



FINANCIAL SERVICES AUTHORITY
REPUBLIC OF INDONESIA

FINANCIAL SERVICES AUTHORITY REGULATION
NUMBER 22/POJK.04/2014

CONCERNING
PRINCIPLES OF KNOWING-YOUR-CUSTOMERS BY FINANCIAL SERVICES
PROVIDERS IN CAPITAL MARKETS SECTOR

BY THE GRACE OF GOD ALMIGHTY
THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES
AUTHORITY

- Considering :
- a. that in order to establish soundness in Capital Markets industry and protected from money laundering practices and being used to facilitate the funding of terrorist, it is deemed necessary to have sustainable efforts to improve the prevention and eradication of money laundering and terrorism funding by Financial Services Providers in the Capital Markets Sector;
 - b. that provisions concerning Know-Your-Customer Principles by Financial Services Providers in the Capital Markets Sector need to adjusted with international standards on anti-money laundering and the prevention of terrorism funding;
 - c. that by considering point a and point b above, it is necessary to stipulate the Financial Services Authority

Regulation concerning Financial Services Authority concerning Principles of Knowing-Your-Customers by Financial Services Providers in the Capital Markets Sector;

- In view of :
1. Law Number 8 of 1995 concerning Capital Markets (State Gazette of the Republic of Indonesia of 1995 Number 64, Supplement to the State Gazette of the Republic of Indonesia Number 3608);
 2. Law number 8 of 2010 concerning Prevention and Eradication of Money Laundering Offenses (State Gazette of the Republic of Indonesia of 2010 Number 122, Supplement to the State Gazette of the Republic of Indonesia Number 5164);
 3. Law Number 21 of 2011 concerning Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to the State Gazette of the Republic of Indonesia Number 5253);
 4. Law Number 9 of 2013 concerning Prevention and Eradication of Terrorism Funding (State Gazette of the Republic of Indonesia of 2013 Number 50, Supplement to the State Gazette of the Republic of Indonesia Number 5406);

HAS DECIDED:

To stipulate : FINANCIAL SERVICES AUTHORITY REGULATION CONCERNING PRINCIPLES OF KNOWING-YOUR-CUSTOMERS BY FINANCIAL SERVICES PROVIDERS IN THE CAPITAL MARKETS SECTOR.

CHAPTER 1
GENERAL PROVISIONS

Article 1

In this Financial Services Authority Regulation the following terminology applies:

1. Financial Services Providers in the Capital Markets Sector is Securities Companies conducting business as Underwriters, Brokers, and/or Investment Manager, as well as Custodians Banks.
2. Money Laundering is money laundering as referred to the law concerning the prevention and eradication of money laundering.
3. Terrorism Fundings is the funding of terrorism as referred to the law concerning the prevention and eradication of terrorism funding.
4. Customers is Parties who use the services of Financial Services Providers in the Capital Markets Sector for investment purposes, either with or without opening Securities account.
5. Know-Your-Customer Principles is principles applied by Financial Services Providers in the Capital Markets Sector to:
 - a. know Customers' background and identities;
 - b. monitor Customers' securities accounts and transactions; and
 - c. report any Suspicious Financial Transactions and cash transactions,in accordance with the law and regulations in the Capital Markets sector and laws and regulations associated with

the prevention and eradication of money laundering offenses and/or the prevention and eradication of terrorism funding.

6. Customer Due Diligence hereinafter abbreviated as CDD refers to process of identification, verification, and monitoring by the Financial Services Providers in the Capital Markets Sector to ensure that Customers' transactions fit their profiles, characteristics, and/or transactions pattern.
7. Enhanced Due Diligence hereinafter abbreviated as EDD refers to a thorough CDD action by the Financial Services Providers on potential Customers or existing Customer that classified as high-risk Customers.
8. Suspicious Financial Transaction refers to its definition in the law concerning the prevention and eradication of money laundering offenses and/or the law on the prevention and eradication of terrorism funding.
9. Indonesian Financial Transaction Reports and Analysis Centre, hereinafter abbreviated as FTRAC, refers to its definition in the law on the prevention and eradication of money laundering.
10. Beneficial Owner refers to any entity who, directly or indirectly through an agreement or through any ways:
 - a. entitled to and/or receives a particular benefit related to:
 1. a Securities account in a Financial Services Provider in the Capital Market Sector; or
 2. a business relation with a Financial Services Provider in the Capital Market Sector;

- b. the actual owner of fund and/or securities at a Financial Services Provider in the Capital Market Sector;
 - c. control the transactions of Customer;
 - d. give authority to conduct transactions and/or;
 - e. controls non-individual Customers.
11. Politically Exposed Persons hereinafter referred to as PEP is individual who have or used to have public authorities, including among others State Officials as defined in the law and regulation concerning State Officials; and/or individuals who are members or used to be the members of a political parties having power to influence the parties' policies and operations; either Indonesians or foreign citizens.
12. High-Risk Customers refers to Customers who, based on their identity and history background, are considered as having high risk of committing activities related to Money Laundering and/or Terrorism Funding.
13. High-Risk Countries refer to countries or territories that are potentially used as:
- a. the place where Money Laundering is taken place;
 - b. the place where predicate offenses is taken place; and/or
 - c. the place where activity of Terrorism Funding is taken place.
14. High-Risk Businesses refer to businesses that can potentially used to facilitate Money Laundering and/or Terrorism Funding.
15. State Agency refers to an agency that has executive, judicative and legislative authorities.

16. Government Institution is a collective title of a government organizational unit that exercise its duties and functions in accordance with prevailing regulations; such as:
- a. a Coordinating Ministry;
 - b. a State Ministry;
 - c. a Ministry;
 - d. a Non-Ministerial Government Agency;
 - e. a Provincial Government;
 - f. a Municipal Authority;
 - g. a District Authority;
 - h. a State agency, which was established based on a specific law and regulation; or
 - i. a Government agency that exercises government functions by using State Budget and/or Regional Budget.

Article 2

Financial Services Providers in the Capital Markets Sector are obliged to apply Know-Your-Customer Principles and possess a guideline to have its implementation.

CHAPTER II

ACTIVE SUPERVISION BY THE BOARD OF DIRECTORS AND THE BOARD OF COMMISSIONERS

Part One

Active Supervision by the Board of Directors

Article 3

- (1) The Board of Directors of a Financial Services Provider in the Capital Markets Sector are obliged to conduct an active supervision by at least:
 - a. ensuring that Financial Services Provider in the Capital Market Sector has an implementing guideline of Know-Your-Customer Principles.
 - b. proposing and implementing the implementation guideline of Know-Your-Customer Principles to the Board of Commissioners;
 - c. ensuring that the Know-Your Customer Principles are implemented according to its implementing guideline that has been stipulated;
 - d. ensuring that the implementing guideline of Know-Your-Customer Principles is in line with the changes and development of products, services and technology of Financial Service Providers in the Capital Market Sector; and inline with the development of Money Laundering and/or Terrorism Funding modus operandi; and
 - e. ensuring that every employees related to the implementation of Know-Your-Customer Principles have periodically undertaken trainings on the implementation of Know-Your-Customer Principles.
- (2) In the event that a Financial Service Provider in the Capital Markets Sector is a Custodian Bank which is a Branch Office of a Foreign Bank, an active supervision shall be done by the head of the Branch Office.

Part Two

Active Supervision by the Board of Commissioners

Article 4

The Board of Commissioners of a Financial Services Provider in the Capital Markets Sector shall perform an active supervision by at least:

- a. endorsing the implementing guideline of Know-Your-Customer Principles proposed by the Board of Directors;
- b. monitoring the Board of Directors in exercising their responsibilities in implementing the Know-Your-Customer Principles; and
- c. ensuring that discussions on Money Laundering and Terrorism Funding becomes an agenda in meetings of Board of Directors and Board of Commissioners.

CHAPTER III

PERSON IN CHARGE FOR THE IMPLEMENTATION OF KNOW-YOUR-CUSTOMER PRINCIPLES WITHIN A FINANCIAL SERVICES PROVIDER

Article 5

- (1) In order to implement Know-Your-Customer Principles, a Financial Services Provider in the Capital Markets Sector is required to establish a special task force unit or assign an official acting as a person in charge for the implementation of Know-Your-Customer Principles.
- (2) The person in charge for the implementation of Know-Your-Customer Principles as referred to in clause (1) shall be determined as part of the organizational structure of the Financial Services Provider in Capital Markets Sector.

- (3) Financial Services Provider in the Capital Markets Sector is obliged to ensure that the person in charge for the implementation of Know-Your-Customer Principles as referred to in clause (1) has sufficient capability and authority to access all Customers' data and other relevant information.
- (4) The chief executive director of Financial Services Provider in the Capital Markets Sector cannot serve as a person in charge for the implementation of Know-Your Customer Principles.
- (5) In the event that Financial Services Provider in the Capital Markets Sector is a Securities Company conducting its business as Securities Underwriter, Securities Broker, and/or Investment Manager of a business entity; the Financial Services Provider can only have one person in charge for the implementation of Know-Your-Customer Principles.
- (6) In the event that Financial Services Provider in the Capital Markets Sector is a Custodian Bank, the person in charge for the implementation of Know-Your-Customer Principles can be assigned to the person in charge for implementation of Know-Your-Customer Principles in a Commercial Bank.

Part Two

Special Task Force Unit

Article 6

In the event that Financial Services Provider in the Capital Markets Sector establishes a special task force unit to

supervise the implementation of Know-Your-Customer Principles, the following provisions shall apply:

- a. the special task force unit shall consist of at least one 1 (one) person as the Head and 1 (one) person as the staff;
- b. the head and the staff of special task force unit are forbidden from conducting other functions concurrently;
- c. the head of special task force unit is determined/assigned by a the chief executive director;
- d. in the organizational structure of a Financial Services Provider in the Capital Markets Sector, the special task force unit is directly coordinated by the chief executive director; and
- e. the special task force unit is independent from other functions.

Part Three

Official Assignment

Article 7

In the event that Financial Services Provider in the Capital Markets Sector assigns an official as the person in charge for the implementation of Know-Your-Customer Principles, the official shall be appointed or assigned by the chief executive director and may concurrently perform other duties such as risk management, compliance, and/or internal audits only.

Part Four

Tasks, Authorities, and Responsibilities

Paragraph 1

Tasks

Article 8

The person in charge of the implementation for Know-Your-Customer Principles as referred to in Article 5 clause (1) must perform the following tasks:

- a. formulating and maintaining the implementing guideline of Know-Your-Customer Principles;
- b. ensuring that procedures for the identification, verification, and monitoring of Customers are sufficient;
- c. ensuring that required data for the implementation of Know-Your-Customer Principles has been incorporated into Customer-related forms;
- d. monitoring Customers' Securities Accounts and transactions;
- e. evaluating the results of monitoring and analysis of Customers' transactions to ensure whether there are suspicious financial transactions and/or cash transactions according to laws and regulations on Money Laundering and/or Terrorism Funding;
- f. documenting the results of monitoring and evaluation;
- g. monitoring updates on Customers' data and profiles;
- h. supervising the implementation of Know-Your-Customer Principles in related working units;
- i. obtaining and analyzing reports on Suspicious Financial Transactions and/or cash transactions submitted by the assigned working units; and
- j. preparing reports on Suspicious Financial Transactions and/or cash transactions in accordance with laws and

regulations on Money Laundering and/or Terrorism Funding to be submitted to the FTRAC.

Paragraph 2
Authorities

Article 9

The person in charge for the implementation of Know-Your-Customer Principles as referred to in Article 5 clause (1) holds the following authorities:

- a. obtaining access to required information from all organizational units within the Financial Services Provider in the Capital Markets Sector;
- b. coordinating and monitoring the implementation of Know-Your-Customer Principles by related working units;
- c. proposing officials and/or staff from related working units to assist with the implementation of Know-Your-Customer Principles; and
- d. directly reporting any Suspicious Financial Transactions committed by the Board of Directors, Board of Commissioners, or their affiliated Entities to the FTRAC.

Paragraph 3
Responsibilities

Article 10

The person in charge for the implementation of Know-Your-Customer Principles as referred to in Article 5 clause (1) is responsible for at least the following aspects:

- a. ensuring that all activities related to the implementation of Know-Your-Customer Principles is implemented;
- b. monitoring, analyzing and recommending training needs on the implementation of Know-Your-Customer Principles for officials and/or staff of the Financial Services Provider in the Capital Markets Sector; and
- c. maintaining secrecy related to the implementation of Know-Your-Customer Principles.

CHAPTER IV POLICIES AND PROCEDURES

Article 11

- (1) The implementing guideline of Know-Your-Customer Principles as referred to in Article 2 incorporates written policies and procedures, which cover at least:
 - a. identification and verification;
 - b. Beneficial Owner;
 - c. CDD by a third party;
 - d. risk management;
 - e. high-risk area;
 - f. monitoring on Securities accounts, Customers' transactions, and update of Customers data;
 - g. documentations; and
 - h. reporting.
- (2) The implementing guideline for the implementation of Know-Your-Customer Principles owned by a Financial Services Providers in Capital Markets Sector as referred to in clause (1) shall comply with this Financial Services Authority Regulation; and laws and regulations on the

prevention of Money Laundering offenses and/or Terrorism Funding.

Article 12

Financial Services Provider in the Capital Markets Sector is obliged to consistently and continually adhere to the implementing guideline of Know-Your-Customer Principles as referred to in Article 11.

Article 13

The implementing guideline of Know-Your-Customer Principles as referred to in Article 11 shall be approved by the Board of Commissioners.

Part One

Identification and Verification

Article 14

- (1) Financial Services Provider in the Capital Markets Sector is required to follow CDD procedures when:
 - a. it is about to enter into a business with a potential Customer;
 - b. conducting a business with a Customer;
 - c. there is a doubt over the validity of data, information, and/or supporting documents provided by a Customer and/or a Beneficial Owner; and/or
 - d. there are indications of suspicious financial transactions related to Money Laundering and Terrorism Funding.
- (2) The CDD procedures as referred to in clause (1) consist of simple CDD, standard CDD and EDD.

Article 15

- (1) Financial Services Providers in the Capital Market Sector are obliged to request data and information from potential Customers.
- (2) data and information of potential Customers as referred to in clause (1) shall include the following:
 - a. For Individual Customers:
 1. data according to the individual's identity document, namely:
 - a) Name;
 - b) Identity number;
 - c) Address;
 - d) Place and date of birth;
 - e) Gender; and
 - f) Nationality.
 2. current residential address (if different from the identity document);
 3. phone number;
 4. marital status;
 5. occupation;
 6. office address and phone number (if any);
 7. average annual income;
 8. source of fund;
 9. reason and purpose of investment;
 10. identity of Beneficial Owner (if any); and
 11. bank's name and account number.
 - b. For non-individual potential Customer:
 1. name;

2. license number or business license number from an authorized agency;
 3. type of business/activity;
 4. address;
 5. phone number;
 6. place and date of establishment;
 7. identity of beneficial Owner (if any);
 8. Source of fund;
 9. investment purpose and goal; and
 10. bank's name and account number.
- (3) Data and information as referred to in clause (2) shall be accompanied by at least a signature specimen and the following supporting documents:
- a. For individual
 1. copy of National ID card, for and Indonesian citizens; or
 2. copy of passport, for a foreign citizen.
 - b. For non-individual
 1. business entity
 - a) copy of company's article of association;
 - b) copy of business license from an authorized agency;
 - c) the signature specimen of attorney in fact;
 - d) general power of attorney from an authorized official to the attorney in fact to act for and on behalf of a potential Customer or Customer in investing in Capital Markets, and to provide instructions related to a potential Customer's Securities account.

- e) copy of Tax ID Number;
 - f) financial report or descriptions of business activities;
 - g) copy of domicile certificate;
 - h) management structure
 - i) ownership structure;
 - j) copy of identity documents of management/Board of Directors authorized to represent a potential Customer; and
 - k) documents regarding beneficial owner.
2. foundation
- a) copy of license
 - b) Description of foundation's activities;
 - c) Structure and names of foundation's management; and
 - d) A copy of identity documents of the management authorized to represent the foundation in conducting its business activities with a Financial Services Provider in the Capital Markets Sector.
3. Other Legal Entities
- a) copy of registration evidence at an authorized agency;
 - b) name of management; and
 - c) copy of identity document of a party authorized to represent a legal entity in conducting its business with a Financial Services Provider in the Capital Markets Sector.

4. Organized group, associations, and other assemblies that are non-legal entities:
 - a) copy of registration evidence at an authorized agency;
 - b) the name of management;
 - c) copy of deed of establishment and/or article of association (AD/ART); and
 - d) copy of identity document of a party authorized to represent an organized group, association, and another assembly that are non-legal entities in conducting businesses with a Financial Services Provider in the Capital Markets Sector.
- (4) In the event that the potential Customer is State Agency, Government Agency, or international agency, Financial Services Provider is required to request for data and information at least as referred to in clause (2) point b number 1 and number 4, and supporting documents as referred to in clause (3) point b number 1 letter c) and letter d).
- (5) An approval to open a Securities account or establish a business relation can be given by a Financial Services Provider in the Capital Markets Sector after confirming the validity of identity and entirety of documentations of a potential Customer, and considering factors that might enable the potential Customer to conduct Money Laundering and/or Terrorism Funding.
- (6) A Financial Service Provider in the Capital Markets Sector is prohibited from opening or maintaining a Securities account if:

- a. the Securities account uses a fictitious name;
- b. a potential Customer or Customer refuses to comply with Know-Your-Customer Principles; or
- c. The Financial Service Provider in the Capital Markets Sector is cannot confirm the validity of identity and entirety documentations of a potential Customer or Customer.

Article 16

- (1) A Financial Services Provider is required to classify potential Customers or existing Customers based on the risk rate of Money Laundering or Terrorism Funding.
- (2) The classification of potential Customers or Customers as referred to in clause (1) shall consist of at least 3 (three) risk level as follows:
 - a. Low;
 - b. Medium; and
 - c. High.
- (3) A Financial Services Provider in the Capital Markets Sector is required to conduct a CDD based on the level of risk of each potential Customer or existing Customers.

Article 17

- (1) potential Customer or existing Customer shall be classified into the low-risk group if fulfilled the following criteria:
 - a. has the following profile:
 - 1. is a recipient of securities through an Employee Stock Ownership Program (ESOP) and/or

- Management Stock Ownership Program (MSOP)
from an Issuer or Public Company;
2. is an Issuer or Public Company;
 3. is a company, which majority of stocks are owned by the Government;
 4. is a State Agency or Government Institution; or
 5. is an international agency where the Government or a representative being its member;
- b. a party who exercises rights issue with the maximum total value of IDR100,000,000.00 (one hundred million rupiah); or
 - c. does not fulfilled the medium-risk level.
- (2) For a potential Customer or existing Customer, which meets the low-risk level criteria as referred to in clause (1), a Financial Services Provider in the Capital Markets Sector is obliged to:
- a. analyze the validity of data and information submitted by the potential Customer or existing Customer based on supporting documents; and
 - b. ensure the data and information are current.
- (3) In the event that the Customer does not fulfill the criteria as referred to in clause (1), a Financial Services Provider in the Capital Markets Sector is obliged to conduct the standard CDD or EDD procedure.

Article 18

- (1) A potential Customer or existing Customer shall be classified into the medium-risk level if fulfilled the following criteria:

- a. does not meet the low-risk criteria;
 - b. does not meet the high-risk criteria;
 - c. a potential Customer or Customer of an Investment Manager who:
 - 1. subscribes to Mutual Fund Securities and other investment products;
 - 2. owns Mutual Fund Securities and other investment products by the end of month; or
 - 3. owns an accumulation of subscriptions and redemption of Mutual Fund Securities and other investment products within the 1 (one) year period,
with a value above IDR100,000,000.00 (one hundred million rupiah); or
 - d. for a potential Customer or existing Customer of a Broker who:
 - 1. deposits fund above IDR10,000,000.00 (ten million rupiah) within 1 (one) day;
 - 2. owns fund and/or Securities with the total value over IDR50,000,000.00 (fifty million rupiah) by the end of month; or
 - 3. owns an accumulation of Securities transactions over IDR100,000,000.00 (one hundred million rupiah) within 1 (one) month period.
- (2) Financial Services Provider in the Capital Markets Sector is obliged to conduct a verification on the data and information of a potential Customer or Customer as referred to in clause (1) by:

- a. Comparing the data and information of the potential Customer or existing Customer with supporting documents prior conducting business activities with the potential Customer;
- b. Conducting a face-to-face meeting with the potential Customer or existing Customer and comparing data and information of the potential Customer or Customer with their original documents, as follows:
 1. directly conducted by the Financial Services Provider's employee, proven by a statement letter which is written in any format, stating that the employee has conducted a face-to-face meeting with the potential Customer or Customer;
 2. represented by another party that has an agreement with the Financial Services Provider in the Capital Markets Sector (outsourcing), provided that the representing party shall understand the basic principles of CDD; or
 3. the meeting may be performed by means of electronic media, provided that the electronic media can provide electronic information and/or documents as valid evidences according to prevailing laws and regulations and can be accounted for;
- c. conducting interviews with the potential Customer or existing Customer in order to assess and verify the validity and reliability of documents, in the event that the data, information and/or documents are unconvincing; and

- d. confirming the validity of the authority of the party representing or acting for and on behalf of the Beneficial Owner if the Potential Customer or existing Customer serves as the attorney in fact or representative of the Beneficial Owner;
- (3) Customers who were previously classified into the low-risk group but during a simple CDD has had a face-to-face session, the Financial Services Provider in the Capital Markets Sector is not obliged to conduct another face-to-face session when the Customers meet the medium-risk criteria.
 - (4) The implementation of activities as referred to in clause (2) point b shall be done within 1 (one) year since the Customer has fulfilled the medium-risk criteria.

Article 19

- (1) Potential Customer or existing Customer classified into high-risk category shall meet the following criteria:
 - a. if the potential Customer or Customer and/or Beneficial Owner is included in the high-risk area;
 - b. there is a significant change of important profile or information resulting in the classification of the Customer into high-risk area;
 - c. a transaction is ordered by the Securities account's holder without a proper legal basis; and/or
 - d. the Customer conducts a transaction that is inconsistent with the transaction's profile, characteristics, and regular pattern.
- (2) To the Potential Customer or existing Customer fulfill the provisions as referred to in clause (1), a Financial Services

Provider in the Capital Markets Sector is required to conduct an EDD by, among others:

- a. comparing data and information of a potential Customer or existing Customer before conducting business activities with the Customer;
- b. verifying data and information of a potential Customer or Beneficial Owner based on the validity of information, sources of information, and types of information, if the potential Customer acts for the interest of a Beneficial Owner;
- c. verifying the business relation between a potential Customer with a third party, if the potential Customer acts for and on behalf of a Beneficial Owner;
- d. confirming the validity of the authority of the party representing or acting for and on behalf of a Beneficial Owner if the Potential Customer or Customer serves as the attorney in fact or representative of the Beneficial Owner;
- e. conducting a face-to-face meeting before carrying out business relations and comparing the data and information of a Potential Customer or customer with the original documents;
- f. conducting interviews with the potential Customer or Customer in order to assess and verify the validity and reliability of documents when there are doubts over the data, information and/or documents received; and
- g. conducting a CDD regularly at least in the form of analysis on information concerning Customers,

sources of fund, investment goal, and business relations with associated parties.

Article 20

When classifying potential Customers or existing Customers based on risk rating, Financial Services Providers in the Capital Markets Sector is obliged to at least comply with provisions concerning the classification and criteria stipulated in this Financial Services Authority Regulation.

Article 21

- (1) In the event that the risk rate of a Customer changes from low to medium, a Financial Services Provider in the Capital Markets Sector is obliged to conduct a verification as referred to in Article 18 clause (2) point c and point d within 30 (thirty) days since the Customer meets the medium-risk criteria as referred to in Article 18 clause (1);
- (2) In the event that the risk level of a Customer changes from low or medium to high, a Financial Services Provider in the Capital Markets Sector is required to conduct a verification as referred to in Article 19 clause (2) point b, point c, point d, point e, and point f, before having business relation with the Customer.

Article 22

Financial Services Provider in Capital Market Sector may request data, information, and/or supporting documents to confirm the validity of profile of a Potential Customer or Customer in through the identification and verification processes by considering:

- a. the degree of possibility of Money Laundering and/or Terrorism Funding occurrence;
- b. products, services, and/or technology used by the potential Customer or existing Customer.

Article 23

- (1) Financial Services Provider in the Capital Markets Sector shall at least conduct a simple CDD procedure for low-risk potential Customers or Customers.
- (2) Financial Services Provider in the Capital Markets Sector shall at least conduct a standard CDD procedure for medium-risk potential Customers of Customers.
- (3) Financial Services Provider in the Capital Markets Sector shall at least conduct an EDD procedure for high-risk potential Customers of Customers.
- (4) In the event that the transaction and/or profile of a Customer's is inconsistent with the criteria of the specified risk level, the Financial Services Provider in the Capital Markets Sector shall re-classify the Customer into a suitable risk level and determine:
 - a. a standard CDD procedure for Customers whose risk level changes from low to medium according to the new risk level classification; or
 - b. an EDD procedure for a Customer whose risk level changes from low or medium to high.

Part Two

Beneficial Owner

Article 24

- (1) Financial Services Provider in the Capital Markets Sector is obliged to ensure that a potential Customer acts for its own interests or the interest of a Beneficial Owner;
- (2) In the event that a potential Customer acts for the interest of a Beneficial Owner, the Financial Services Provider in the Capital Markets Sector shall conduct a CDD for the Beneficial Owner;
- (3) In the event that the risk level of a potential Customer or Customer is different from that of a Beneficial Owner, a CDD can be implemented according to the higher risk rate.
- (4) The obligation for conducting a CDD for a Beneficial Owner as referred to in clause (2) is not applicable to low-risk potential Customers or Customers.

Article 25

- (1) Financial Services Provider in the Capital Markets Sector shall obtain evidence on the identity of and/or other information on Beneficial Owners.
- (2) Evidence on the identity and/or other information as referred to in clause (1) include, among others:
 - a. for an individual Beneficial Owner:
 1. data and information as referred to in Article 15 clause (2) point a;
 2. identity document as referred to in Article 15 clause (3) point a;
 3. legal relationship between a potential Customer and the Beneficial Owner stated in an

- agreement letter, power of attorney, or other formats;
4. a statement from a potential Customer confirming the true identity and source of fund of the Beneficial Owner; and
 5. a statement from the Beneficial Owner confirming that the Beneficial Owner is the true owner of fund of a potential Customer or Customer.
- b. For a non-individual Beneficial Owner:
1. data and information as referred to in Article 15 clause (2) point b;
 2. identity document as referred to in Article 15 clause (3) point b;
 3. a statement from a potential Customer confirming the true identity and source of fund of the Beneficial Owner; and
 4. a statement from the Beneficial Owner confirming that the Beneficial Owner is the true owner of fund of a potential Customer or Customer.
- (3) In the event that the potential Customer is another financial services provider in the domestic Capital Markets acting for and on behalf of a Beneficial Owner; documents concerning the Beneficial Owner can be in the form of a written statement from the potential Customer.
- (4) In the event that the potential Customer is a financial services provider in a foreign Capital Market acting for and on behalf of a Beneficial Owner and applying Know-Your-Customer Principles according to the regulation of

the Beneficial Owner's country, which is at least equivalent to this Financial Services Authority Regulation; documents concerning the Beneficial Owner can be in the form of a written statement from the potential Customer.

- (5) In the event that the implementation of Know-Your-Customer Principles by the financial services provider in a foreign Capital Market as referred to in clause (4) is not equivalent to the provisions in this Financial Services Authority Regulation, the Financial Services Provider in Capital Market Sector is required to implement Know-Your-Customer Principles according to this Financial Services Authority Regulation.
- (6) In the event that a Financial Services Provider in the Capital Markets Sector has doubts over or is unsure about the identity of a Beneficial Owner, the Financial Services Provider shall refuse to establish business relations with the potential Customer.

Article 26

The obligation of providing data, information, and/or identity document of Beneficial Owners as referred to in Article 25 clause (2) point b does not apply to Beneficial Owners who are:

- a. state agencies or government agencies;
- b. companies, which majority of shares is owned by the Government; or
- c. Public Companies or Issuers.

Part Three

Third Party CDD

Article 27

- (1) Financial Services provider in the Capital Markets Sector may appoint a third party to conduct identification and verification processes as part of CDD implementation.
- (2) The third party as referred to in clause (1) shall be the following entities:
 - a. another domestic financial services provider;
 - b. financial services provider in a Capital Market in other country; or
 - c. another entity in Indonesia, which is not a financial services provider,that cooperates with a Financial Services provider in the Capital Markets Sector.
- (3) In the event that a Financial Services Provider in the Capital Markets Sector appoints a third party to conduct CDD, the Financial Services Provider in the Capital Markets Sector can use the results of CDD that has been conducted by the third party.
- (4) The third party as referred to in clause (2) shall meet the following requirements:
 - a. has a CDD procedure according to prevailing provisions;
 - b. has a cooperation contract with a Financial Services Provider in the Capital Markets Sector in the form of a written agreement;
 - c. willing to immediately meet the demand for data, information, and supporting documents when required by the Financial Services Provider in the Capital Markets Sector, in the context of implementing Know-Your-Customer Principles; and

- d. not located in a High-Risk Countries.
- (5) In the event that the third party is located in other country as referred to in clause (2) point b, it should have conducted Know-Your-Customer Principles effectively as recommended by the Financial Action Task Force (FATF).
 - (6) In the event that the third party is not a financial services provider as referred to in clause (2) point c, the CDD procedure is determined by and in coordination with the Financial Services Provider in the Capital Markets Sector.
 - (7) In the event that the Financial Services Provider in the Capital Markets Sector appoints a third party, the Financial Services Provider in the Capital Markets Sector shall:
 - a. have and conduct a fit & proper test and monitoring on the third party in the implementation of CDD;
 - b. ensure that the implementation of CDD by the third party complies with the CDD procedure determined by the Financial Services Provider in the Capital Markets Sector;
 - c. document the results of CDD conducted by the third party.

Article 28

- (1) In the event that the Financial Service Provider in the Capital Markets Sector acts as a selling agent of products of another financial services provider, the Financial Services Provider in the Capital Markets Sector shall provide information on CDD results and copies of supporting documents when required by the other

financial services provider in order to comply with the Know-Your Customer Principles.

- (2) Procedures for requesting information on CDD results and copies of supporting documents shall be specified in a cooperation agreement between the Financial Services Provider in the Capital Markets Sector and the other financial services provider.

Part Four Risk Management

Article 29

The policy and procedure of risk management concerning the implementation of Know-Your-Customer Principles constitute as integral parts of the policies and procedures of risk management of Financial Services Providers in the Capital Markets Sector.

Article 30

The policy and procedure of risk management concerning the implementation of Know-Your-Customer Principles as referred to in Article 29 should at least comprises:

- a. supervision by the Board of Directors and Board of Commissioners of a Financial Services Provider in the Capital Markets Sector;
- b. delegation of authority;
- c. segregation of duties; and
- d. internal monitoring system, including internal audit.

Article 31

- (1) Financial Services Providers in the Capital Markets Sector are obliged to conduct evaluation on the effectiveness of the implementation of Know-Your-Customer Principles.
- (2) The evaluation as referred to in clause (1) is conducted by random sampling.
- (3) Financial Services Providers in the Capital Market Sector is obliged to document the evaluation as referred to in clause (1).

Article 32

Financial Services Providers in the Capital Markets Sector shall document and update the types, indicators, and samples of suspicious financial transactions in any related working units.

Part Five

High-Risk Area

Article 33

Potential Customer or Customer is considered as and/or classified into the high-risk area if:

- a. the background or profile of the Potential Customer or existing Customer and the controller of the Potential Customer or Customer is categorized as PEP or High-Risk Customers;
- b. the business field of the Potential Customer or existing Customer is categorized as a High-Risk Business;
- c. the potential Customer or existing Customer's country or territory of origin, domicile, or the place where the

transaction takes place is categorized as a High-Risk Country;

- d. listed as a terrorist; and/or
- e. the transaction conducted is allegedly related to a criminal offense in the Capital Markets Sector, Money Laundering and/or Terrorism Funding.

Article 34

Financial Services Provider in the Capital Markets Sector shall obtain a prior approval from its members of Board of Directors, an official on a level below the Board of Directors, or a senior manager before:

- a. establishing a business relation with a potential Customer who is considered as and/or classified into the High-risk group as referred to in Article 19 clause (1); and/or
- b. making decision to continue or discontinue a business relationship with a Customer who is considered as and/or classified into the High-risk group as referred to in Article 19 clause (1).

Part Six

Accounts Monitoring and Data Update

Article 35

- (1) Financial Services Providers in the Capital Markets Sector shall continually monitor their Customers' data to ensure that the Customers' transactions are consistent with their

profiles, characteristics, and/or regular transactions' pattern.

- (2) In conducting the monitoring activity as referred to in clause (1), Financial Services Providers in the Capital Markets Sector are required to have a monitoring system that can:
 - a. identify, analyze, monitor and effectively provide reports on the profiles, characteristics and/or regular transactions' patterns of Customers; and
 - b. trace each transaction, when required, including Customers' identities, forms of transactions, dates of transactions, amount and denomination of transactions, and funding sources used for the transactions.
- (3) Financial Services Providers in the Capital Markets Sector shall monitor their Customers' Securities accounts and transactions including analyze the related to any possibility of predicate offense and Terrorism Funding.
- (4) Financial Services Providers in the Capital Markets Sector may request data and/or further information from their Customers concerning transactions that are inconsistent with their profiles, characteristics and/or regular transactions' patterns.
- (5) Financial Services Providers in the Capital Markets Sector is obliged to evaluate the results of Customers' Securities accounts and transactions monitoring as referred to in clause (3) to ensure whether or not there is any suspicious financial transactions.
- (6) In the event that a suspicious financial transaction takes place, Financial Services Provider in the Capital Markets

Sector is obliged to request data and/or further information from the Customer as referred to in clause (4).

- (7) In the event that the data and/or information provided by the Customer does not offer a convincing clarification, the Financial Service Provider in the Capital Markets Sector shall report the Suspicious Financial Transaction to FTRAC.
- (8) In the event that there is similarity between name and information of the Customer and name and information in the list of terrorist names, Financial Services Provider in Capital Market Sector is obliged to report the Customer in the report of Suspicious Financial Transaction.

Article 36

- (1) Financial Services Providers in the Capital Markets Sector is obliged to update data, information and/or supporting documents as referred to in Article 15 clause (2) and clause (3) in the event that there be any changes identified through Customers Monitoring activity carried out by the Financial Service Providers in the Capital Markets Sector or other information that can be accounted for.
- (2) regular monitoring on Customers' profiles for the purpose of updating data shall be done at least 1 (one) time every:
 1. 3 (three) years for Customers of the low-risk category;
 2. 1 (one) year for Customers of the medium-risk category; and/or

3. 6 (six) months for Customers of the high-risk category.
- (3) Financial Services Providers in the Capital Markets Sector is obliged to document any updates of data as referred to in clause (1).

Part Seven
Documentation

Article 37

- (1) Financial Services Providers in the Capital Markets Sector is obliged to create and document a list of Customers in accordance to their risk rate.
- (2) Financial Services Providers in the Capital Markets Sector is obliged to administer documents as referred to in Article 15 clause (3).
- (3) The documentation as referred to in clause (1) and clause (2) shall be carried out within at least 5 (five) years since the conclusion of a business relation with a Customer.
- (4) Financial Services Providers in the Capital Markets Sector is obliged to keep the record and documents concerning the proses of identifying Suspicious Financial Transactions in accordance with prevailing laws and regulations.
- (5) Financial Services Providers in the Capital Market Sector is obliged to provide data, information and/or the documentations when requested by the Financial Services Authority and/or other authorities as required by the law.

Part Eight
Reporting

Article 38

- (1) Financial Services Providers in the Capital Markets Sector is obliged to submit a report on suspicious Financial Transactions, cash transactions, and/or other reports to FTRAC as stipulated in the laws and regulations concerning the prevention and eradication of Money Laundering and/or Terrorism Funding.
- (2) The submission of report as referred to in clause (1) shall be done in respect of provisions issued by the FTRAC.

CHAPTER V
INFORMATION SYSTEM

Article 39

- (1) Financial Services Providers in the Capital Markets Sector is obliged to have an information system that can save Customers' data and information, as well as their transactions data.
- (2) Data and information as referred to in clause (1) should be used as a parameter in monitoring Customers' transactions.
- (3) The information system as referred to in clause (1) should provide indicators facilities of potential suspicious financial transactions.
- (4) The information system as referred to in clause (1) should provide a list of person, field of business, and country

that meets the criteria of high-risk area; and update it regularly.

- (5) Financial Services Providers in the Capital Markets Sector is obliged to ensure that the monitoring of Customers by the information system can be carried out effectively and continually.

CHAPTER VI HUMAN RESOURCES AND TRAININGS

Article 40

Financial Services Providers in the Capital Markets Sector is obliged to conduct screening procedures in recruiting new employees.

Article 41

Financial Services Providers in the Capital Markets Sector is obliged to conduct training programs on the implementation of Know-Your-Customer Principles to all employees involved in the implementation of Know-Your-Customer Principles, with the following ways:

- a. formulating training programs at least once in 2 (two) years;
- b. conducting the training programs according to the set schedule; and
- c. reporting the implementation of the training programs to the Financial Services Authority on the following year after the year in which the training is conducted at the latest.

CHAPTER VIII
OTHER PROVISIONS

Article 42

Financial Services Providers in the Capital Markets Sector are required to take necessary actions to prevent the misuse of technology development for Money Laundering and/or Terrorism Funding scheme.

Article 43

Financial Services Providers in the Capital Markets Sector are required to cooperate with law enforcement and authorized agencies in eradicating Money Laundering and/or Terrorism Funding.

CHAPTER VIII
SANCTIONS

Article 44

- (1) Notwithstanding to criminal provisions in the Capital Markets Sector, the Financial Services Authority is authorized to impose the following administrative sanctions against any party who violates provisions in this Regulation of the Financial Services Authority, including those who cause the violations:
 - a. written warning;
 - b. penalty, namely an obligation to pay a certain amount of money;
 - c. restrictions on business activities;
 - d. suspension of business activities;

- e. revocation of business license;
 - f. cancellation of approval; and
 - g. cancellation of registration.
- (2) The administrative sanctions, as referred to in clause (1) point b, point c, point d, point e, point f, and point g can be imposed with or without being preceded by an administrative sanction in the form of a written warning as referred to in clause (1) point a.
- (3) The administrative sanction as referred to in clause (1) point b can be imposed separately or collectively with other administrative sanctions as referred to in clause (1) point c, point d, point e, point f, or point g.

Article 45

In addition to the administrative sanctions as referred to in Article 44 clause (1), the Financial Services Authority can exercise specific actions against any party who violates provisions in this Regulation of Financial Services Authority.

Article 46

The Financial Services Authority can publicize the imposition of administrative sanctions as referred to in Article 44 clause (1) and other specific actions as referred to in Article 45.

CHAPTER IX TRANSITIONAL PROVISIONS

Article 47

Financial Services Providers are required to submit guidelines for the implementation of Know-Your-Customer Principles as referred to in Article 2 to the Financial Services Authority within 6 (six) months since the enactment of this Regulation of Financial Services Authority at the latest.

CHAPTER IX
CLOSING PROVISIONS

Article 48

At the time this Financial Services Authority Regulation comes into effect:

- a. the Decree of the Chairman of Indonesian Capital Markets and Financial institutions Supervisory Agency number KEP-476/BL/2009 dated 23 December 2009 concerning Know-Your-Customer-Principles by Financial Services Providers in the Capital Markets Sector and Regulation Number V.D.10 as its Annex, shall be revoked and annuled.
- b. the Circular Letter of Financial Services Authority Number 7/SEOJK.04/2014 dated 24 April 2014 concerning the Implementation of Face-to-face Meeting in the Process of Accepting Securities Holders Through Electronic Account Opening, and Procedures for Electronic Subscription and Redemption of Mutual Funds Securities, will still be valid, provided that it is not contradictive and has not been revised in accordance with this Financial Services Authority Rule.

Article 49

This Regulation of Financial Services Authority Regulation shall come into effect upon its promulgation.

For public cognizant, it is hereby ordered that this Regulation of Financial Services Authority be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

On 18 November 2014

CHAIRMAN OF BOARD OF
COMMISSIONERS

THE FINANCIAL SERVICES
AUTHORITY,

[Signed]

MULIAMAN D. HADAD

Promulgated in Jakarta

On 19 November 2014

MINISTER OF LAW AND HUMAN
RIGHTS

THE REPUBLIC OF INDONESIA,

[Signed]

YASONNA H. LAOLY

A copy of the original document

Director of Law 1

Legal Department

[Signed]

Tini Kustini

THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2014 NUMBER

353

ELUCIDATION
OF
REGULATION OF THE FINANCIAL SERVICES AUTHORITY
NUMBER 22/POJK.04/2014
CONCERNING
KNOW-YOUR-CUSTOMER PRINCIPLES BY FINANCIAL SERVICES PROVIDERS
IN THE CAPITAL MARKETS SECTOR

I. GENERAL

With the development of Indonesia's Capital Markets industry either terms of products, services, and the use of information technology in the increasingly complex trades, there is a potential increase in the risk of the Capital Markets industry being used as a means for Money Laundering and Terrorism Funding with more sophisticated modus operandi. Therefore, it is necessary to continuously improve the capacity and capability of Financial Services Providers in the Capital Markets Sector, for instance by improving the implementation of risk management on the implementation of Know-Your-Customer Principles.

The Financial Services Authority as the highest regulator of the Capital Markets Sector has had provisions concerning Know-Your-Customer Principles in the Capital Markets Sector namely Regulation Number V.D.10, an Annex to the Decree of the Chairman of the Capital Markets and Financial institutions Supervisory Agency Number KEP-476/BL/2009 dated 23 December 2009 concerning Know-Your-Customer Principles by Financial for Financial Services Providers in the Capital Markets Sector. However, the provisions need to be in sync with Law Number 8 of 2010 on the Prevention

and Eradication of Money Laundering Offense as well as Law Number 9 of 2013 concerning the Eradication and Prevention of Terrorism Funding.

Furthermore, the Regulation Number V.D.10 on Know-Your-Customer Principles by the Financial Services Providers in the Capital Markets Sector also needs to be synchronized with the current international standard determined by the Financial Action Task Force on Money Laundering (FATF) on February 2012. In that international standard, the FATF recommends that in implementing anti-Money Laundering and Terrorism Funding regimes it is necessary to prioritize a risk-based approach in formulating policies and procedures. The approach suggests that when the risk of Money Laundering and Terrorism Funding is deemed higher, it is therefore necessary to establish a more robust policy and procedure; whereas when the risk of Money Laundering and Terrorism Funding is considered lower, a simpler policy and procedure can be applied.

In that regard and in order to be in sync with laws and regulations as well as the prevailing international standard, it is therefore necessary to improve provisions on Know-Your-Customer Principles by Financial Services Providers in the Capital Markets Sector. The improvement of the provisions includes among others;

- a. Provisions concerning an active monitoring action by the members of Board of Directors and Board of Commissioners of a Financial Services Provider in the Capital Markets Sector on the implementation of Know-Your- Customer Principles;
- b. Provisions concerning the classification of Customers and the implementation of Know-Your- Customer Principles based on the assessment of risks of Money Laundering and Terrorism Funding;
- c. Provisions on simple Customer Due Diligence (CDD) for low-risk Customers; and

- d. Provisions on CDD implementation by another financial services provider for the interest of a Financial Services Provider in the Capital Markets Sector.

It is hoped that through the effective implementation of Know-Your - Customer Principles by Financial Services Providers in the Capital Market Sector, they can run their businesses in a healthy manner and be globally competitive; and at the same time the domestic investors' growth can be increased.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

The Know-Your -Customer Principles in this Article refer to a written policy and/or procedure formulated based on this Regulation of the Financial Services Authority and used by every Financial Services Provider in the Capital markets Sector as a technical guideline for the supervisor of Know-Your -Customer Principles in implementing the principles.

Article 3

Clause (1)

Point a

Self-explanatory.

Point b

Self-explanatory.

Point c

Self-explanatory.

Point d

Self-explanatory

Point e

Periodically refers to provisions on human resources and trainings in this Regulation of the Financial Services Authority.

Clause (2)

A Branch Office of a Foreign Bank is a branch office of a bank, which main office is located overseas.

Article 4

Point a

Self-explanatory.

Point b

The responsibility of the Board of Directors in monitoring the implementation of Know-Your-Customer Principles does not necessarily refer to daily monitoring on operational activities. The monitoring method can be adjusted according to the complexity of business of a Financial Services Provider in the Capital Markets Sector.

Point c

Discussions in a meeting can be proven by meeting documents that can be accounted for, such as minutes of meeting or other documents containing evidence of meeting topics discussed in the meeting and the attendance. The frequency of meeting within a certain period can be adjusted according to the complexity of business of a Financial Services Provider in the Capital Markets Sector, the likelihood of risks of Money Laundering and Terrorism Funding, and the presence of new provisions or issues on Money Laundering and Terrorism Funding.

Article 5

Clause (1)

The establishment of a special task force unit or assignment of an official as the supervisor of Know-Your-Customer Principles is adjusted according to the needs of a Financial Services Provider in the Capital Markets Sector.

The official refers to the Board of Directors or an official on a level below it.

Clause (2)

Self-explanatory

Clause (3)

Sufficient capability includes among others experiences in and/or knowledge on Know-Your-Customer Principles implementation and the development of regimes for anti-Money Laundering and Terrorism Funding prevention.

Clause (4)

The provision in this clause is intended to anticipate a conflict of interest if the perpetrator of a Suspicious Financial Transaction is the chief executive director of Financial Service Provider in the Capital Markets Sector to whom any Suspicious Financial Transaction shall be reported. Therefore, a chief executive director cannot serve as the supervisor of Know-Your-customer Principles.

Clause (5)

Self-explanatory

Clause (6)

A Financial Service Provider in the Capital Markets Sector should ensure the effectiveness of Customers' transactions monitoring, especially when the supervisor for the implementation of Know-Your-Customer Principles is also a supervisor of the implementation of

Know-Your-customer Principles in a Commercial Bank, which serves
as a Custodian Bank.

Article 6

Self-explanatory.

Article 7

Self-explanatory

Article 8

Self-explanatory

Article 9

Self-explanatory

Article 10

Self-explanatory.

Article 11

Self-explanatory.

Article 12

Self-explanatory.

Article 13

Self-explanatory.

Article 14

Clause (1)

Point a

Self-explanatory.

Point b

Self-explanatory.

Point c

Self-explanatory.

Point d

Suspicious financial transactions refer to transactions that meet one of the criteria of suspicious financial transaction but need to be further investigated in order to confirm whether they can be classified as Suspicious Financial Transactions that should be reported to the FTRAC.

Clause (2)

Self-explanatory.

Article 15

Clause (1)

Self-explanatory

Clause (2)

Point a

Number 1

Letter a)

Self-explanatory

Letter b)

Identity number for an Indonesian citizen refers to the National Identity Number, whereas for a Foreign citizen the Passport Number.

Letter c)

Self-explanatory.

Letter d)

Self-explanatory.

Letter e)

Self-explanatory.

Letter f)

Self-explanatory.

Number 2

Self-explanatory.

Number 3

Self-explanatory.

Number 4

Self-explanatory.

Number 5

Self-explanatory.

Number 6

Self-explanatory.

Number 7

This section should be filled in by those who a job or an income. University students and housewives do not need to state their average income because they neither have a job nor an income.

Number 8

Self-explanatory.

Number 9

Self-explanatory.

Number 10

Self-explanatory.

Number 11

Self-explanatory.

Point b

Self-explanatory.

Clause (3)

Point a

Number 1

The National Identity Card in this provision refers to the National Identity Card stipulated in laws and regulations on resident administration. Customers of a Financial Services Provider who have not submitted their National Identity Cards are required to comply during data update.

Number 2

Self-explanatory.

Point b

Number 1

Letter a)

Self-explanatory.

Letter b)

Self-explanatory.

Letter c)

Self-explanatory.

Letter d)

Self-explanatory.

Letter e)

Self-explanatory.

Letter f)

Self-explanatory.

Letter g)

A domicile certificate can be substituted with another independent document certifying the domicile of a potential non-individual Customer.

For example, a certificate from building management.

Letter h)

Self-explanatory.

Letter i)

Self-explanatory.

Letter j)

For a potential Customer, which is a foreign company; the identity document of management can be substituted with a list of management authorized to represent the company verified by the corporate secretary.

Letter k)

Self-explanatory.

Number 2

Self-explanatory.

Number 3

Other legal entities include among others Civil Society Organizations, religious groups, political parties, and non-profit organizations.

Number 4

Letter a)

Self-explanatory.

Letter b)

Self-explanatory.

Letter c)

Self-explanatory

Letter d)

CDD is also done on a Party that represents an organized group, association, and another assembly that are non-legal entities in their business relations with a Financial Services Provider in the Capital Markets Sector. The Party should also be requested to provide data and information as referred to in clause (2).

Clause (4)

An international agency refers to a non-profit and/or social organization, which operates in various countries and has been publicly recognized, including but not limited to the agencies under the United Nations (the UN).

Clause (5)

Self-explanatory.

Clause (6)

Point a

A Securities account with a fictitious name refers to an account, which holder's name is different from the name of the concerned Customer's identity document.

Point b

Self-explanatory.

Point c

Self-explanatory.

Article 16

Clause (1)

For effective classification of Customers, it is necessary to have information either from Customers themselves or from any other available and accessible sources concerning the Customers.

Clause (2)

Self-explanatory.

Clause (3)

Self-explanatory.

Article 17

Clause (1)

Point a

Criteria of potential Customers or Customers with low-risk level based on their profiles as referred to in number 1, number 2, number 3, number 4, and number 5 are not bound by value limit.

Number 1

If a Customer only sells Securities received from ESOP and/or MSOP, and does not receive or buy other Securities; a simple CDD can be done. However, if the Customer actively trades Securities, a simple CDD can only be done if the Customer fulfills the provisions as referred to in point c.

Number 2

Self-explanatory.

Number 3

Self-explanatory.

Number 4

Self-explanatory.

Number 5

Self-explanatory.

Point b

The rights issue is applicable for any potential Customer who, without having to open a Securities account afterward, can immediately sell the Securities during trading days in the secondary market.

Point c

Self-explanatory.

Clause (2)

Self-explanatory

Clause (3)

Self-explanatory.

Article 18

Clause (1)

Point a

Self-explanatory.

Point b

Self-explanatory.

Point c

Number 1

Self-explanatory.

Number 2

This investment product includes a Collective Investment Contract of Asset-Backed Securities and a Collective Investment contract of Real Estate Investment Fund.

Number 3

Self-explanatory.

Point d

Number 1

A fund deposit refers to an amount of money deposited into a Customer's Account that does not originate from a Customer's transaction results and/or other wealth related to the Customer's Securities. In this regard, the fund obtained from selling Securities, dividend, and/or other transactions related of the Customer's Securities are not considered as a fund deposit.

Number 2

Self-explanatory.

Number 3

1 (one) month period refers to the beginning until the end of the respective month.

Clause (2)

Self-explanatory.

Clause (3)

Self-explanatory.

Clause (4)

Self-Explanatory.

Article 19

Clause (1)

Point a

Self-explanatory.

Point b

Self-explanatory.

Point c

Self-explanatory.

Point d

A Customer's profile, characteristics, and regular pattern of a Customer refer to the FTRAC's provisions on the identification of Suspicious Financial Transactions by Financial Services Providers.

Clause (2)

Point a

Self-explanatory.

Point b

Self-explanatory.

Point c

Self-explanatory.

Point d

Self-explanatory.

Point e

Self-explanatory.

Point f

Self-explanatory.

Point g

CDD shall be done regularly by Financial Services Providers in the capital Markets Sector at least once every 6 (six) months.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Examples of data, information, and/or supporting documents in this article include among others:

1. For a foreign citizen:
 - a) A Residence Permit Card according to provisions on immigration;
 - b) A reference letter from:
 - 1) an Indonesian citizen or company/institution/the Indonesian government on the profile of the potential Customer who is a foreign citizen; or
 - 2) a financial service provider in a country or jurisdiction where the Potential Customer is located, which is not categorized as high-risk.
2. For a Customer who receives funding facilities:
 - a) data concerning the occupation:
 - 1) a reference letter from the employer; or

2) an employee ID card.

b) data on income:

1) a salary voucher; or

2) a saving account statement for the last 3 (three) months from a bank.

Other required data, information, and/or supporting documents include the Tax ID Number, Driver's License, family register, and birth certificate.

Article 23

Clause (1)

Self-explanatory.

Clause (2)

Self-explanatory.

Clause (3)

Self-explanatory.

Clause (4)

The inconsistency mentioned in this article occurs if there is a change in a Customer's level of risk based on the Customer's transaction and/or profile, for example from the low-risk to the medium-risk level, from the medium-risk to the high-risk level, or from the low-risk straight to the high-risk level surpassing the medium-risk level.

If the procedure for the higher risk level has been conducted by the Financial Services Provider in the Capital Markets Sector, it does not have to be re-applied when the Customer's risk changes from the higher level to the lower one.

Article 24

Self-explanatory

Article 25

Clause (1)

The requirement for obtaining evidence on identity and/or information concerning a Beneficial Owner is part of a CDD, therefore this requirement does not apply to potential Customers or Customers with low-risk level as referred to in Article 24 clause (4).

Clause (2)

Self-explanatory

Clause (3)

Another financial services provider in the domestic Capital Markets Sector includes among others: a Financial Services Provider in the Capital Markets Sector, a Trustee, and an Investment Consultant.

A written statement referred to in this article incorporates a statement that the potential Customer has undergone a CDD process and is willing to provide data, information, and/or copies of supporting documents of the Beneficial Owner if required by the Financial Services Provider in the Capital Markets Sector.

Clause (4)

A written statement referred to in this article incorporates a statement that the potential Customer has undergone a CDD process and is willing to provide data, information, and/or copies of supporting documents of the Beneficial Owner if required by the Financial Services Provider in the Capital Markets Sector.

Clause (5)

Not equivalent means that the implementation of Know-Your-Customer Principles in the other country is less than what is required by this Financial Services Authority regulation.

Clause (6)

Self-explanatory.

Article 26

Point a

State agencies or government agencies mentioned in this point include the Indonesian government agencies and foreign government agencies.

Point b

Self-explanatory.

Point c

Self-explanatory.

Article 27

Clause (1)

Self-explanatory.

Clause (2)

Point a

Other domestic financial services providers refer to financial services providers supervised by the Financial Services Authority.

Point b

Self-explanatory.

Point c

Self-explanatory.

Clause (3)

Self-explanatory.

Clause (4)

Point a

A CDD procedure includes identifying and verifying potential Customers.

Point b

Self-explanatory.

Point c

Self-explanatory.

Point d

The classification of the risk level of a country includes among others those issued by the Financial Action Task Force (FATF) and/or the Asia/Pacific Group on Money Laundering (APG), which can be accessed at their websites: www.fatf-gafi.org or www.apgml.org.

Clause (5)

Self-explanatory.

Clause (6)

Self-explanatory.

Clause (7)

Point a

Self-explanatory.

Point b

In order to ensure the implementation of CDD by a third party, a Financial Services Provider in the Capital Market Sector can:

- review the policy and procedure of Know-Your-Customer Principles by the third party regularly;
- conduct a sampling to confirm compliance on the policy and procedure.

Point c

A CDD document result refers to a form that incorporates data and/or information of potential a Customer or Customer as well as supporting documents.

Point d

Self-explanatory.

Article 28

Self-explanatory.

Article 29

Self-explanatory.

Article 30

Point a

Self-explanatory.

Point b

Self-explanatory.

Point c

Self-explanatory.

Point d

Internal monitoring system refers to a procedure, mechanism, process or tools that can be used to conduct monitoring systematically.

Article 31

A test and its documentation referred to in this article shall be done to improve and develop the system for implementing Know-Your-Customer Principles by a Financial Services Provider in the Capital Markets Sector.

Article 32

Self-explanatory

Article 33

Point a

Politically Exposed Persons include among others:

1. Head of State or the Head of Government;
2. Deputy Head of State or the Deputy Head of Government;
3. Ministers or Equivalent Officials;

4. Senior Executives of State-Owned Enterprises;
5. Board of Directors of State-Owned Enterprises;
6. Executives and Chief of Political Parties;
7. Senior Officers in the military and/or police;
8. Senior officers within the Supreme Court and Attorney General Office;
9. Officials appointed by the President;
10. Legislative members either at the central or regional level;
11. Family members (spouses, parents, siblings, children, in-law children, grandchildren) of those in the above categories;
12. any persons who are not included in the above categories, however due to their high positions in the community, their significant influence, celebrity status, and/or combination of those attributes, they can pose a risk towards Financial Services Providers in the Capital Markets Sector; therefore should be categorized as high-risk; and
13. other parties as referred to in the FTRAC's guideline on Politically Exposed Persons.

High-risk Customers include among others:

1. Politically Exposed Persons;
2. Government employees associated with public services;
3. People who live in and/or have fund from countries, which are identified by reliable sources as countries with insufficient anti-Money Laundering standard or with a high rate of criminal offenses and corruption;
4. People who are involved in activities or businesses that are prone to Money Laundering such as the employees of financial services providers;

5. Parties listed by the United Nations or other international organizations as terrorists, terrorist organizations, or organizations that fund terrorism; or
6. Other parties as referred to in the FTRAC's guideline on High-Risk Customers.

Point b

High-Risk Businesses include among others:

1. Financial services such as Money Changer, Money Remittance;
2. Offshore companies including Financial Services Providers located within the tax and/or secrecy havens and jurisdictions that do not appropriately implement FATF's recommendations.
3. Car dealers;
4. Travel agents;
5. Jewelries, gemstones and precious metals merchants;
6. Exporters/importers;
7. Cash-based enterprises such as minimarkets, parking management services, restaurants, fuel stations, phone credit recharge merchants;
8. Wholesalers and retailers of electronic products (particularly within free-trade zones);
9. Advocates, accountants or financial consultants;
10. Antique and art dealers;
11. Property agents; or
12. Other businesses as referred to in the FTRAC's guideline on High-Risk Businesses.

Point c

High-risk countries include among others:

1. Jurisdictions that are incapable in applying FATF's recommendations as identified by the organizations conducting a mutual assessment on a particular country (such as Financial

Action Task Force on Money Laundering (FATF), Asia Pacific Group on Money Laundering (APG), Caribbean Financial Action Task Force (CFATF), Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the Grupo de Accion Financiera de Sudamerica (GAFISUD), Intergovernmental Anti-Money Laundering Group in Africa (GIABA) or Middle East & North Africa Financial Action Task Force (MENAFATF));

2. Countries identified as uncooperative or Tax Havens by the Organization for Economic Cooperation and Development (OECD);
3. Countries with a low level of good governance according to the World Bank;
4. Countries with a high-risk corruption level as identified in the Transparency International Corruption Perception Index; or
5. Other countries or jurisdictions as referred to in the FTRAC's guideline on High-Risk Countries.

Point d

Information concerning entities listed as terrorists can originate from:

1. The Indonesian National Police Force;
2. The UN Security Council's Resolution 1267; or
3. Other commonly used sources.

Point e

Information on transactions allegedly related to criminal offenses in the Capital Market, Money Laundering, and/or Terrorism Funding can originate from:

1. reports or complaints from affected Customers or a third party;
2. database and risk management of a Financial Services Provider in the Capital Markets Sector;
3. the Financial Services Authority;
4. stock Exchange;
5. FTRAC;
6. mass media report on a potential Customer or Customer committing a criminal offense;
7. law enforcement agencies; and/or
8. other reliable sources.

Article 34

A prior approval from the senior management only applies for a Custodian Bank. The senior management refers to provisions in the banking sector.

Point a

Self-explanatory.

Point b

This is required when Customers' status changes from regular to PEP, including Customers who have been recently identified as PEP.

Article 35

Clause (1)

A Customer's profile refers to the description of the Customer, which includes among others, the identity, occupation or business field, income or business revenue, and source of fund.

A Customer's characteristics refer to specific attributes of the Customer, which include among others, scope of activity, occupation, or business.

Customer's regular transaction pattern refers to the usual transactions of the Customer in terms of amount, portfolio types, products, and period.

Clause (2)

Self-explanatory.

Clause (3)

Self-explanatory.

Clause (4)

Requesting further data by a Financial Services Provider in the Capital Markets Sector referred to in this article should take into account provisions concerning anti-tipping off as referred to in the laws on the prevention and eradication of Money Laundering and/or Terrorism Funding. If there is a concern that this action can cause tipping-off, the Financial Services Provider in the Capital Markets Sector can incorporate any alleged suspicious transactions in a Suspicious Financial Transactions report without having to firstly request further data and/or information.

Clause (5)

Self-explanatory.

Clause (6)

Self-explanatory.

Clause (7)

Self-explanatory.

Clause (8)

Self-explanatory.

Article 36

Clause (1)

Self-explanatory.

Clause (2)

Self-explanatory.

Clause (3)

Data updates that are documented include updates on residence documents.

The documentation of data updates can be in the form of physical documents proving the updates or electronic documents according to the law and regulation on electronic information and transactions.

The documentation has to be provided or presented when requested by the Financial Service Authority and/or other authorities.

Article 37

Clause (1)

Self-explanatory.

Clause (2)

Documents can be administered in their original forms, copies, electronic forms, microfilm, or other types of documents, which according to the laws and regulations, can be used as valid evidence.

Clause (3)

Self-explanatory.

Clause (4)

Record keeping and the documentation of identified Suspicious Financial Transactions should be done in accordance with the FTRAC's provisions concerning the identification Suspicious Financial Transactions.

Clause (5)

Self-explanatory.

Article 38

Self-explanatory.

Article 39

Clause (1)

Self-explanatory.

Clause (2)

The information system of a Financial Services Provider in the Capital Markets Sector should enable it to track down each individual transaction whenever required, either for an internal purpose and/or the purpose of the Financial Services Authority, as well as for judicial proceedings.

The monitoring of Customers' transactions can be done:

1. manually, by inputting the Customers' data and information, and their transactions into a data processing application (spreadsheet); or
2. electronically, through an application for anti-Money Laundering and the prevention of Terrorism Funding, which is connected to the database system of the Financial Services Provider in the Capital Markets Sector that inputs the Customers' data and information, transactions, products and portfolios; and supported with an integrated Customers data and information.

The transaction monitoring system can be tailored according to the complexity of business of the Financial Services Provider in the Capital Markets Sector.

Clause (3)

The indicator facilities will enable a supervisor of Know-Your-Customer Principles to identify any suspicious transactions.

An example of the indicator facilities is the red flag facility.

Monitoring can be done either manually or electronically through specific applications tailored according to the complexity of business of the Financial Services Provider in the Capital Markets Sector.

Clause (4)

Self-explanatory

Clause (5)

Self-explanatory

Article 40

It is possible for a Financial Services Provider in the Capital Markets Sector to be used by its own employees as a means for Money Laundering and Terrorism Funding.

Screening should be done to prevent Financial Services Providers in the Capital Markets Sector from being used by internal parties as a means and/or avenue for Money Laundering or Terrorism Funding.

Article 41

In determining training participants, a Financial Services Provider in the Capital Markets Sector should prioritize employees whose daily tasks meet the following criteria:

- a. dealing face-to-face with Customers (front liners);
- b. monitoring the implementation of Know-Your-Customer Principles; or
- c. formulating reports to FTRAC and the Financial Services Authority.

It is not compulsory for the Board of Directors and Board of Commissioners to attend a training program on the implementation of Know-Your Customers Principles, however they are required to understand related development of Money Laundering and Terrorism Funding.

Article 42

Self-explanatory.

Article 43

Cooperation with law enforcement agencies referred to in this article includes among others submitting data, information, and/or supporting documents to the relevant law enforcement agencies on the identity of Customers who allegedly commit a predicate criminal offense of Money Laundering and/or Terrorism Funding according to the provisions of laws and regulations.

Article 44

Self-explanatory.

Article 45

Self-explanatory.

Article 46

Self-explanatory.

Article 47

Self-explanatory.

Article 48

Self-explanatory.

Article 49

Self-explanatory.