis to domestic competent authorities (AML Law, art.90(1)(2)), art.44(1)(e); Presidential reg.50/2011, art.36; PPATK reg.15/2021).

Disseminations should be made in accordance with PPATK Regulation 15/2021 through goAML for ML and predicate offences, and PPATK Regulation 11/2021 through SIPENDAR for Terrorist and TF, as well as Regulation 4/2011 of Head of PPATK concerning Guidelines of Secure Online Communication Application System

(for disseminations by electronic means) and Regulation 20/2015 of the Head of PPATK concerning Guidelines of Management of Official Papers in PPATK for physical disseminations.

Criterion 29.6 – Indonesia has a comprehensive set of rules and procedures regarding (i) the security and confidentiality of information, (ii) security clearance of staff in determining access to information and (iii) access to information and physical facilities of PPATK (Reg. 13/2011 of Head of PPATK concerning Information Security Governance).

Criterion 29.7– PPATK is an independent and autonomous agency, free from the interference of any entity (AML Law, arts.37(1) and 37(3)) with a duty to disregard any interference by any entity in the discharge of its duties (AML Law, art.37(4)) and directly accountable to the President of the Republic of Indonesia (AML Law, art.37(2)). PPATK can engage independently with domestic competent authorities with or without the existence of formal cooperation agreements (AML Law, art.88) and with foreign counterparts based on the existence of formal cooperation agreements or under the principle of reciprocity (AML Law, art.89). PPATK has the necessary resources to discharge its duties and is able to deploy them without any undue influence (AML Law, arts. 61-63).

Criterion 29.8 – PPATK was admitted as member of the Egmont Group in 2004. Its membership in the Egmont Group was later approved by Presidential Decree 24/2011.

Weighting and Conclusion

All criteria are met.

Recommendation 29 is rated compliant.

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.30. The remaining technical deficiencies were that it was unclear whether the relevant provisions provide for pursuit of parallel financial investigations and/or referral of cases for financial investigation.

Criterion 30.1 – ML Investigation is designated in accordance with the predicate crime jurisdiction (AML Law, art.74). Should investigators obtain sufficient preliminary evidence of ML, the investigator concerned is required to combine the predicate offence investigation with the ML investigation and to inform PPATK accordingly (AML Law, art.75). Indonesia has primarily seven authorities responsible for the investigation of ML and related predicate crimes, as follows:

INP is designated to conduct investigations into all crimes in accordance with the Criminal Code, the Criminal Procedure Code and other laws and regulations including the investigation of TF (Law 2/2002, art.14 (1)(g)). INP is also designated to investigate TF, which is conducted by the Detachment 88, as specialised anti-terrorism division of INP.

KPK is designated to investigate corruption cases, limited to cases that: (i) involve LEAs, government executives, or other parties connected to corrupt acts committed by LEAs or government executives; (ii) have attracted the attention and dismay of the general public; and/or (iii) involve losses to the State of at least IDR one billion (EUR

66 150) (Anti-corruption Law, art.43).

BNN is designated to conduct investigation of abuse and illicit trafficking in narcotics and narcotics precursors (Law 35/2009 concerning Narcotics, art.71).

AGO is designated to investigate special criminal cases, which includes corruption offences, fisheries, economic offences (customs offences) and violations of human rights (Law 16/2004 on AGO, art.30 (1e)).

DG Tax is designated to conduct tax offence investigation and related ML investigations (Law 8/2010, art.74; General Provision and Tax Procedures, art.44 para (1)).

DG of Customs & Excise is designated to conduct investigations for customs and excise and related ML investigations.

KLHK is designated to conduct investigations relating to forestry and environmental offences as well as related ML offences. A 2021 Constitutional Court ruling interpreted the meaning of ML investigator in art.74 AML Law broadly to include Civil Servant Investigators (CSIs) with powers akin to the INP, which allows investigators of environmental crime, for example at KLHK, to also investigate related ML.

Criterion 30.2 – LEAs are authorised to pursue parallel financial investigations in ML investigations (AML Law, art.75). While there are no specific legal provisions, in practice INP is the sole investigator for terrorism and TF and can conduct parallel TF investigations.

Criterion 30.3 – All LEA investigators are designated to identify, trace, and seize goods that may become subject to confiscation (Criminal Code Procedures, arts.38–46). Specific provisions for ML/TF are included below.

ML – under the AML Law, investigators, public prosecutors, or a judge can request FIs/DNFBPs to provide written statements concerning assets, or to freeze the assets of: (i) any person reported by PPATK to the investigators; (ii) a suspect; or (iii) a defendant (AML Law, arts.71 and 72).

Terrorism/TF – Investigators, public prosecutors, or a judge can request information from any person providing services in the financial sectors concerning the funds of: (i) any person reported by PPATK to the investigators; (ii) a suspect; (iii) an accused (CFT Law, art. 37). Moreover, TF investigators, prosecutors or the judge can order an FI/DNFBP to freeze and suspend transactions of any persons reported by PPATK to the investigator, the suspect or the defendant for a period of five business days (CFT Law, art.22).

Criterion 30.4 – R.30 applies to two non-LEA authorities - DG Customs and DG Tax - which are designated to investigate ML in line with their predicate crime jurisdiction (Consolidation of Law 6/1983 concerning General Provisions and Tax Procedures, art.44; Law 10/1995 concerning Customs, art.112(1)). In addition, OJK, can conduct financial investigations of criminal offences, in conjunction with INP, related to the entities it supervises (Law 21/2011 concerning the Financial Services Authority, arts 47 and 49). As mentioned above, the broad interpretation of ML investigator now extends to all CSIs.

Criterion 30.5 – KPK, INP and AGO are designated to investigate ML related to corruption (AML Law, art.74) and have powers to identify, trace and initiate freezing and seizing of assets, as described above.

Weighting and Conclusion

All criteria are met.

Recommendation 30 is rated compliant.

Recommendation 31 - Powers of law enforcement and investigative authorities

In its 2018 APG evaluation, Indonesia was rated largely compliant for R.31. The main technical deficiencies were that not all investigators can use special investigation techniques in all predicate crime investigations and it was unclear if all mechanisms under c.31.3 operate without prior notification.

Criterion 31.1 – As discussed in R.30 above, INP, KPK, NNB, AGO, DG Tax, DG Customs, and DG Tax are all designated to investigate ML in accordance with their predicate crime jurisdiction, and Special Detachment 88 is designated to investigate terrorism/TF. These competent authorities have the power to:

- a) compel production of records held by FIs/DNFBPs, and other natural or legal persons (Criminal Procedure Code, art.7(1); AML Law, art.72; CFT Law, art.37; KPK Law art.12; Tax Law, art.44; Customs Law, art.112 and Narcotics Law, art.80).
- b) search persons and premises (Criminal Procedure Code art.7(1), art 32-37; AML Law, art.72; Tax Law, art.44; Customs Law, art.112 and Narcotics Law, art.75 and 76).
- c) take witness statements (Code of Criminal Procedure, art.112 and 117; art.75 and 76 of the Narcotics Law).
- d) seize and obtain evidence (Code of Criminal Procedure, art.5, art 38-46; Customs Law, art.112; Narcotics Law, art.75 and art.86; KPK Law, art.12; Tax Law, art. 44(2)(e)).

Criterion 31.2 –

Investigators derive their general investigative powers from the Code of Criminal Procedure as well as other specific laws and regulations. The Code of Criminal Procedure does not include investigative techniques included under sub-criteria (a) to (d), but Indonesian law enables some investigators to use powers in their enabling legislation in ML/TF and predicate crime investigations as follows:

- a) INP can conduct undercover operations in preliminary ML/TF investigations (Regulation 14/2012 of Chief of INP, arts.12 and 24) and BNN can conduct undercover operations in relation to undercover buy and controlled delivery (Law 35/2009, art.75(j)). There is no similar specific legislation for other authorities (KPK, DG Customs).
- b) Art.31(3) of Law 11/2008 concerning Electronic Information and Transactions (Electronic Information and Transactions Law) allows for intercepting of communications by LEAs as stated by laws. INP has issued a SOP on its use, including the procedure for such requests (reg.5/2010 of the Chief of INP concerning Procedure of Wiretapping) and there are similar powers for terrorism investigators (Terrorism Law, art.31) and for NNB (Narcotics Law, art.75(i)). Following amendments to the KPK law in 2019, KPK may intercept

communications during investigations but must now seek prior written approval from the Supervisory Board before doing so (Law 19/2019, art.12B).

- c) INP can access computer systems but only for the investigation of criminal offences in the field of Electronic Information and Transactions (reg.5/2010 of the Chief of INP concerning Procedure of Wiretapping, arts.3, 11, 43). For BNN, investigators can access computer systems (Narcotics Law, art.86(1)). There is no similar specific legislation for other authorities (KPK, DG Customs).
- d) INP, NNB and DG Customs can conduct controlled delivery (Narcotics Law, art.75(j); DG Customs reg.53/2010 concerning DG Custom's Governance of Supervisions, art.149(2)).

Criterion 31.3 – LEAs can identify natural and legal persons who hold and control accounts, via a request to PPATK, and PPATK's power to obtain information from FI and DFNBP (AML Law, Art.44). This process is timely with FIs required to provide the information as soon as possible and no later than three working days. In addition, for ML and TF investigators, public prosecutors or a judge can request FIs and DNFBNPs to provide written statements concerning the assets of any person reported by PPATK to the investigators, a suspect, or a defendant (AML Law, art.72; CFT Law, art.37). However, it is unclear if these mechanisms operate without prior notification to the owner.

Criterion 31.4 – There are no prohibitions or restrictions on information which competent authorities can request from the FIU. Article 90 of the AML law provides the legal basis for cooperation and information exchange between PPATK and competent authorities on ML. Decree 8/2013 of Head of PPATK provides the legal basis for information exchange between PPATK and LEAs more generally.

Weighting and Conclusion

Designated law enforcement agencies have powers to investigate and obtain information when conducting ML, predicate offence, and TF investigations. The remaining deficiencies relate to the lack of a clear statutory provision around prior notification and access to special investigation techniques for some law enforcement agencies.

Recommendation 31 is rated largely compliant.

Recommendation 32 – Cash Couriers

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.32 with remaining deficiencies relating to the scope of the sanctioning regime.

Criterion 32.1 – Indonesia has introduced a declaration system for any person arriving or departing Indonesia who is carrying cash or BNI equal to more than IDR 100 million (EUR 6 615), or in an equivalent amount in foreign currency (AML Law, art.34; Government reg.99/2016, art.2). Persons are required to make all declarations to the Directorate General of Customs and Excise (DGCE), and this regime extends to all physical transportation into or out of Indonesian, whether by travellers, mail or cargo (Government reg.99/ 2016, art.1; Circular Letter SE-12/BC/2016, Section E.1).

Criterion 32.2 – All persons making a physical cross-border transportation of currency or BNI are required to submit a written declaration (Government reg.99/2016, art.3; DGCE reg.01/bc/2005). The threshold of IDR 100 million (EUR 6

615), or in an equivalent amount in foreign currency (AML Law, art.34; Government reg.99/2016, art.2) is below the maximum threshold prescribed under the criterion.

Criterion 32.3 – (N/A) Indonesia applies a declaration system, and not a disclosure system.

Criterion 32.4 – When customs officers are confronted with non-declaration or under declaration, they are empowered to conduct further examination and investigation in the form of (i) an interview, (ii) body examination and (iii) luggage examination (Government reg.99/2016, art.7; DGCE reg.01/bc/2005). The relevant regulation contains a list of indicators designed to help Customs and Excise Officials to detect situations of irregular transportation of cash and/or BNIs (Government reg.99/2016, art.7).

Criterion 32.5 – Persons who fail to make a declaration or under-declare are subject to proportionate and dissuasive sanctions, in the form of an administrative fine of 10% of the cash and/or BNIs not declared or under declared to a maximum amount of IDR 300 million (EUR 20 000). The application of pecuniary fines does not exempt the person from any criminal liability that the case may incur (Government reg.99/2016, art.6(5)). However, the threshold does not provide the possibility for proportionate and dissuasive sanctions to take into account aggravating factors including large amounts of cash or repeat offenders.

Criterion 32.6 – The DGCE must inform the Head of PPATK, within five days of (i) any received cash and/or BNIs transactions report, (ii) any examination made on suspicion of non-declared or under declared cash and/or BNIs and (iii) any administrative fines imposed for undeclared or non-declared cash and/or BNIs (Government reg.99/2016, arts.8-10).

Moreover, DGCE is required to provide information on cash couriers through goAML, including for postal and cargo (PPATK's reg.1/2022). In addition, the Head of PPATK may request any additional information deemed necessary from the DGCE concerning the physical transportation of cash and/or BNIs (AML Law, art.34(2); Government reg.99/2016, art.11).

Criterion 32.7 – The DGCE has in place a number of co-operation mechanisms with several domestic agencies namely (i) Directorate General of Immigration, (ii) National Narcotics Board, (iii) Deputy Attorney General for General Crimes and (iv) Criminal Investigation Agency of the Indonesia National Police. The DGCE also has cooperation mechanisms in place with airport authorities, airline and ferry companies, in order to establish a passenger targeting system used to target drug smuggling, smuggling of cash and smuggling of high value goods. In order to enhance co-operation between PPATK and the DGCE, liaison officers were deployed between these two agencies for implementation of R.32.

Criterion 32.8 –

(a) The DGCE is the competent authority to control the circulation of cash/BNIs through the Indonesian borders (Government reg.99/2016), and customs officials have a general power to restrain goods and other assets which fall within the jurisdiction of the Customs and Excise Department (Customs Law, art. 74).

On TF specifically, the DGCE has the power to restrain cash and BNIs carried by individuals listed as suspected terrorists or acting on behalf of legal persons equally listed as suspected in involvement in terrorist activities (TF Law, art.35(2)). Further, the DGCE has powers of restraint towards goods related to terrorism and/or

transnational crime based on preliminary evidence (art.64A amendments to Customs Law by Law 17, 2006).

(b) Officials of the DGCE in charge of imposing administrative fines for the non-declaration or under declaration of cash and BNIs are empowered to restrain those values of up to five days in cases where the payment of the fine cannot be made on the spot (Government reg.99/2016). Art.17 determines the possibility of restraining of cash and BNIs for a maximum period of 5 days in order to allow the payment of any administrative sanctions after which they will have to be deposited with the State Treasury. If after a further 90 days the cash or BNIs deposited deducted of the administrative fine imposed have not been claimed the deposited cash or BNIs will be lost in favour of the State.

Further, in the case of illegal transportation of cash and BNIs, the Customs and Excise Officer must conduct an investigation on the potential criminal offenses related with the undeclared cash and/or other BNIs that have been under declared or illegally concealed (para 7, section E of Circular Letter SE-12/BC/2016 regarding the Enhancement of Supervision of Carrying of Cash and/or other Payment Instruments into or outside the Indonesia customs area). Similarly, authorities are empowered to restrain any cash amounting to IDR 100 million (EUR 6 615) or more, or of foreign currency of equivalent value, which is brought into or taken out from the customs territory whenever the duty to report the transportation of cash through the borders is not appropriately complied with (art. 2-3 and 10, DGCE reg.01/BC/2005).

Criterion 32.9 – PPATK can carry out international cooperation relating to Indonesia’s declaration system (AML Law, arts.41, 89 and 90) and has information related to declarations received, false declarations or under declarations, penalties imposed or situations where a suspicion of ML/TF occurs.

Criterion 32.10 – Indonesia has established safeguards relating to the use of information held by the DGCE as well as information that comes to the knowledge of its officials during the performance of their duties (Customs Law, art.115C). Identical safeguards are in place for PPATK investigators, public prosecutors, judges, and any person who obtains documents or statements in the context of the performance of their duties in accordance with the AML Law, art. 11.

Criterion 32.11 – Besides the administrative fines for non-declaration or under declaration of assets and/or BNIs carried across Indonesia borders, art.3 of the AML Law makes it an ML offence the “taking out of the country” of assets known or reasonably suspected by the perpetrator as originating from the proceeds of a criminal act as intended in art.2, paragraph (1) of the ML Law. This act is punishable with imprisonment for a maximum period of 20 years and a maximum pecuniary sanction of IDR 10 billion (EUR 660 500). These sanctions are proportionate and dissuasive.

There is no similar provision for carrying into Indonesia assets known or reasonably suspected by the perpetrator as originating from the proceeds of a criminal act that constitutes a predicate offence for the ML offence in Indonesia as defined in article 2 of the AML Law. This is a relevant gap considering the specific risk and context of Indonesia related with cash couriers bringing illicit proceeds into the country. Proceeds from ML/TF are subject to seizure according to art.38 of the Criminal Procedure Code and confiscation according to arts.39-41 of the Criminal Code.

Weighting and Conclusion

Indonesia meets most of the criteria under this recommendation. However, the sanction threshold for failure to declare or for under-declaration, does not provide the possibility for proportionate and dissuasive sanctions to take into account aggravating factors including large amounts of cash or repeat offenders. There are also no provisions penalising the carrying into Indonesia assets known or reasonably suspected by the perpetrator as originating from the proceeds of a criminal act that constitutes a predicate offence for the ML offence in Indonesia.

Recommendation 32 is rated largely compliant.

Recommendation 33 – Statistics

In its 2018 APG evaluation, Indonesia was rated largely compliant for R.33 with remaining technical deficiencies in relation to statistics maintained by some LEAs on property frozen or seized and other international requests for cooperation.

Criterion 33.1 – In general, all public agencies, including supervisors and LEAs, PPATK and MLHR are required to publish semi-annual reports on their activities, performance, and financial aspects, which may include AML/CFT statistics (Law 14/2008 of Public Information Disclosure (Public Disclosure Law), art. 9). PPATK has the role of maintaining and coordination AML/CFT statistics received from reporting entities and other agencies (PPATK reg. 3/2017, arts.64-65). Additional requirements related to c.33.1 (a)–(d) are below.

(a) PPATK’s Sub-directorate of Research has general requirements for the formulation and development of statistics (PPATK reg.3/2017; arts. 64-65 and 69). PPATK maintains statistics relating to STRs reported and disseminated, which are compiled into statistics bulletins.

(b)/(c) LEAs maintain statistics on ML/TF investigations, prosecutions, and convictions and property frozen, seized and confiscated. The statistics do not clearly distinguish property that has been seized for evidence and property seized for the purpose of confiscation. The statistics are also not maintained in a consolidated manner.

(d) MHLR maintains statistics on MLA requests received and made, and OJK collects information on the number of MOUs with international stakeholders. Not all competent authorities maintain statistics on other form on international cooperation.

Weighting and Conclusion

There are minor shortcomings in relation to statistics maintained by competent authorities on the type of properties that have been seized and confiscated and other form of international cooperation (incoming and outgoing).

Recommendation 33 is rated largely compliant.

Recommendation 34 – Guidance and feedback

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.34 with the technical deficiency that guidance and feedback was less comprehensive for DNFBPs not supervised by PPATK.

Criterion 34.1 –*Guidance*

Supervisors (and PPATK as FIU and supervisor) use a range of measures to provide guidance to the FIs and DNFBPs to assist them with understanding of, and compliance with, their AML/CFT obligations, as follows:

PPATK has issued a number of guidance documents to both FIs and DNFBPs in relation to AML/CFT and Indonesia's higher-risk predicate crimes. The guidance comprises initiatives led or jointly led by the PPATK as FIU and/or supervisor and initiatives in which PPATK is one of several contributors. These include annual typologies report, red flag indicators for STR reporting by DNFBPs, report on STRs based on ML court decisions and PPATK examination results, STR indicators for major predicate crimes including corruption, narcotics offences, banking and capital market crimes and forestry crimes. A number of sectoral and regional risk assessments, white paper on risk mapping of TF in relation to ISIS and FTF and reports on ML threat to and from abroad as well as in Indonesia financial services have also been published. In addition, PPATK has also undertaken a number of workshops and trainings for FIs and DNFBPs and established an e-Learning facility (<http://elearning.ppatk.go.id/> and <https://ifilearn.ppatk.go.id/>).

OJK has issued a number of reports, circulars and guidance on the implementation of RBA to AML/CFT (R34.1- OJK Circular Letter 32. SEOJK.03.2017; R34.2- OJK Circular Letter 47. SEOJK.04.2017; and R34.3- OJK Circular Letter 37. SEOJK.05.2017) and established the Communication Forum and Coordination of Financial Service Sector (FKKSJK). The FKKSJK is a forum for assisting FIs with understanding of and compliance with, their AML/CFT obligations through workshops and training. In addition, the OJK provides guidance via its person in charge (PIC) mechanism, which enables direct communication with the PIC of a FI (See IO.3). **BI** has provided guidance via its circulars and undertaken workshops (at least twice a year) for non-bank MVTS and money exchange providers on their AML/CFT obligations. **COFTRA** has published guidance on freezing of assets under TF TFS and the implementation of AML/CFT measures and conducted workshops to assist the FIs it supervises with an understanding of and compliance with AML/CFT obligations. It holds training and other events with licensees on the AML/CFT legislation and implementation. These events are carried out in coordination with licensees and Institutions/Ministries. Most recently, in 2021 training has been provided in conjunction with the PPATK on the use of goAML and reporting of suspicion; this was followed by the issue of written guidance in 2022. **MCS** – published an SRA on cooperatives in 2018 and has issued guidance by means of Circular Directive 30/SE/Dep6/IX/2019 to cooperatives covering AML/CFT principles on recognising service users (i.e., customers) by means. The MCS has also conducted workshops, conducting over ten since the beginning of 2018. **MLHR** – has issued guidance for notaries on meeting the provisions of recognising service users and reporting obligations (MLHR Circular Directive AHU.UM.01.01-1232 and AHU.UM.01.01-1239). The guidance is applicable to AML/CFT. Overall, there is scope to have increased guidance on TF.

Feedback

While there is no legal provision or policy/procedure on the provision of feedback by the PPATK, it has held an annual feedback event on STRs with REs it supervises and industry associations and the typologies research reports and other reports

mentioned above include indicators of suspicion. BI also organises capacity building events for non-bank money changers and non-bank payment service providers, at least twice a year, where feedback regarding implementation of AML/CFT measures on RBA is provided. During on-site and off-site supervision, BI also provides individual feedback to supervised entities regarding RBA, on the basis of art.243.5 of BI Reg. concerning payment service providers.

Weighting and Conclusion

Supervisors, including PPATK use a range of measures to provide guidance to the FIs/DNFBPs to assist them with understanding of and compliance with their AML/CFT obligations. However, there is scope to have increased guidance on TF. In addition, there is no legal provision or policy/procedure on the provision of feedback by competent authorities, supervisors and SRBs and only PPATK provides limited feedback on STRs to members, mainly through typologies.

Recommendation 34 is rated largely compliant.

Recommendation 35 – Sanctions

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.35. The main technical deficiencies included: lack of TF-related sanctions for lawyers, notaries and accountants; sanctions for failure to implement TFS asset freezing without delay were not comprehensive; monetary sanctions for OJK supervised FIs were not dissuasive or comprehensive; lack of specificity regarding the size of fines available to supervisors to address non-compliance in the securities sector, financial advisers, lawyers and notaries; for lawyers and notaries, the available sanctions were not comprehensive; the PPATK Regulation 11 (2011) and the MoF CDD Regulation for Accountants did not contain sanctions.

Criterion 35.1 – AML and CFT Laws provide for sanctions relating to CDD, record keeping, wire transfers, reporting of suspicious transactions and tipping off/confidentiality; these provisions cover most sectors. However, most of the sanctions relating to the requirements of R.6, and 8 to 23, are set out in sector-specific regulations. The available sanctions and deficiencies are detailed below:

Reporting: Arts.25 and 30 of the AML Law provide administrative sanctions for FIs for violation of reporting requirements. Art.11 of PPATK reg.14 (2014) on reporting also provides for administrative penalties for breach of the reporting obligation by reporting entities. In addition, art.55 of PPATK reg.13/2016 provides for “sanctions based on regulations” without referring to specific regulations or how reg.13/2016 fits in with other statutory requirements or sanctions provisions. There are also reporting requirements for FIs (but not DNFBPs) in some supervisory regulations (arts.65-66 of the OJK AML/CFT reg., art.36 of the BI reg. for payment system providers other than banks for late submission of STRs, MCSME Regulation 6/2017 and the CoFTRA AML/CFT reg. for commodity futures brokers). There is no reporting provision and sanction in the PPATK reg.11 (2011). The totality of the framework, including the supervisory provisions for FIs in the next paragraphs, have some degree of dissuasiveness.

Tipping Off: Art.12(5) of the AML Law provides for criminal sanctions for tipping off for directors, commissioners, management and employees of reporting entities but not reporting entities themselves. Art.10 of the CFT Law provides a criminal sanction, namely a custodial sentence of up to five years for individuals for tipping

off and a maximum fine of IDR 1 billion (art.10 of the CFT Law). There are also anti-tipping off requirements for FIs (but not DNFBPs) in some supervisory regulations. The BI reg. for non-bank payment system service providers and non-bank money changing service providers contains an anti-tipping off provision (art.48(2)). Arts.57–59 provide for sanctions. Art.20 of the BI reg. for non-bank foreign exchange traders provides for sanctions in the form of special warnings and, if special warnings are not followed up, revocation of licences; there are no fining powers and the range of sanctions in this reg. is not wholly proportionate or dissuasive. BI may also publicly announce the imposition of sanctions. The other supervisory regulations do not include sanctions for tipping off. The totality of the tipping off sanctions, including the supervisory provisions, has some dissuasiveness but is not wholly dissuasive.

FIs: Art.19 of the CFT Law provides sanctions for breach of the wire transfer requirements in that law by cross-reference to the sanctions for breaches of the Fund Transfer Law. Arts.8-9 of the OJK Law and arts. 65-66 of the OJK AML/CFT reg.23/2019 provide a range of sanctions. These financial penalties have some dissuasiveness but are not wholly dissuasive for some FIs. For other breaches, the sanctions include written warnings (which in practice are letters requiring remediation of breaches), financial penalties, limitation of business activities, the suspension of business activities and public statements. Arts 57–59 of the BI reg. for non-bank payment system service providers and non-bank money changing service providers provides sanctions.

Art.37 of the BI Regulation for non-bank payment system providers includes written warnings (i.e., letters requiring remediation of breaches), suspension of licenses, and cancellation and revocation of licenses. There is no fining power for breaches except in one respect: under article 36, fines of IDR 50 000 per day can be imposed for late submission of information reports, with the penalty rising to IDR 3 million and a written warning for delays of more than 30 days.

Art.47 of the Law 25 1992 on cooperatives allows for termination of a cooperative. While this provision has limited AML/CFT applicability, art.47 of the MCSME KYC Regulation on cooperatives includes the ability to impose first and second written warnings, temporary dismissal of a manager or management, suspension of licenses, revocation of licenses and dissolution of a cooperative. There is no fining power for breaches. Art.50 of the CoFTRA AML/CFT Regulation for commodity futures brokers contains provisions for a written warning, a fine, the freezing or revocation of business activities, and the suspension, cancellation or revocation of a license.

Art.55 of PPATK reg.13/2016 on procedure of implementation on compliance audit, special audit, and monitoring of audit result provides for sanctions for breaches of the mechanisms for remediation of breaches and responses to the PPATK. These sanctions are a written warning, followed by another written warning, followed by one or more of publication of the reporting entity's name as disobedient; a recommendation to a relevant authority to redo the fit and proper test, freeze business activities, or revoke or cancel a license or where applicable report to LEAs that the entity might be involved with ML.

DNFBPs: Arts.42-46 of each of the PPATK KYC Regulation for financial planners, PPATK Reg.7/2017 on KYC for other goods/service providers, PPATK Reg.11/2014, Art.13 for lawyers, PPATK reg.10/2017, reg.6/2017 on KYC for financial planners, provide for administrative sanctions of written warnings, financial penalties of up to 100 million IDR (under Government reg.61/2021 and public statements. PPATK can also recommend to the Ministry of Trade to suspend business activities and revoke

licenses. In addition, art.55 of PPATK reg.13/2016 provides for sanctions for breaches of the mechanisms for remediation of breaches and responses to the PPATK. PPATK has freedom to apply the sanctions. However, the size of fines is not specified so the dissuasiveness and proportionality of the sanctions cannot be fully determined. Art.30 of the MLHR KYC Regulation for notaries does not contain specific sanctions but refers to a sanctions imposition procedure to be conducted “on the prevailing law or regulation”; this is PPATK reg.14/2014. Art.13 of MoF CDD Regulation for accountants provides for administrative sanctions of warnings and permit suspensions; there is no fining power for breaches.

TFS: There are no sanctions attached to the freezing obligation in art.28 of the CFT Law or in the joint TF freezing regulations, nor in Circular 5 of 2016. However, there are freezing requirements and a requirement to file an STR in some supervisors’ AML/CFT regulations (OJK AML/CFT reg., art.46, BI reg.19.10 (2017), art.47, CoFTRA AML/CFT reg. for futures brokers, art.40). Article 50 of CoFTRA AML/CFT Regulation for Futures Brokers imposes a range of administrative/financial sanctions. BI can impose a range of sanctions on BI-supervised entities (Art. 57-59 of BI reg.19/10/PBI/2017) as described above.

OJK can impose sanctions on OJK-supervised entities for non-compliance with obligation related to freezing, prohibition relating to providing, extending or lending funds to or for the benefits of persons or entities listed in the DTTOT and for non-compliance with reporting obligations. PPATK reg.17/2017 on KYC for postal provider, art.40(4) and art.49 provide for sanctions that are not particularly graduated or proportionate. Art.35 of PPATK reg.10/2017 require real estate agents and property companies, lawyers, financial planners, car dealers, and DPMS maintain a list of suspected terrorists and terrorist organisations. Art.42 of PPATK reg.10/2017 provides for written warnings and public statements, suspension of business activities and revocation of license, for non-implementation of requirements to identify designated individuals and freeze their assets. Sanctions are not specified for non-compliance with obligations relating to providing, extending, or lending funds to or for the benefits of persons or corporations which identities are listed in the DTTOT. There is no freezing requirement in MCS reg.6/2017.

For postal service providers, there are freezing provisions in PPATK TF Freezing Circular 5/2016. PPATK Reg.17/2017, arts.40(4) and 49 require postal providers to maintain a list of suspects, provides for written warnings and public statements, as well as suspension of business activities and revocation of licence, in the event of non-implementation of requirements to identify designated individuals and freeze their assets. The range of sanctions available does not provide for monetary sanction and does not appear proportionate or dissuasive.

The BI reg. for non-bank payment system service providers and money changing service providers contains anti-tipping off provision in relation to TFS (art.48(1)). Its breach is considered a criminal charge.

NPOs: In addition to the sanctions available under the AML Law, arts.60-82 of the CSO Law set out some limited sanctions and art.19 of the NPO reg. extends them to breaches of the TF-specific obligations (art.5) and record keeping (art.6). The available sanctions are somewhat dissuasive but not proportionate (see c.8.4.b).

Criterion 35.2 – The applicability of the sanctions in the AML and CFT Laws to individuals in relation to reporting and tipping off is identified in c.35.1. Also see c.35.1 for the supervisory regulations (including for TFS). In addition:

FIs: Art. 66(1) and 66(3) of the OJK reg.23/2019 permits the OJK to terminate the appointment of one or members of management and appoint a temporary replacement. This provision covers individual management and directors. It also allows the OJK to include members of the BOD and BOC on its confidential list of “despicable people”. Arts 66(1) and (3a) permit the OJK to levy fines on individuals of up to five billion IDR. This fine is not wholly dissuasive. Art.57 of BI reg.19/10/2017 provides for a range of sanctions applying to members of the BOD/BOC, shareholders, and executive officers.

The MCS KYC reg. and the PPATK reg.11/2011 do not contain sanctions provisions in relation to individuals. Art.50 of the CoFTRA AML/CFT Regulation for commodity futures brokers applies the sanctions provisions described at c.35.1 to directors and senior management although, in practice, only written warnings; fines; and the freezing or revocation of business activities would be applicable.

DNFBPs: The sanctions provisions in the three PPATK KYC Regulations for financial planners, advocates, and other goods and services, and the MoF CDD Regulation for accountants cover sole practitioners but not individuals otherwise working within firms. The MLHR KYC Regulation for notaries does not apply to individuals.

NPOs: For NPOs, civil and criminal sanctions are applicable to managers and employees, but not necessarily to directors and members of the board (NPO law, art.81).

Weighting and Conclusion

Overall, Indonesia has measures in place to apply sanctions for non-compliance with AML/CFT measures, including in the major sectors. They are dissuasive and proportionate to some extent. Where they are specified, maximum financial penalties are not dissuasive for larger institutions. For DNFBPs, sanctions are not specified for non-compliance with obligations relating to providing, extending, or lending funds to or for the benefits of persons or corporations which identities are listed in the DTTOT. Sanctions do not always explicitly apply to all FIs, DNFBPs and NPOs’ directors and senior managers.

Recommendation 35 is rated largely compliant.

Recommendation 36 – International instruments

In its 2018 APG evaluation, Indonesia was rated largely compliant. The main technical deficiencies related to shortcomings in implementing R.3-5.

Criterion 36.1 – Indonesia is a party to the four conventions, having ratified the Vienna Convention (through Law 7/1997); the Palermo Convention (through Law 5/2009), the Merida Convention (through Law 7/2006), and the Terrorism Financing Convention (through Law 6/2006).

Criterion 36.2 – The relevant articles of the Vienna Convention, the Merida Convention, the Palermo Convention, and the Terrorism Financing Convention have been implemented, but there are some shortcomings in implementation (see R.4-5).

Weighting and Conclusion

Indonesia is a party to the four conventions, but there are some minor shortcomings in implementation (see R.4-R.5).

Recommendation 36 is rated largely compliant.

Recommendation 37 - Mutual legal assistance

In its 2018 APG evaluation, Indonesia was rated largely compliant. The main technical deficiencies were that: (i) MLA legislation allowed for refusal when requests ‘burden the assets of the State’ on a discretionary basis, without further clarifying how or to what extent such ‘burden’ is taken into account to refuse a request; and (ii) although the principle of dual criminality in the MLA Law was at the discretion of the MLHR, in the absence of a bilateral treaty, there was no specific practice or legal requirement to give effect to c.37.7.

Criterion 37.1 – Indonesia has a legal basis for the provision of a wide range of MLA in criminal matters, including ML, associated predicate offences and TF. The Mutual Legal Assistance in Criminal Matters Law 1/2006 (MLA Law) provides for a wide range of MLA forms in those offences, such as 1) locating and identifying witnesses and suspects, 2) providing evidence, 3) taking persons’ statements, 4) making arrangements for persons to give evidence or to assist in criminal investigations, 5) recovering and confiscating assets/property and proceeds of crime, 6) restraining dealings in property, or freezing of assets/property, that may be recovered and 7) executing requests for search and seizure (MLA Law, art.3). MLA can be provided based on MLA Treaties or based on good relationship under the reciprocity principles (MLA Law, art.5). There is no legal impediment for MLA to be provided rapidly.

Criterion 37.2 – MLHR is the central authority for the transmission and execution of MLA requests (MLA Law, arts.1, 8-9). The MLHR 2017 guidance for the handling of MLA in criminal matters outlines the process for the transmission and execution of requests. The guidance outlines a clear process for the timeframe in dealing with MLA requests and provides relevant criteria for prioritisation (urgency and type of crime, relationship with the requesting country). For urgent requests, AGO, INP, and KPK may facilitate early execution by alerting the relevant LEAs and by commencing work based on an advance copy of the request. Indonesia has a case management system (SIM)jaOP) to track MLA requests and progress.

Criterion 37.3 – Generally, the reasons for refusing an MLA request are not unduly restrictive or unreasonable (MLA Law, art.6). Art.7(d) of the MLA Law allows for the refusal of requests if the approval will “burden the assets of the State”. However, this can be overcome through cost sharing arrangements with the requesting State as per the MLA guidance 2022.

Criterion 37.4 – The MLA Law does not contain any provision to refuse requests on the sole ground that the offence involves fiscal matters, or on the grounds of secrecy or confidentiality requirements on FIs/ DNFBPs.

Criterion 37.5 – MLHR is obliged to maintain the confidentiality of MLA requests (MLA Law, art.58(3)). Additional clarification is included in MLHR guidance, which states that all MLA requests should be considered entirely confidential but that the requesting country should clarify information that is particularly sensitive. However, it is not clear whether requirements exist for other competent authorities to maintain confidentiality when dealing with MLA requests.

Criterion 37.6 – The MLA Law provides MLHR with the discretion to refuse requests on the basis of dual criminality (MLA Law, art.7). The MLA Law further clarifies that before refusing such requests, the MLHR must consider providing such assistance based on specific procedures (MLA Law, art.8). This interpretation was confirmed by Supreme Court Decision Number 31 of 2013. The MLHR 2017 guidance, as updated in 2022, clarifies that the determination of the dual criminality principle shall be based on actions that meet the elements of a criminal offence in both the requesting and requested country regardless of the placement of the offence in the same category or identification of the offence by the same term. The MLA Law does not distinguish between coercive or non-coercive action in the execution of an MLA. Indonesia reports that it has never refused a request on the grounds of dual criminality.

Criterion 37.7 – As discussed above, the principle of dual criminality in the MLA Law is at the discretion of the MLHR. In bilateral treaties, the principle of dual criminality can be regulated as discretionary ground for refusal. In the absence of a bilateral treaty, the relevant provision in the MLA Law for dual criminality does not set restrictions for the categorisation or terminology of the offence in requesting countries.

Criterion 37.8 – Competent authorities, including the lead agencies responsible for following up on MLA requests - AGO and INP - have most of the appropriate powers under R.31, including taking witness statements, and seizure of documents (MLA law, Chapter III). The MLA law clarifies that the MLHR may seek the assistance of other LEAs such as BNN or KPK in the process of executing a request from other countries regarding MLA. Therefore, the identified gaps in special investigative powers for some domestic agencies (see R.31) may have some impact here for execution of MLA requests.

Weighting and Conclusion

While Indonesia has a legal basis for the provision of a wide range of MLA in criminal matters, minor deficiencies remain related to use of special investigative techniques for MLA requests (arising from R.31 gaps), and it is not clear whether MLA confidentiality requirements for MLHR would extend to other competent authorities.

Recommendation 37 is rated largely compliant.

Recommendation 38 – Mutual legal assistance: freezing and confiscation

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.38 due to minor deficiencies, namely ad hoc agreements must be undertaken when it comes to the confiscation of property of corresponding value, non-criminal confiscation, and assets sharing.

Criterion 38.1 –

(a)-(d) - Indonesia has the authority to take action in response to MLA requests, based on a foreign jurisdiction's warrant and/or court stipulation to identify and seize: laundered property from, proceeds from, instrumentalities used in, or/and instrumentalities intended for use in, ML, predicate offences of TF (MLA Law, arts.41-42).

In implementing the above measures, the AGO or INP can apply to the Head of the Local District Court for a search and seizure warrants with respect to foreign requests for goods, articles or assets (MLA Law art.42). Furthermore, Indonesia has provisions

to allow foreign countries to request confiscation of seized assets, based on a foreign court ruling (MLA Law, arts.51 and 52), which requires a certificate of ownership from the foreign government. However, there is no public guidance for foreign governments as to what would be required to satisfy this requirement.

(e) There is no legal power to confiscate property of corresponding value outside of corruption cases and tax debts (see R.4.1(d)).

Criterion 38.2 – In general, assistance for asset recovery requests from foreign countries is limited to conviction-based confiscation proceedings. Indonesia's domestic laws allow asset confiscation in relation to ML when a perpetrator is unavailable due to death, flight, or absence in certain cases. In practice, Indonesia reported that it has fulfilled an MLA request based on non-conviction-based verdict. In addition, Indonesia has some MLA treaties that require parties to fulfil non-conviction based MLA requests, such as art.20(4) of MLA Treaty between Indonesia and Russia and art.22 of ASEAN MLA Treaty. However, there is no equivalent legal provisions in relation to related predicate offences and TF in such circumstances.

Criterion 38.3 – (a)/(b) Indonesia has arrangements for coordinating seizure of goods with foreign countries, and dealing with property frozen and confiscated (MLA Law, arts 45–47; and AGO reg.2014 on Asset Recovery). The ARC is the central agency for coordinating asset recovery based on domestic and foreign requests. The AGO reg.2014 provides mechanisms for the management of all phases of asset recovery based on domestic and foreign requests, including disposing of property frozen, seized, or confiscated.

Criterion 38.4 – Indonesia is able to share confiscated property with other countries only on the basis of ad hoc agreements made (MLA Law 1/2006, art.57), such as art.16 of MLA Treat between Indonesia and Swiss Confederation. There is no overarching law or guidance that requires Indonesia to be able to share confiscated property with other countries.

Weighting and Conclusion

Generally, Indonesia has the legal power to take action in response to foreign MLA requests for freezing and confiscation of assets. However, requests for confiscation of assets need to be accompanied by a certificate of ownership from the foreign government and there is no public guidance for foreign governments as to what would be required to satisfy this requirement. Other minor deficiencies include the absence of legal power to confiscate property of corresponding value, the lack of powers to cooperate on non-conviction based confiscation requests for TF (the significance of which is detailed in c.4.1(d) applies equally to R.38), and predicate offences and the lack of an overarching law or guidance on sharing assets with foreign counterparts.

Recommendation 38 is rated largely compliant.

Recommendation 39 – Extradition

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.39 due to minor deficiencies in relation to extradition requests, which required appraisal by several authorities, leading to potential delays, and the legislation did not provide for simplified extradition mechanisms.

Criterion 39.1 –

(a) Indonesia can execute extradition requests in relation to ML/TF on the basis of bilateral treaties or in a discretionary manner based on the country's policies and a relationship of reciprocity (Extradition Law, arts.2 and 4). Indonesia has ratified 13 bilateral and multilateral extradition treaties, including with major regional and international partners. Indonesia has also developed guidelines for foreign jurisdictions on the execution of extradition requests.

(b) Indonesia has a case management system. Arts.22–24 and 39 of the Extradition Law and the MLHR guidance provides a process for the handling of extradition requests with specific timelines prescribed. Pursuant to art.28 of the Extradition Law, extradition proceedings should be prioritised.

(c) The reasons for refusal of extradition requests do not seem unreasonable or unduly restrictive and include requests which are charged with the death penalty, or political requests (Extradition Law, arts.4-16). Based on the legislation, the precondition for Indonesia to grant extradition for ML/TF is based on the policy of the requesting jurisdiction against specific offences. The MLHR guidance for handling extradition provides a checklist of extradition request to be submitted to Indonesia. Indonesia reported that in practice, these principles are applied consistently among different requesting countries and that no extradition request in relation to ML/TF has been refused.

Criterion 39.2– Indonesia's Extradition Law exempts extradition of its own nationals (Extradition Law, art.7(1)). Nevertheless, Indonesia has the discretion to allow the extradition of its nationals under circumstances where it is better that the Indonesian national be adjudicated in the jurisdiction where the offence was committed (Extradition Law, art.7(2)). It is not entirely clear through case law or guidelines, that this means that when extradition cannot be executed on account of the request involving an Indonesian national, that the he or she will be prosecuted domestically.

Criterion 39.3 – Based on art.3(2) of the Extradition Law, extradition may be conducted “..... *only if said attempt, assistance and conspiracy may be punished under domestic laws of the Republic of Indonesia and the Requesting Country in requesting extradition*”. However, the Extradition Law does not explicitly require that the foreign offence be within the same category or use the same terminology as the corresponding offence in Indonesia.

Criterion 39.4 – Guidelines on Extradition allow for some simplified extradition when the fugitive voluntarily accepts the extradition decision where the fugitive will be extradited without going through any adjudication process in court. Indonesia can also offer simplified extradition procedures on the basis of bilateral treaties.

Weighting and Conclusion

Indonesia can execute extradition requests in relation to ML/TF on the basis of bilateral treaties or in a discretionary manner, based on the policy of the requesting country. A minor deficiency relates to the uncertainty over the criteria to be able to prosecute Indonesian nationals domestically where extradition is refused on account of their Indonesian nationality.

Recommendation 39 is rated largely compliant.

Recommendation 40 – Other forms of international cooperation

In its 2018 APG evaluation, Indonesia was rated largely compliant with R.40. The deficiencies related to general principles, exchange of information between supervisors, LEAs and counterpart cooperation.

Criterion 40.1 – Generally, LEAs, supervisors and PPATK can provide international cooperation and exchange information in relation to ML, predicate offences and TF (AML Law, art.90 (1) and (2) and CFT Law, arts.(41) and (42)). PPATK, in particular, is able to exchange information both spontaneously and upon request and provides for measures for expedited procedures and timeliness in its SOP. In addition, Guideline for information exchange with foreign financial supervisors, issued by OJK, contains structures on information exchange of both spontaneously and upon request. The Guideline sets time limits for exchanging information both on request and on a voluntary basis. However, timeliness of cooperation is not specifically set out in procedures of other institutions.

Criterion 40.2 –

(a) Competent authorities have a lawful basis for providing cooperation (AML Law, art.90 (1) and (2) and CFT Law, arts.(41) and (42)).

(b) There are no objections to the use of the most efficient means to cooperate in enabling legislation for key competent authorities, and some of them have MOUs with foreign counterparts setting parameters for efficient cooperation between authorities. Moreover, (i) INP has liaison officers in several regional jurisdictions and other foreign jurisdictions and (ii) PPATK conducts analyst exchange programs with foreign jurisdictions to foster international cooperation capacity.

(c) INP uses Interpol Channels as its primary gateway for international cooperation. KPK and BNN also utilise these channels via assistance requests to/from Interpol Indonesia. PPATK uses the Egmont Secure Website (ESW). Communication for non-Egmont members is classified and carried by secured e-mail. Both KPK and BNN primary gateway to exchange information directly to targeted foreign counterpart, KPK and BNN utilizing secure and encrypted email. However, no information was provided to demonstrate that other competent authorities, namely other LEAs and supervisory authorities (e.g., AGO, DGT, DG Customs, BI, and OJK) use appropriate and secure means or mechanisms for the transmission and execution of requests.

(d) OJK has clear procedures to handle information exchange (circular letter of board of commissioner OJK number 4/SEDK.01/2020 on guideline for information exchange with foreign financial services institution supervisory measures). The SOP on Exchange of Information specifies a deadline within which the OJK should follow up on a request from its foreign counterparts. PPATK has established a Financial Intelligence Consultative Group (FICG) to provide for timely execution of terrorism-related requests. It also strives to enhance the timeliness of responses via informal coordination with the Detachment 88 specialised unit. Since 2018, FICG has expanded the scope to ML. PPATK also cooperates in establishing (i) transnational laundering of corruption of proceeds; (ii) red flags indicators of transnational laundering of corruption of proceeds, (iii) red flag for illegal wildlife trade, and (iv) operational alert on VAs. PPATK SOP and Circular 4 of 2017 contain specific criteria to prioritise and expedite procedures related to terrorism cases. The Circular further provides for criteria to prioritise, and of criteria is cases relating to Corruption, Taxation, Narcotics, Forestry, Banking, Capital Market and Terrorism Funding offenses which

are high-risk offenses in the NRA. However, no information was provided to demonstrate if other competent authorities have clear processes for prioritisation and the timely execution of requests.

(e) PPATK has processes for safeguarding information received from foreign jurisdictions (PPATK reg.8 of 2013, art.14). DGT regulates the safeguard on exchange of information (art.10 PMK number 39, 2017 (guidance of exchange information of DGT). For OJK, BNN, INP, DGCE and AGO, MOUs with foreign counterparts contain the obligation of the parties to maintain the confidentiality of information. However, no information is available to demonstrate how other competent authorities, notably KPK, KLHK and supervisory authorities, safeguard the information received from foreign parties.

Criterion 40.3 – Competent authorities, namely LEAs, supervisors and the FIU, have a legal basis to enter into bilateral or multilateral agreements or arrangements to cooperate, with their foreign counterparts, to exchange information on ML, related predicate offences and TF. It is not clear whether this is done in a timely way.

Criterion 40.4 – The OJK has a legal basis to provide feedback in a timely manner to competent authorities on the use and usefulness of the information obtained (Information Exchange SOP). OJK Guidelines require feedback to foreign parties on information received within 3 working days of receiving the information. Likewise, PPATK must provide feedback to domestic and foreign parties on information submitted to PPATK within 3 working days of receiving the information. However, no information is provided to demonstrate that other competent authorities, namely LEAs and supervisory authorities provide such feedback, upon request.

Criterion 40.5 – Generally, OJK guideline does not prohibit nor place unreasonable or undue restrictive conditions on information exchange or assistance, and do not refuse requests for assistance on the grounds listed in this criterion. For PPATK, INP, DGCE and DGT, MOUs with foreign counterparts provide for cases to refuse exchange of information and do not prohibit nor place unreasonable or undue restrictive conditions on information exchange or assistance, and do not refuse requests for assistance on the grounds listed in this criterion. However, no information provided for other LEAs and supervisory authorities to meet the requirement of this criterion.

Criterion 40.6 – Art. 17 of Law 14 of 2008 on disclosure of Public Information provides an overarching legal framework for disclosure of information and prohibits disclosure of information which may obstruct a criminal investigation or inquiry. MOUs contain provisions that all confidential information submitted can only be used for purposes in accordance with statutory provisions. Authorities and employees must maintain the confidentiality of information received and only use the information for the purpose stated in the request for information. If the requesting party intends to use the information received for purposes other than those stated in the request, it must obtain approval from the requested foreign supervisory authority. PPATK has established measures and safeguards over information exchange on the basis of a standard template provided by the Egmont Group. BI MoUs with other central banks contain an article that information obtained must be used only for the purpose for which the information was provided, unless prior consent has been given by the requested competent authority. For OJK, Art. 33(1) of the OJK Law provides for general confidentiality requirements and MoUs establish similar requirements. In addition, Letter C of Item 1 of guideline for information exchange with foreign financial supervisors, issued by OJK, provides that “The information may only be used by the requesting party and only for the purpose stated in the

information request. In the event that the Information requesting party shall use the information received for purposes other than those stated in the request for information, the information requesting party must notify and obtain the consent of the information provider". However, for other competent authorities, no information is available to demonstrate compliance with this criterion.

Criterion 40.7 – The obligation of OJK's internal/external parties to maintain confidential information obtained in the course of duties remains in effect post-employment or engagement with OJK (Board of Commissioners' reg.6/PDK.02/2017, art.4). Based on MoUs between OJK and foreign counterpart institutions, requesting parties cannot disclose information received to third parties, except in cases where required by law or when approved by the requesting authorities upon notification. In addition, members of the Board of Commissioners, OJK officials or employees are prohibited from using or disclosing any confidential information to other parties, except for carrying out functions, duties and exercising authority based on OJK decisions or as required by law (OJK Law, art.33 Para1). BI MoUs with counterparts contain an article that information obtained must be used only for the purpose for which the information was provided, unless prior consent has been given by the requested competent authority. PPATK regulates the limitation access for PPATK's employee on confidential information under PPATK reg. PER-13/1.02/PPATK/09/2022. DGT regulates the safeguard and confidentiality of exchange of information with foreign counterparts in art.10 PMK number 39, 2017. In addition, PPATK, and key LEAs, such as BNN, INP, DGCE and AGO MOUs with foreign counterparts requesting parties cannot disclose information received to third parties, except in cases where required by law. However, no information is available if other competent authorities, such as KPK, KLHK and other supervisory authorities maintain confidentiality of any request for co-operation and the information exchanged, or if they can refuse to provide information if the requesting competent authority cannot protect the information effectively.

Criterion 40.8 – Most LEAs (INP, AGO and DGT) and the PPATK are able to conduct inquiries on behalf of their foreign counterparts and exchange information with them. OJK can cooperate and exchange information with its foreign counterparts and international organisations (Art. 47, the OJK Law). However, it is not clear whether other competent authorities, such as other LEAs and other supervisory authorities can conduct inquiries on behalf of foreign counterpart, or whether they can exchange information with their foreign counterparts, that would be obtainable by them if such inquiries were being carried out domestically.

Exchange of information between FIUs

Criterion 40.9 – PPATK has adequate legal basis for providing cooperation on ML, associated predicate offences and TF (Arts. 44(1)(c), 89 and 90, AML Law and Art. 41, CFT Law).

Criterion 40.10 – Section D of PPATK Circular 4 (2017) stipulates that PPATK must provide feedback to foreign counterparts on the information it received.

Criterion 40.11 (a-b) – PPATK has broad powers to exchange information (Arts. 44(c)(d), 89 and 90, AML Law and Art. 4, CFT Law), with the only limitation being those requests from foreign LEAs and or counterparts will only be fulfilled insofar as they do not disrupt the national interest and take into account the provisions of laws

and regulations relating to foreign affairs and international treaties (Art. 44(d), AML Law).

Exchange of information between financial supervisors

Criterion 40.12 – Generally, supervisors have the legal basis for proving co-operation with foreign counterparts, as follows:

PPATK – PPATK can cooperate with foreign counterparts including in relation to its supervisory functions (Art. 90, AML Law and Article 41, CFT Law).

OJK – The OJK can cooperate and exchange information with its foreign counterparts and international organisations (Art. 47, the OJK Law). OJK can also conduct inquiries on behalf of foreign counterparts and provide assistance with examinations and investigation conducted by foreign authorities. All forms of international cooperation, including in the area of regulation, supervision and investigation, must be based on the principle of balanced reciprocity

BI – Under Art 56 of BI AML/CFT Regulation, BI can cooperate with foreign counterparts including in relation to its supervisory functions. BI can also cooperate with international institutions including multilateral agencies in order to carry out the task referred to in Article 8.

CoFTRA – There is no legislative provision either allowing or not allowing cooperation with foreign counterparts and no information is provided to demonstrate if CoFTRA can cooperate with foreign counterparts.

MCS – There is no legislative provision either allowing or not allowing cooperation with foreign counterparts.

Criterion 40.13 – Under the AML Law, OJK Law and Bank Indonesia Law, PPATK, OJK and BI have wide-ranging power to cooperate and exchange information with foreign counterparts. Although information held by FIs is not explicitly excluded. In general, the exchange of information must be done in a manner of reciprocity (the OJK Guideline on Information Exchange and Article 56 of BI AML/CFT Regulation). However, CoFTRA's and MCS's ability to exchange information with foreign counterparts is not demonstrated.

Criterion 40.14 (a-c) – PPATK, OJK, and BI have wide-ranging power to cooperate and exchange relevant information. However, CoFTRA's and MCS's ability to exchange information as set out in sub-criterion 40.14(a)–(c) is not demonstrated.

Criterion 40.15 – Under the AML Law, OJK Law and BI Law, PPATK, OJK and BI have wide-ranging powers to cooperate and exchange information, which may include conducting inquiries on behalf of foreign counterparts and facilitation of foreign counterparts' inquiries. However, CoFTRA's and MCS's ability to conduct inquiries on behalf of foreign counterparts or to facilitate such inquiries is not demonstrated.

Criterion 40.16 –

PPATK – Regulation of the Head of PPATK Number 13, 2011 concerning information security governance sets policy on management of information access rights in PPATK. It states the parties who need access to information must apply for written permission to the owner, who must ensure that they have signed a confidentiality agreement.

OJK - To ensure the use of information for supervisory and non-supervisory purposes, the Regulation requires that MoUs between OJK and foreign authorities contain specific article on requirements to specify the information requested and the purpose for which it is sought. In addition, pursuant to the OJK Guideline on Information Exchange there is a requirement upon OJK to have prior authorisation of the requested financial supervisor for any dissemination of information exchanged with foreign counterparts.

BI - The terms for information exchange are elaborated in MoUs, through Art.56 of BI Regulation. For example, the MoU between BI and PPATK states that information exchange is confidential and there is a specific article regarding requirements to specify the information requested and the purpose for which the information is sought.

CoFTRA and MCS it is not clear if there are requirements upon CoFTRA and MCS to have prior authorisation of the requested financial supervisor for any dissemination of information exchanged with foreign counterparts, nor to promptly inform the requested authority in case they are under a legal obligation to disclose or report the information.

Exchange of information between law enforcement authorities

Criterion 40.17 – Most LEAs can exchange domestically available information with foreign counterparts for intelligence or investigative purposes relating to ML, associated predicate offences or TF (INP: Law 2 of 2002 art.15(2)(h); KPK: Law 30 of 2002, art.12(h), and NNB: Law 35 of 2009, art. 70(g)). However, it is not demonstrated that the aforementioned authorities are able to exchange information on the identification and tracing the proceeds and instrumentalities of crime. Art. 12(h) of Law 30 of 2002 grants KPK the power to request assistance from Interpol Indonesia or the law enforcement institutions of other nations to conduct searches, arrests, and confiscations in foreign countries without granting the same power to provide domestically available information to foreign counterparts for intelligence or investigative purposes. AGO can exchange domestically available information with foreign counterparts (Art. 117, President reg.38 of 2010 on AGO's Organisation as amended by President reg.29 of 2016). In addition, these LEAs have a number of MOUs with foreign counterparts to support information exchange.

Criterion 40.18 – INP and KPK can use available investigative techniques to conduct inquiries and obtain information on behalf of foreign counterparts as specified in MOUs and multilateral treaties (INP: Art. 15(2)(h), Law 2 of 2002; KPK: Art. 12(h), Law 30 of 2002). However, it is not clear whether Art. 12(h) of Law 30 of 2002 grants power to the KPK for using available investigative techniques to conduct inquiries and obtain information on behalf of foreign counterparts as the Article grants a power to “request assistance from Interpol Indonesia or the law enforcement institutions of other nations to conduct searches, arrests, and confiscations in foreign countries”. In addition, it is not clear whether Indonesia is a party to the Interpol convention and whether Indonesia abides by the restrictions on use imposed under this convention. For other LEAs, while NNB, DG Tax, and DG Customs may use investigative techniques to conduct inquiries and obtain information on behalf of foreign counterparts, it is the INP as the primary LEA which would conduct such inquiries. Furthermore, it is unclear whether AGO, as an investigative and prosecutor body, has a power to use available investigative techniques to conduct inquiries and obtain information on behalf of foreign counterparts.

Criterion 40.19 – INP is able to cooperate with foreign counterparts, including by forming Joint Investigative Teams (JITs) (Police Law, art.15(2)(h)). NNB is able to cooperate with domestic authorities and to establish bilateral and multilateral cooperation with other countries and international institutions, both regional and international, in the framework of the fostering and supervision of Narcotics and Narcotic Precursors (Narcotics Law, arts.63, 75, and 83). For NNB, INP and DGCE, MOUs with foreign counterparts provides for forming JITs. KPK can extend bilateral or multilateral co-operation (KPK Law, art.13(f,)). For other LEAs, namely AGO, DGT and KLHK, it is unclear whether they have powers to form JITs and/or to establish bilateral/multilateral arrangements to enable such joint investigations.

Exchange of information between non-counterparts

Criterion 40.20 – Art.48 of the OJK Law enables OJK to cooperate with non-supervisory counterparts as the Article refers to all forms of international cooperation, including investigations. For PPATK, art.35(2)(a) Presidential Regulation 50, 2011 states that PPATK’s foreign counterpart not limited to in the field of prevention and eradication ML and other crimes that relates with ML (including TF). However, for other competent authorities, no information was provided to demonstrate whether they have the ability to exchange information indirectly with non-counterparts, applying the relevant principles under the criterion. In addition, the laws and procedures are silent about outgoing requests from Indonesia authorities to foreign non-counterparts.

Weighting and Conclusion

Indonesian meets or mostly meets the vast majority of requirements. However, some minor deficiencies still exist. 1) Not all LEAs and supervisory authorities: a) use appropriate and secure means or mechanisms for the transmission and execution of foreign requests, b) have clear processes for prioritisation and the timely execution of requests and c) safeguard the information received from foreign parties, 2) insufficient information has been provided to demonstrate competent authorities do not prohibit nor place unreasonable or undue restrictive conditions on information exchange or assistance, and do not refuse requests for assistance on the grounds listed in C 40.3, no information available on other competent authorities to demonstrate maintain the confidentiality of information received and only use the information for the purpose stated in the request for information, unless prior authorization has been granted. Likewise, no information available whether other competent authorities maintain confidentiality of any request for co-operation and the information exchanged, or if they can refuse to provide information if the requesting competent authority cannot protect the information effectively, 4) the ability of all LEAs to: a) exchange information on the identification and tracing the proceeds and instrumentalities of crime, b) form Joint Investigative Teams and to establish bilateral or multilateral arrangements to enable such joint investigations and 5) no information available to demonstrate whether all competent authorities have the ability to exchange information indirectly with non-counterparts.

Recommendation 40 is rated largely compliant.

Technical Compliance – Key Deficiencies

Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	LC	<ul style="list-style-type: none"> Absence of formal risk assessment for SDD measures. MCS regulations for cooperatives do not cover requirements of c.1.10.
2. National cooperation and coordination	LC	<ul style="list-style-type: none"> NCC functions do not explicitly include CFT, though in practice it is covered.
3. Money laundering offences	C	<ul style="list-style-type: none"> The Recommendation is fully met.
4. Confiscation and provisional measures	LC	<ul style="list-style-type: none"> Indonesia can only confiscate corresponding value in relation to corruption cases, where there is a State loss or in relation to tax debts including where such debts may be a result of a criminal offence. There is no explicit legal provision that these measures should be carried out <i>ex-parte</i> or without prior notice. Prejudice action is criminalised under the criminal code with a maximum sentence of 9 months imprisonment or a maximum fine of IDR 300 (EUR 0.02). Aside from the fact that, the sanctions do not appear proportionate and dissuasive, the provision sets an exception whenever these prejudiced actions are undertaken by the defendant's blood relatives, spouse or ex-spouse. Taxpayers are prohibited from transferring the right over confiscated property or transferring, leasing, lending, or damaging confiscated property. However, it is not clear whether this would cover all individuals entrusted with managing confiscated property.
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> As the terms "terrorist" and "terrorist organisation" are not defined in the TF Law, it is not clear that it covers the acts described in the Art(1)(b) and the acts in the Annex of the TF Convention.
6. Targeted financial sanctions related to terrorism & TF	PC	<ul style="list-style-type: none"> The maximum period of 3 days to give effect to UN designations exceeds the FATF Glossary's definition of "without delay". The obligation to freeze applies to reporting entities only and does not extend to all natural and legal persons. There is no general requirement that prohibits natural and legal persons from making available funds or other assets to designated persons and this requirement do not apply to DNFbps or other actors. Some expenses are excluded from asset-freezing requirements.
7. Targeted financial sanctions related to proliferation	PC	<ul style="list-style-type: none"> Framework contains gaps in its enforceability because it does not apply to all natural or legal persons, does not require reporting for attempted transactions, or clearly prohibits the provision of funds or services to designated persons.
8. Non-profit organisations	PC	<ul style="list-style-type: none"> The methodology to identify the subset of CSOs that fall within the FATF definition that fall within the FATF definition and at-risk NPOs is ambiguous. Limited evidence exists on educating the donor community about the potential vulnerabilities of NPOs to TF abuse; working with the NPO

Recommendations	Rating	Factor(s) underlying the rating
		community to put measures, practices, and policies in place to protect them; putting risk-based/targeted measures and supervision in place.
9. Financial institution secrecy laws	LC	<ul style="list-style-type: none"> No express provisions covering PPATK for TF issues.
10. Customer due diligence	LC	<ul style="list-style-type: none"> No specific requirements for cooperatives, non-bank payment and money changing service providers, and postal providers regarding specific CDD measures required for legal persons and legal arrangements Lack of consistent definition of beneficial owner, and therefore of requirements to identify beneficial owners and verify identities, including for customers that are legal persons
11. Record keeping	LC	<ul style="list-style-type: none"> No requirements for cooperatives to maintain other CDD and account files, or the results of analysis undertaken.
12. Politically exposed persons	LC	<ul style="list-style-type: none"> BI supervised entities and service and postal providers are not required to obtain senior management approval before establishing business relationship with foreign PEPs. For savings and loan cooperatives, requirements are restricted to foreign PEPs and do not cover domestic PEPs.
13. Correspondent banking	LC	<ul style="list-style-type: none"> Relationships similar to cross-border correspondent banking are not covered. No explicit requirement to gather information on whether the respondent institution has been subject to a ML/TF investigation or regulatory action. Banks are not explicitly required to obtain approval from the senior management before establishing new correspondent relationship
14. Money or value transfer services	C	<ul style="list-style-type: none"> The Recommendation is fully met.
15. New technologies	LC	<ul style="list-style-type: none"> Financial penalties' level for VASPs is not indicated in law/regulation for broader compliance failures. Sanction applicable to directors and senior management of VASPs is limited to only written warning. No legal basis for CoFTRA for exchanging information.
16. Wire transfers	LC	<ul style="list-style-type: none"> Not all FIs are covered and requirement for payment service provider to verify the information pertaining to its customer where there is suspicion of ML/TF is unclear. Gaps regarding requirements to allow ordering financial institutions to execute wire transfer. Not clear if MVTs providers are required to comply with the requirements when they operate through their agents.
17. Reliance on third parties	LC	<ul style="list-style-type: none"> Lack of specific obligation for non-bank payment and money changing service providers to ensure that the third party that is part of the same financial group applies record-keeping requirements and has an AML/CFT programme.
18. Internal controls and foreign branches and subsidiaries	C	<ul style="list-style-type: none"> The Recommendation is fully met.
19. Higher-risk countries	LC	<ul style="list-style-type: none"> Gaps regarding the requirements relating to the application of EDD and countermeasures, which do not cover all financial institutions.
20. Reporting of suspicious transaction	C	<ul style="list-style-type: none"> The Recommendation is fully met.
21. Tipping-off and confidentiality	LC	<ul style="list-style-type: none"> There is no exception to the tipping-off provision for situations of exchange of information between entities of the same financial group.

Recommendations	Rating	Factor(s) underlying the rating
22. DNFBPs: Customer due diligence	LC	<ul style="list-style-type: none"> Regulations for notaries do not include records of analysis results for low and medium risk customers. For accountants, requirements do not cover record keeping in relation to the completion of transaction, analysis of customer risk rating and transaction record reconstruction. Management approval of a relationship with a PEP is not required.
23. DNFBPs: Other measures	LC	<ul style="list-style-type: none"> Notaries and accountants' legislative framework do not fully address internal controls. DNFBPs are not advised of AML/CFT system concerns relating to other countries.
24. Transparency and beneficial ownership of legal persons	LC	<ul style="list-style-type: none"> No requirements to maintain all information pertaining to the company as well as a list of their shareholders at the head office of the company were identified in relation to associations. For associations, there is no requirement related maximum period to submit the updated information to the Ministry. There is no specific obligation that the appointed company official or employee to implement the principle of knowing the beneficial owner of a corporation and provide information on the corporation and beneficial owner of the corporation upon the request of the authorised institutions and law enforcement agencies, should be resident in the country. There are no specific criminal sanctions for the breach of obligation of LLCs to provide accurate/updated BO information. There are doubts on the timeliness on the information exchange when Indonesian authorities have to use their domestic investigative powers to satisfy a request from a foreign competent authority. Information on mechanisms of monitoring the quality of assistance received by other agencies is not available.
25. Transparency and beneficial ownership of legal arrangements	PC	<ul style="list-style-type: none"> Indonesian entities providing trustee services to foreign trusts that are not covered institutions under the AML Law or to foreign trustees operating in Indonesia, there are no requirements to collect, maintain accurate and up-to-date CDD information on the relevant parties of the trust. There are no requirements in the AML Law or any other statute or regulation in Indonesian law requiring trustees to disclose their status to FIs and DNFBPs when forming business relationships or carrying out occasional transactions. Minor shortcomings relating to international cooperation on beneficial ownership information on trusts and other legal arrangements exist in Indonesia's compliance to Rec.40. Indonesian entities providing trustee services to foreign trusts that are not covered institutions under the AML Law or to foreign trustees operating in Indonesia, there are no sanctions available for failure to perform their obligations. There are no sanctions available for breach of obligations under c.25.1(c) regarding trusts for foreign trustees operating in Indonesia or for other Indonesian entities providing trustee services to foreign trusts that are not covered entities.
26. Regulation and supervision of financial institutions	LC	<ul style="list-style-type: none"> Gaps exist relating to coverage of senior management and associates of criminals for BI and OJK. PPATK and MCSME's procedures do not address criteria 26.5 and 26.6.
27. Powers of supervisors	LC	<ul style="list-style-type: none"> The PPATK and the MCSME regulations do not contain explicit provisions to compel production of information relevant to monitoring compliance with the AML/CFT requirements.

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> Supervisors are authorised to impose sanctions; some deficiencies are identified at R.35.
28. Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> The frequency of supervision in relation to the risk sensitive nature could not be demonstrated. The barriers to entry by criminal elements are evident in the professions, benefiting from their industry standards, and to a lesser extent the other DNFBPs. DNFBPs that register as an LCC, although not mandatory to do so, are subject to criminal checks
29. Financial intelligence units	C	<ul style="list-style-type: none"> The Recommendation is fully met.
30. Responsibilities of law enforcement and investigative authorities	C	<ul style="list-style-type: none"> The Recommendation is fully met.
31. Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> There is no explicit legislation on undercover operations and the ability to access computer systems for KPK and DG Customs. It is not clear whether mechanisms to identify assets can operate without prior notification to the owner.
32. Cash couriers	LC	<ul style="list-style-type: none"> The maximum threshold amount of IDR 300 million (EUR 20 000) fine for failure to make a declaration or for under-declaration does not provide the possibility for proportionate and dissuasive sanctions to take into account aggravating factors including large amounts of cash or repeat offenders. There is no specific criminal penalty (as in article 3 of the AML law) for carrying into Indonesia assets known or reasonably suspected by the perpetrator as originating from the proceeds of a criminal act that constitutes a predicate offence for the ML offence in Indonesia as defined in article 2 of the AML Law.
33. Statistics	LC	<ul style="list-style-type: none"> Statistics do not clearly distinguish property that has been seized for evidence and property seized for the purpose of confiscation. The statistics are also not maintained in a consolidated manner. Statistics on ML/TF investigations, prosecutions and convictions as well as property frozen, seized and confiscated are not maintained in a consolidated manner. Not all competent authorities maintain statistics on other international requests for cooperation made and received.
34. Guidance and feedback	LC	<ul style="list-style-type: none"> There is scope to have increased guidance on TF. No legal provision or policy/procedure on the provision of feedback by competent authorities, supervisors.
35. Sanctions	LC	<ul style="list-style-type: none"> Maximum financial sanctions are not dissuasive for larger institutions. For DNFBPs, sanctions are not specified for non-compliance with obligations relating to providing, extending, or lending funds to or for the benefits of persons or corporations which identities are listed in the DTTOT. Sanctions do not always explicitly apply to all FIs, DNFBPs and NPOs' directors and senior managers.
36. International instruments	LC	<ul style="list-style-type: none"> There are some shortcomings in Recommendations 4 and 5 that impact the implementation of parts of the convention obligations.
37. Mutual legal assistance	LC	<ul style="list-style-type: none"> It is not clear whether requirements exist for other competent authorities to maintain confidentiality when dealing with MLA requests. The identified gaps in special investigative powers for some domestic agencies (see R.31) may have some impact here for execution of MLA requests.

Recommendations	Rating	Factor(s) underlying the rating
38. Mutual legal assistance: freezing and confiscation	LC	<ul style="list-style-type: none"> Indonesia has provisions to allow foreign countries to request confiscation of seized assets, based on a foreign court ruling requires a certificate of ownership from the foreign government. However, there is no public guidance for foreign governments as to what would be required to satisfy this requirement. There is no legal power to confiscate property of corresponding value outside of corruption cases. There are some shortcomings regarding there not being equivalent legal provisions in relation to related predicate offences and TF in circumstances. There is no overarching law or guidance that requires Indonesia to be able to share confiscated property with other countries.
39. Extradition	LC	<ul style="list-style-type: none"> It is not entirely clear through case law or guidelines, whether when extradition cannot be executed on account of the request involving an Indonesian national, that the he or she will be prosecuted domestically.
40. Other forms of international cooperation	LC	<ul style="list-style-type: none"> Not all LEAs and supervisory authorities: a) use appropriate and secure means or mechanisms for the transmission and execution of foreign requests; b) have clear processes for prioritisation and the timely execution of requests and; c) safeguard the information received from foreign parties For some competent authorities, unclear if unreasonable or undue restrictive conditions on information exchange or assistance apply. No information available on other competent authorities to demonstrate maintain the confidentiality of information received The ability of all LEAs to: a) exchange information on the identification and tracing the proceeds and instrumentalities of crime, b) form Joint Investigative Teams and to establish bilateral or multilateral arrangements to enable such joint investigations No information was provided to demonstrate whether all competent authorities have the ability to exchange information indirectly with non-counterparts

Glossary of Acronyms²⁰

AGO	Attorney-General's Office
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AML Law	Law No. 8 Year 2010 concerning on the Prevention and Eradication of Criminal Act of Money Laundering
Anti-Corruption Law	Law of The Republic of Indonesia No. 30 Year 2002 concerning on Commission for the Eradication of Criminal Acts of Corruption
ARC	Asset Recovery Centre
ARIN-AP	Asset Recovery International Network – Asia Pacific
ARSSYS	Asset Recovery Secured-data System
ASEAN	Association of Southeast Asian Nations
AUSTRAC	Australian Transaction Reports and Analysis Centre
BI	Bank Indonesia
BEC	Business email compromise
BNN	Badan Narkotika Nasional (National Anti-Narcotics Board)
Bappebti	Badan Pengawas Perdagangan Berjangka Komoditi (also known as CoFTRA)
BIN	Badan Intelejen Negara (State Intelligence Agency)
BI Reg	Bank Indonesia Regulation No.19/10/PBI/2017 concerning Implementation of Anti-Money Laundering and Prevention of Terrorism
BNI	Bearer negotiable instrument
BNPT	Badan Nasional Penanggulangan Terorisme (National Terrorism Body)
BO	Beneficial ownership
BWI	Badan Wakaf Indonesia (Indonesian Waqf Board)
CBCC	Cross border cash courier
CoFTRA	Commodity Futures Trading Regulatory Agency (also known as Bappebti)
CARIN	Camden Asset Recovery Network
CC	Criminal Code
CDD	Customer Due Diligence
CJDC	Central Jakarta District Court
CPC	Criminal Procedure Code
CSO	Civil service organisation
CTR	Cash Transaction Report
Customs Law	Law No. 17 Year 2006 concerning Customs
Det88	Special Detachment 88
DG Tax	Directorate General of Taxation
DGCE	Directorate General of Customs and Excise
DI	Darul Islam
ditjen AHU	ditjen Administrasi Hukum Umum
DNFBP	Designated non-financial businesses and professions
DPMS	Dealers in Precious metals and stones
DPRK	Democratic Republic of North Korea
DTTOT	Daftar Terduga Teroris dan Organisasi Teroris (Domestic Designated List of Individuals/Entities Pursuant to UNSCR 1267/1373)

²⁰ Acronyms already defined in the FATF 40 Recommendations are not included into this Glossary.

EDD	Enhanced Due Diligence
ESW	Egmont Secure Web
FI	Financial institutions
FICG	Financial Intelligence Consultative Group
FTF	Foreign terrorist fighter
GoAML	Go Anti-Money Laundering
GDPR	General Data Protection Regulation
GRIPS	Gathering Report and Information Processing System
IAACA	International Association of Anti-Corruption Authority
IAP	International Association of Prosecutors
IDR	Indonesian Rupiah
IFTI	International Funds Transfer Instruction
INP	Indonesian National Police
JAD	Jamaah Ansharut Daulah
JAS	Jemaah Ansharusy Syariah
JI	Jemaah Islamiyah
KLHK	Kementerian Lingkungan Hidup dan Kehutanan Republik (Ministry of Environment and Forestry)
KPK	Komisi Pemberantasan Korupsi (Corruption Eradication Commission)
LEA	Law enforcement agency
LLC	Limited Liability Companies
LLC Law	Law No. 20 Year 2007 concerning the Limited Liability Companies
MCSME	Ministry of Cooperatives and Small Medium Enterprises
MIT	Mujahidin Indonesia Timur
MLA	Mutual legal assistance
MLAT	Mutual Legal Assistance Treaty
MLHR	Ministry of Law and Human Rights
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoHA	Ministry of Home Affairs
MoRA	Ministry of Religious Affairs
MoSA	Ministry of Social Affairs
MVTS	Money or value transfer service
Narcotics Law	Law No. 35 Year 2009 concerning Narcotics
NBFI	Non-bank financial institution
NCB	National Central Bureau (Interpol)
NCTA	National Counter-Terrorism Agency
NERA	Nuclear Energy Intelligence Agency
NCC	National Coordination Committee
NPO	Non-profit organisation
NRA	National risk assessment
OCG	Organised crime groups
OFAC	Office of Foreign Assets Control
OJK	Otoritas Jasa Keuangan (Financial Services Authority)
OJK Reg	Law No.12 Year 2017 concerning AML/CFT Regulation
Omnibus Law	Law No. 11 Year 2020 Omnibus Law on Job Creation
OPDAT	Overseas Prosecutorial Development, Assistance and Training
PEP	Politically exposed persons
Presidential Regulations on BO	Presidential Regulation 13 Year 2018 concerning the Implementation of the Principles of Knowing the Beneficial Owner of Corporations to Prevent and Eradicate ML/TF
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan (FIU)
PPNS	Civil service investigators
PRM	Passenger Risk Management
RBA	Risk-based approach

SABH	Sistem Administrasi Badan Hukum
SAR/STR	Suspicious Activity Report/ Suspicious Transaction Report
SIGAP	Sistem Informasi Program Anti Pencucian Uang dan Pencegahan Pendanaan Terorisme
SIPENDAR	Platform Pertukaran Informasi Pencegahan dan Pemberantasan Tindak Pidana Pendanaan Terorisme
SIPENAS	Integrated Customers Information System
SPLLC	Single Partner Limited Liability Company
SRA	Sectoral risk assessment
Tax Law	Consolidation of Law No. 6 Year 1983 concerning General Provisions and Tax Procedures
TBML	Trade based money-laundering
TF Law	Law No. 9 Year 2013 concerning the Prevention and Eradication of the Criminal Act of Financing of Terrorism
UNODC	United Nations Office of Drugs and Crime
UNTOC	United Nations Transnational Organised Crime
VASP	Virtual asset service provider
VTC	Voluntary tax compliance
WMD	Weapons of Mass Destruction



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Anti-money laundering and counter-terrorist financing measures - Indonesia

Fourth Round Mutual Evaluation Report

In this report: a summary of the anti-money laundering (AML) / counter-terrorist financing (CTF) measures in place in the Netherlands as at the time of the on-site visit from 17 July to 4 August 2022.

The report analyses the level of effectiveness of the Indonesia's AML/CTF system, the level of compliance with the FATF 40 Recommendations and provides recommendations on how their AML/CFT system could be strengthened.