Bank Indonesia Issues Regulation on Fund Transfers

Bank Indonesia Regulation No. 14/23/PBI/2012 dated December 26, 2012 ("PBI") on Fund Transfers has been issued to implement Law No. 3 of 2011 on Conduct of Fund Transfers ("Law No. 3/2011"). This PBI repeals and replaces PBI No. 8/28/PBI/2006 on Money Transfer Business Activities.

The PBI regulates the requirements of financial institutions and other entities engaged in fund transfer ("Fund Transfer Operators") with respect to security systems, capital, integrity of management, risk management, and infrastructure readiness, and regulates in detail the rules for execution of fund transfer orders, such as responsibility in times of force majeure, errors in fund transfers, and refund procedures.

◊ Fund Transfer Permits

To receive a permit and qualify as a Fund Transfer Operator, applicants must be classified as banks or non-bank legal entities that meet the criteria for, and are participants in, Bank Indonesia’s Real Time Gross Settlement ("BI-RTGS") system or National Clearing System ("SKNBI"), or Card-Based Payment Organizers that provide fund transfer services.

Permits may not be transferred to third parties. Reports to Bank Indonesia must be made in the event of merger, consolidation, separation, or other corporate action that may result in permit transfer. Bank Indonesia will then decide based on the report, which party, if any, is authorized to acquire the permit.

Fund Transfer Operators that have secured a fund transfer permit based on the previous regulation (PBI 8/28/PBI/2006) must reapply for and obtain a new permit within one year of the effective date of this PBI. Under Law No. 3/2011, parties that process fund transfers without having the proper permit will be subject to up to 3 years imprisonment or IDR 3 billion in criminal fines.

◊ Procedures for Sending and Receiving Overseas Fund Transfers

Overseas fund transfers may only be conducted by parties that have approval from their corresponding local authorities and under written agreement with Indonesian Fund Transfer Operators. The agreement must at minimum contain a commitment to reciprocity between the parties; the rights and obligations of each party; a dispute settlement mechanism; and mechanisms to determine foreign exchange rates, fees, and final settlement. For fund transfer involving overseas non-bank entities, Bank Indonesia may implement a cap on the amount of funds that can be transferred.

◊ Transfer Procedures

A Fund Transfer Operator that has accepted a transfer order from a customer remains responsible for executing the order until the funds are accepted by the final beneficiary Operator. The sending Operator remains responsible in the event of force majeure, failure of electronic or non-electronic
system infrastructure, failure of clearing system or fund transfer system, or other events to be determined by Bank Indonesia. In such cases, sending Operators are obligated to inform the sender of the conditions; otherwise, they may be required to pay for services, interest, or compensation to the party originating the transfer.

In the event of force majeure, and the sender cancels the transfer order, the Fund Transfer Operator must return the funds by credit to the sender’s account or provide a written notice for cash withdrawal if the sender does not have an account with the sending Operator. The sender is entitled to refund of service fees, interest, or compensation from the Fund Transfer Operator should the Operator fail to provide a refund within 1 working day of receipt of the cancellation request.

In the event of error leading to funds being transferred in the wrong amount, or delivered to the wrong beneficiary, the errant Operator must correct the error within 1 working day after acknowledgement of the error by cancelling or changing the order and/or publishing new orders to the rightful beneficiary without waiting for a refund from the mistaken beneficiary.

In the event of force majeure, and the sender cancels the transfer order, the Fund Transfer Operator must return the funds by credit to the sender’s account or provide a written notice for cash withdrawal if the sender does not have an account with the sending Operator. The sender is entitled to refund of service fees, interest, or compensation from the Fund Transfer Operator should the Operator fail to provide a refund within 1 working day of receipt of the cancellation request.

Fund Transfer Operators are entitled to charge reasonable transfer fees, but they must inform senders of the fees by, at minimum, posting an announcement in relevant office locations.

❖ Fund Transfers Intended to Be Received in Cash

Fund transfers may be disbursed in cash by sending a notice on the date of the transfer order to the beneficiary that they are entitled to receive funds in cash. Should the transferred funds not be collected after a series of notices, the recipient Operator must transfer the funds back to the originator. If the originator, after a series of notices and after a period of time, fails to collect the funds, the funds will be surrendered to the Probate Court closest to or in the same area of the originating Operator.

❖ Sanctions

Fund Transfer Operators that violate any of the provisions of the PBI may be subject to administrative sanctions in the form of warnings, fines, suspension of transfer activities, and fund transfer permit revocation. Bank Indonesia can also temporarily suspend part of or all fund transfer activities and revoke licenses of non-bank entities.

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