

## **Analysis of Good Corporate Governance and Risk of Money Laundering, Terrorism Financing (ML/TF) at Securities Crowdfunding (SCF) in Indonesia**

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**Methodology:** *We conducted a qualitative analysis method based on the results of a survey on governance and Anti-Money Laundering – Counter-Terrorism Financing (AML-CFT) addressed to each company implementing the SCF. In order to find out to what extent the implementation of governance and AML-CFT has been implemented by the SCF organizing companies, the questions in this research questionnaire are based on several aspects of governance and AML-CFT.*

**Purpose:** *This study analyzes the implementation of governance by SCF to find out and evaluate the extent to which the SCF companies are prepared to support a sustainable SCF industry, and the readiness to adequate infrastructure, including the Technical Guidelines for the Implementation of AML-CFT.*

**Findings:** *Based on the survey results from 10 aspects of corporate governance, not all SCF implement good corporate governance. Furthermore, AML CFT implementation to prevent ML/FT risks also has not been fully carried out by SCF.*

**Originality:** *The research regarding implementation of good corporate governance and AML-CFT in SCF - the industry of alternative finance that newly emerging in Indonesia - is still considered new. There are not a lot of existing literatures that has covered this side of SCF in Indonesia. Thus, this research will fill the gap of literatures about SCF in Indonesia and how the new alternative finance players in the industry implement their good corporate governance in their operational basis.*

**Keywords:** Good Corporate Governance, GCG, AML-CFT, money laundering, terrorism financing

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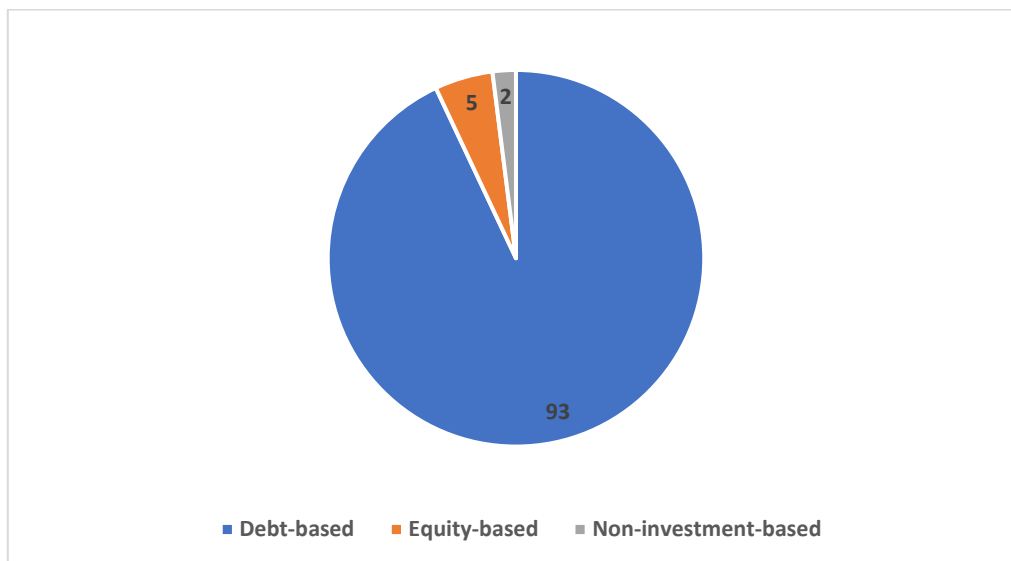
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## 1. Purpose

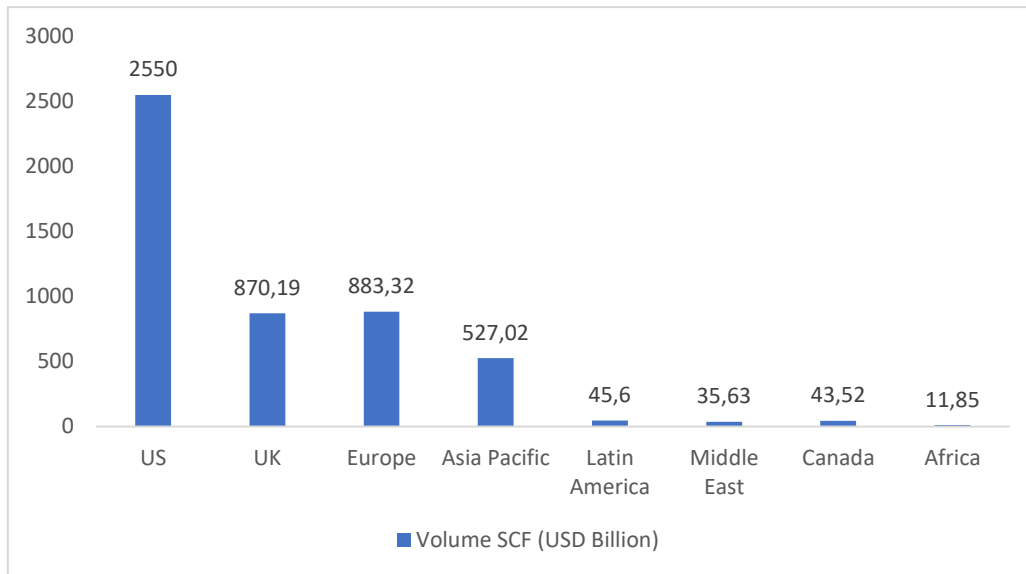
*Securities Crowdfunding* (SCF) is an internet-based alternative funding scheme in exchange for share ownership (Fukuhara, 2020). The SCF scheme allows for the collection of funds from the general public (the crowd) with a lower contribution value (Anirudh et al., 2019; Yasar, 2021) and is carried out without intermediary financial institutions such as banks or *underwriters* (Bradford, 2012; Ralcheva and Roosenboom, 2019). In this case, anyone can become an investor and invest their money in funding the business activities that have been entrusted. Ease of access to funding is especially needed by business units that are in the initial phase of establishment or those that are developing, where access to adequate funding for these business units is still limited (Abdulsaleh and Worthington, 2013). The growth of investment products through increasing the role of investors in the domestic capital market is also expected to contribute to the improvement of macroeconomic indicators, which in turn can also support economic growth in a country (Bandonio et al., 2020).

Based on data from Ziegler et al. (2020), alternative funding with crowdfunding schemes globally has reached USD304.5 billion in 2018. Of this amount, *equity-based crowdfunding* (ECF) has a share of USD4.9 billion or only 5% of the total of the entire *market share*. Even so, the volume of ECF services has almost doubled in three years, amounting to USD 2.56 billion in 2015.[2]. This means that the ECF itself has greater funding potential in the future.

**Graph 1. Crowdfunding Market Share by Type (in percent)**



**Graph 1. Volume of Securities-based Crowdfunding (SCF) di Regions (USD million)**



In Indonesia itself, funding with the SCF scheme is regulated in the Financial Services Authority Regulation Number 37/POJK.04/2018 (POJK 37) regarding Crowdfunding Services through Information Technology-Based Stock Offerings. This regulation was later updated with the issuance of POJK Number 57/POJK.04/2020 concerning Securities Offering through Information Technology-based crowdfunding services (POJK SCF), where the offering was expanded to include securities, namely debt acknowledgment letters, commercial securities, stocks, bonds, proof of debt, participation units in collective investment contracts, futures contracts on securities, and derivatives of securities.

As of June 6, 2021, there are 25 crowdfunding organizers who have become members of the Indonesian Crowdfunding Service Association (ALUDI), of which 5 (five) hosting companies have obtained permission from the OJK while 23 other organizing companies have registered and are in the process of applying for permits at the OJK. (see Table 1.). This figure increases from 28 hosting companies in early 2021. Based on Table 1., the trend of public interest in SCF can be seen in the increase in the number of issuers and the number of registered investors in each hosting company.

**Table 1. List of OJK Licensed SCF Firms**

No	Firms' Name	Platform	Site	OJK Permit Date	Number of Publishers *	Number of Investors*	Total Disbursed Funds*
1	PT Santara Daya Inspiratama	Santara	<a href="http://www.santara.co.id">www.santara.co.id</a>	06-Sep-19	89	295.414	149.900.000.000
2	PT Investasi Digital Nusantara	Bizhare	<a href="http://www.bizhare.id">www.bizhare.id</a>	06-Nov-19	55	71.900	46,600,000,000
3	PT Crowddana Teknologi Indonusa	Crowddana	<a href="http://www.crowddana.co.id">www.crowddana.co.id</a>	31-Dec-19	9	2045	35,702,010,000
4	PT Numex Teknologi Indonesia	LandX	<a href="http://www.landx.id">www.landx.id</a>	23-Dec-20	16	48.729	90,100,000,000
5	PT Dana Saham Bersama	Danasaham	<a href="http://www.danasaham.co.id">www.danasaham.co.id</a>	14-Apr-21	8*	46*	0

*Note:* as of August 9, 2021

The increasing trend of SCF makes the implementation of corporate governance involved, both the hosting company and the issuing company, important to do. Poor implementation of corporate governance as well as the weak role of management in managing operational activities puts the company at risk of *fraud*, accounting scandals, and business failure (Stijn and Burcin 2012).

In the end, this will affect the trust of the public and investors who place their funds in SCF. In line with this, it is necessary to provide adequate provisions regarding the *due diligence* of parties involved in SCF in reducing the potential for *moral hazard* due to the weak implementation of good corporate governance. Organizers, issuers, and irresponsible investors can take advantage of SCF in committing fraud and *fraud* for their own interests through the IPO process in a crowdfunding service. The results of the National Risk Assessment (NRA) from the Center for Financial Transaction Reports and Analysis, stated that the capital market itself is one of the sectors at risk for the occurrence of Money Laundering (FATF, 2019; European Commission, 2014).

Considering that SCF is a relatively new alternative financing product in Indonesia, it is interesting to analyze the implementation of governance by SCF to find out and evaluate the extent to which the organizers are prepared to support a sustainable SCF industry. On the other hand, the significant development and growth of the SCF industry also needs to be balanced with adequate infrastructure, including the Technical Guidelines for the Implementation of Anti-Money Laundering and Prevention of Terrorism Financing Programs (AML-CFT) for SCF as stipulated in Article 82 of the SCF POJK which requires SCF to implement the AML-CFT programs starting in December 2022.

Based on the above background, research on the implementation of SCF governance and risk in the Indonesian Capital Market needs to be carried out, taking into account that:

- a. There are no guidelines that specifically regulate the principles of governance in SCF;
- b. There is no study for the preparation of AML-CFT guidelines in SCF industry.

## **2. Literatures on Securities Crowdfunding Policies in Various Countries**

### **2.1. United States of America**

The regulation of SCF in the United States is carried out under a series of regulations of the Title I Jobs Act in 2012 and the Title II Jobs Act in 2013, which regulates the democratization of the capital market and legalization of securities-based crowdfunding facilities to expand access to funding for companies that are just starting their business (Ruiz, 2017).

Regarding the prevention of money laundering and terrorism financing crimes, there are three main requirements to be fulfilled by the organizing company (Ruiz, 2017). First, the operator must implement an effective *Customer Identification Program*, which consists of three components: a) collection of information regarding the identities of investors, issuers and issuing directors, officers and 20% or more shareholders; b) verify the authenticity of the data (ensure that the information listed is not a false identity); and c) conduct background checks on the issuing company and the organizational structure of the company deemed significant to determine whether the company has a potential risk of fraud or terrorism.

Second, organizers must have a program to monitor and report suspected money laundering activities to the United States Financial Crimes Enforcement Network (FinCEN) regarding reports of suspicious activity. If a transaction involves at least USD5,000 and appears suspicious or has no clear purpose, then the transaction must be reported to FinCEN. Third, the operator must maintain a system capable of meeting requests for information from FinCEN and other law enforcement agencies when necessary.

### **2.2. United Kingdom**

The UK has a regulatory body that handles crowdfunding services called The Financial Conduct Authority (FCA). In this case, the types of regulated crowdfunding services are loan-based/peer-to-peer lending crowdfunding and investment-based crowdfunding. The agency has amended regulations in April 2014 aimed at developing crowdfunding services, in which the resulting regulations focus on consumer protection, as well as efforts to encourage competition within the crowdfunding industry (Yasar, 2020). The requirements that must be met by the operator to obtain a license from the FCA include the establishment of company regulations that support the business plan; have a risk management strategy; have a marketing strategy and *customer acquisition channels*; have an organizational structure; have an internal system that functions to prevent money laundering and other financial crimes; and has detailed information regarding the period of holding investors' money (Chen et al., 2018).

### **2.3. Malaysia**

Malaysia is the first country to have regulation on securities-based crowdfunding services in the Southeast Asia region. The Malaysian regulatory agency in charge of crowdfunding services (Securities Commission Malaysia) issued a regulation containing guidelines and requirements for licensing and governance of a securities-based crowdfunding service platform in December 2015 (Yasar, 2020). This regulation regulates the nominal limits for the issuance of shares and investment limits for retail investors.

Crowdfunding platforms must conduct due diligence on issuing companies, conduct investor education programs, require investor knowledge of risks before investing in crowdfunding platform, and meet anti-money laundering requirements. Increased implementation of due diligence to investors that needs to be done, such as: identifying and

verifying the identity of the issuer using reliable and independent source documents, data or information; identify the beneficial owner/profits derived from the business generated by the issuing company and take action to verify the identity of the beneficial owner using relevant information or data; and understand, and, where relevant, obtain information about the purpose and nature of the business relationship.

#### **2.4.China**

On a global scale, the SCF market in China has a smaller market value than the peer-to-peer lending type of crowdfunding service (Hu and Yang, 2014). Because Chinese regulators place restrictions on public offerings, the country's SCF platform only conducts private offerings and is supervised and administered by the China Securities Regulatory Commission (CSRC), China Banking Regulatory Commission (CBRC), The People's Bank of China and the China Insurance Regulatory Commission (CIRC) (Huang et al., 2018). Apart from these restrictions, stringent requirements that must be met by investors, high risk, high minimum investment value requirements, as well as the challenges of obtaining high profits for issuing companies, the success rate of SCF in China is generally quite low (Wang et al., 2018).

In 2016, there were 127 SCF companies in China. Companies must enforce customer identity verification obligations - companies will require their customers to provide a valid identity certificate; regularly review and continuously monitor the identity of their customers; and re-identify their customers after certain information changes. (Lin, 2017; World Bank, 2019).

**Table 2. Comparison of SCF Regulations in Different Countries**

Countries	Regulation	Number of Crowdfunding Platforms as of 2020	Regulatory Agency	Regulations Applied in The Context of Risk Prevention
USA	Title II of the JOBS Act/2012; Title III of the 2012 JOBS Act/2016	107	Commodity Futures Trading Commission	There are three main requirements for AML programs on the platform. First, funding portals must implement a Customer Identification Program ("CI Program"). Both organizers must have a program to monitor and report suspected money laundering activities to FinCEN ("Suspicious Activity Reports / SAR Program"), Third, the organizers must have a system to fulfill requests for information from FinCEN and other law enforcement agencies when necessary. (Ruiz, 2017)
United Kingdom	Financial Services and Markets Act/2000; Amendment/2014	29	The Financial Conduct Authority (FCA)	are required to conduct a risk assessment by appointing officers to carry out the compliance function, verifying issuer and investor data, and monitoring the business activities of the issuing company so that further enhanced due diligence procedures can be carried out if necessary. (Groh et al., 2012; Chen et al., 2018)
Malaysia	Regulation of Markets under Section 34 of CMSA 2015	10	Security Commission Malaysia	Crowdfunding platforms must conduct due diligence on issuing companies, conduct investor education programs, require risk acknowledgment from investors, and ensure that issuers and investors follow their respective regulations. (Worldbank, 2019)
China	Regulation Crowdfunding/2014	127	China Securities Regulatory Commission	Companies must enforce customer identity verification obligations - companies will require their customers to provide a valid identity certificate; regularly review and continuously monitor the identity of their customers; and re-identify their customers after certain information changes. (Lin, 2017; Worldbank, 2019)



Italy	Regulation Crowdfunding/2012	9	CONSOB	Prior to 2017, regulations regarding ECF were limited to start-up companies, only in 2019 ECF was opened to the entire scope of business. (Ziegler, 2019)
Canada	Amendments to Capital Markets Act/2015		Financial Services Commission	SCF regulations in Canada are enforced at the provincial level <i>rather</i> than the <i>nationwide level</i> , so each province has a hand in determining its own regulations. (Vismara, 2016)
Turkey	Crowdfunding Regulation/2014	42		Publishing companies are required that companies that are full of technology use in their business activities, have been established for at least five years, have a website address. Investors have a maximum investment limit of 2000 dollars per year (Yasar, 2020).

### 3. Methodology

Research on SCF will be conducted using a qualitative analysis method based on the results of a survey on governance and AML-CFT addressed to each company implementing the SCF. In order to find out to what extent the implementation of governance and AML-CFT has been implemented by the SCF organizing companies, the questions in this research questionnaire are based on several aspects of governance and AML-CFT as follows.

#### a. Governance Aspect

- i. general perception of the organizers which includes the urgency and practice of governance;
- ii. The Board of Directors and Committees, in this case the structure of the Board of Directors, the implementation of the duties and responsibilities of the Board of Directors, the structure of the Board of Commissioners, as well as the implementation of the duties and responsibilities of the Board of Commissioners;
- iii. conflict of interest which includes ownership of a conflict-of-interest policy, the intervention of shareholders in determining the company's internal decisions, implementation of the duties and responsibilities of the Board of Directors and the Board of Commissioners;
- iv. risk management and compliance function which includes ownership of risk management functions and policies as well as compliance function;
- v. internal audit and complaint handling which includes ownership of internal audit functions and policies as well as complaint handling;
- vi. external auditors and disclosure of information which includes the implementation of the duties of external auditors, policies on procedures for financial and non-financial reporting;
- vii. as well as a work plan that includes the process of preparing a work plan.

#### b. AML-CFT Aspect

- i. understanding of the organizers of AML-CFT, which includes understanding of money laundering and terrorism financing crimes, conformity of understanding with the National Risk Assessment (NRA), and identification of inherent risks;
- ii. AML-CFT policies and procedures which include the implementation of Customer Due Diligence (SDD) for potential issuers and potential investors, implementing customer grouping based on risk level, identification and verification of issuer data/information;
- iii. a management information system that includes the company's technology requirements and;
- iv. human resources which includes training related to the implementation of the AML-CFT program.

The survey questions are open-ended, with several questions in the form of ordinal questions on a Likert scale of 1-5 and questions with yes/no answers. From the survey questionnaires sent to the 28 companies operating the SCF, as many as 20 companies administering it filled out a complete governance questionnaire for us to analyze in more depth. The location of the organizers is known to be in the Greater Jakarta area (18 companies), Yogyakarta (1 (one) company), and Semarang (1 (one) company). At the time the survey was conducted, the total number of investors who had joined SCF as of July 2021 was 32,587 individuals with a total collected fund of more than IDR 300 billion. The categories of companies that become respondents themselves are 14 companies implementing conventional SCF, 3 (three) sharia SCF providers, 3 (three) companies implementing conventional and sharia SCF.

## **4. Analysis and Discussion**

### **4.1. Implementation of Good Corporate Governance in Indonesia's SCF Platforms**

Based on the answers of the 20 organizers who participated in the survey, all of them stated that they understood the importance of implementing good governance in their business operations, on the grounds that they could minimize risks in running their business operations; protect the interests of all stakeholders involved in the company; maintain and improve the continuity of a healthy and competitive business; and to keep the company more professional and accountable.

Referring to the Financial Services Authority Regulation (POJK) No. 57/04/2020 regarding Securities Offering through Information Technology-Based Crowdfunding Services, every Securities Crowdfunding (SCF) operator is required to report on corporate governance which must cover at least 3 (three) things, namely ownership of risk management functions and compliance functions, ownership of handling policies complaints, as well as the ownership of the roles of directors and commissioners in carrying out the complaint service function. In this study, it will be analyzed how SCF implement governance based on these three aspects.

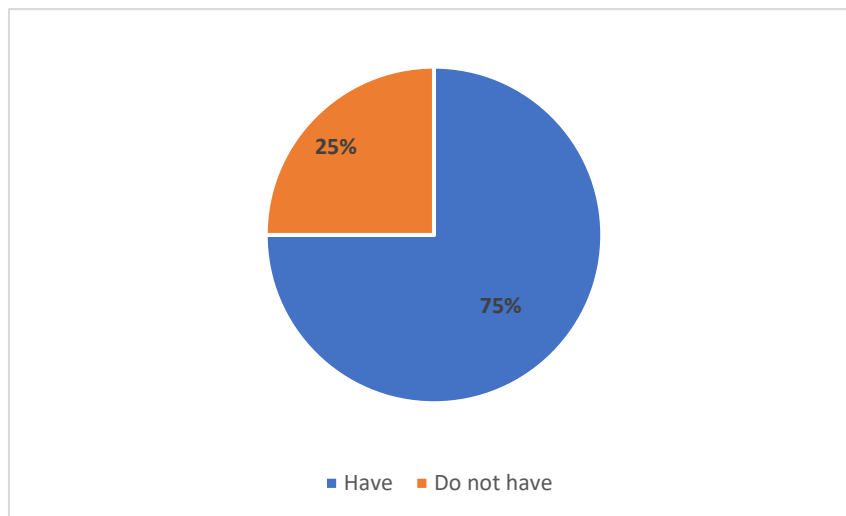
#### **4.1.1. Risk Management Function and Compliance Function**

All survey respondents stated that they understood the importance of the risk management function in carrying out their business operations.

The scope of risk management that is regulated is as follows, namely assisting the board of directors in the preparation and improvement of risk management strategies, frameworks and procedures; ensure the implementation of the company's business activities in accordance with the risk management policy; identify potential and significant risks that have an impact on the successful achievement of company goals; prepare anticipatory steps to reduce risk.

However, even though the organizers have stated their understanding of the importance of the risk management function in their business operations, in follow-up questions it was found that 5 (five) do not have a function that specifically handles risk management (graph 1).

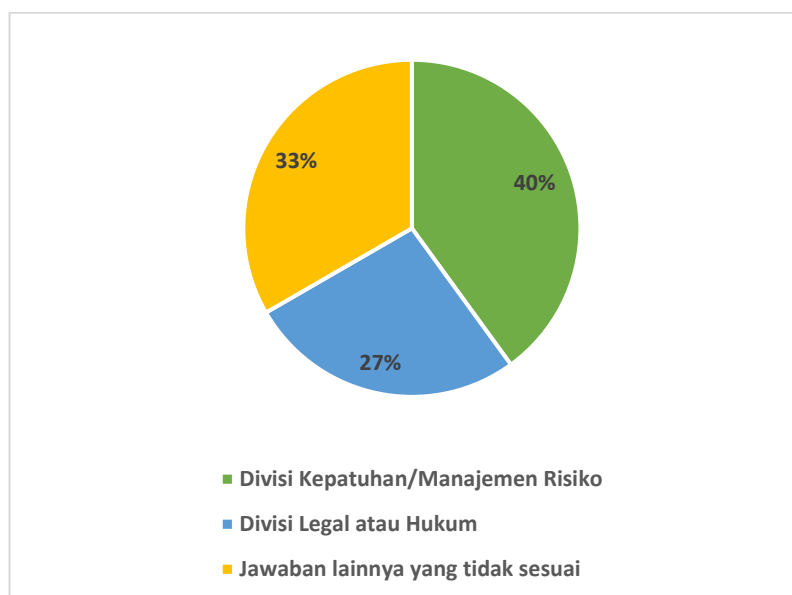
**Graph 3. Ownership of the Risk Management Function by SCF Platforms**



For SCF who do not have a specific function to handle risk management, risk management measures are carried out by a joint team consisting of the Director of Finance, Director of Operations, and the Investment Committee.

Furthermore, on the question regarding the Compliance Function, the SCF stated that this function is carried out by the Compliance Division/Risk Management, Legal Division, and other divisions within the company.

**Graph 4. The Party Performing the Compliance Function in SCF Platform**



A total of seven companies stated that there were concurrent positions in the compliance and/or risk management function with other divisions such as Legal, HRD, Customer Service. Meanwhile, all SCF who do not have a risk management function also state that they do not have a function that specifically handles compliance.

Ownership of risk management is a requirement for governance compliance by SCF. However, despite the fact that the SCF do not have a specific function to handle risk management, they are still able to identify, monitor, and control risks efficiently. The dual position activity in the implementation of this function is carried out considering

that financial technology companies such as crowdfunding services prioritize the efficiency of human resources. Based on the results of the survey itself, SCF have an average of 14 employees, with the most having 44 employees.

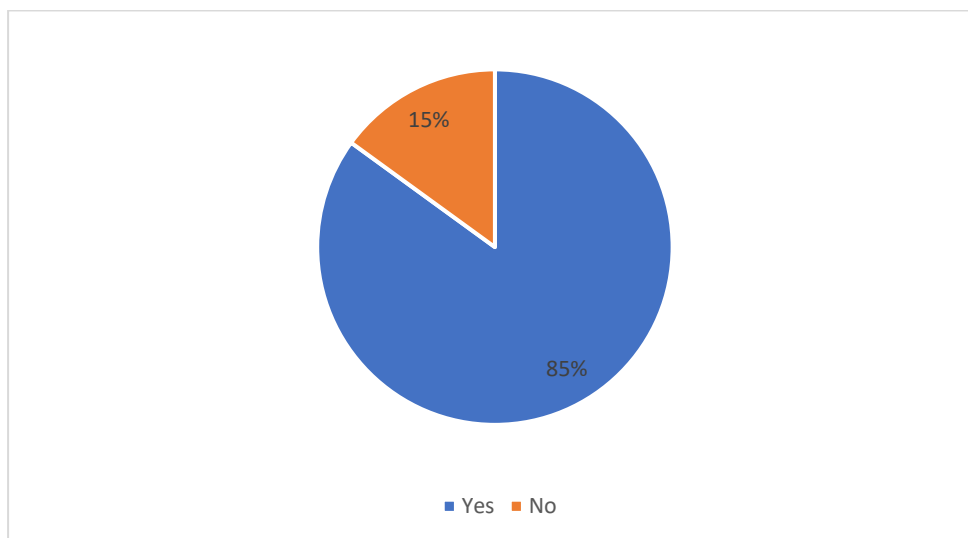
The implementation of the risk management function by the SCF operator is carried out by identifying the risks faced, in this case the business risk, the risk of electronic system failure, and the investment risk; then proceed with developing efficient mitigation, monitoring, and control measures. The forms of mitigation, monitoring and control measures include, among others, compiling a work plan, compiling data security protocols, compiling complaints service procedures, mitigating the existence of affiliations and conflicts of interest between officials in the organizing company as well as affiliates and conflicts of interest with publishers, providers, and investors.

#### **4.1.2. Complaint Handling Policy and the Role of the Board of Directors and Board of Commissioners in Performing the Complaint Service Function**

All SCF have a complaint handling mechanism which includes procedures and procedures for its implementation. The function of handling complaints by SCF is carried out independently, meaning that other than the authorized party (in this case, such as shareholders) they do not have any intervention in the follow-up process for resolving complaints.

Based on the survey results, the boards of directors of 17 SCF are involved in matters related to handling complaints. Matters related to the handling of complaints by the SCF are mentioned, including the formulation of policies for handling complaints and ensuring the implementation of the complaint handling function is carried out effectively.

**Graph 2. SCF whose Directors have Responsibilities related to Complaint Handling**



As many as 65% of SCF company commissioners are involved in matters related to complaint handling. Matters related to handling complaints include approving the complaint handling policy, actively monitoring the effectiveness of the implementation of the complaint handling function, as well as evaluating and providing recommendations for improvements to the implementation of the complaint handling policy.

It can be concluded that there are still directors and commissioners of SCF companies – even though they are not licensed – who are not directly involved and responsible for the complaint handling process. This is contrary to POJK No. 57/04/2020 where the involvement of directors and commissioners is a requirement for fulfilling governance in SCF companies.

The organizer has contacts who can be contacted via the platform, email, and whatsapp during office hours. During its operation, the organizers have never received a complaint of a criminal nature from either external or internal parties. The Whistle Blowing System (WBS) function itself must be declared by each SCF organizer, so that the organizers are currently preparing rules regarding WBS. The Operator ensures that there is no affiliation or conflict of interest between the incumbent and the company; as well as providing financial advice to investors and issuers as a form of persuasion to invest in their crowdfunding platform.

#### **4.1.3. Audit Track Record**

As many as 60% of SCF companies stated that they did not have an internal audit policy that included procedures or procedures for its implementation. From this percentage, only 6 (six) companies stated that they have an audit track record that records all business activities carried out. The audit trail record is carried out using the log system on the platform. The audit track record itself is a requirement that must be met by the company in conducting crowdfunding service activities.

The company is licensed to submit financial reports once a year to the OJK, in accordance with applicable regulations. The existence of an external audit is not yet mandatory for the organizers, but the organizers will still accommodate these activities if requested by the authorities. Internal audits by the controlling shareholder are carried out on who are subsidiaries such as DanaSaham.

#### **4.1.4. Identification and Verification of Prospective Issuers**

Identification and verification of data on prospective issuers is carried out by SCF companies by requiring the attachment of identities such as ID cards, NPWP, company deeds, and profiles of directors and commissioners by prospective issuers; identity of the beneficial owner in the form of KTP, NPWP (two answered no); sources of funds in the form of salary slips, account mutation information, OJK SLIK, company financial statements (one answered no); average income per year which is carried out by checking financial statements that have been audited by KAP, mutation of current accounts, and verification with third parties to be grouped into several groups of nominal income; attach a statement of intent and purpose of a business relationship or transaction (two answered no) seen through the prospectus and GMS, statement of cooperation agreement, and other related documents.

Of all SCF companies that answered the survey, as many as two companies only used a face-to-face system in identifying and verifying prospective publishers. Six companies can carry out face-to-face verification either directly or electronically through third party devices, 8 (eight) of which state that verification to prospective issuers is possible without using a face-to-face system which is carried out using the E-KYC facility with a valid verifier provider. permitted by OJK.

#### **4.1.5. Investor Classification**

As of today, the largest category of investors comes from employees and students. The interesting thing found here is that there are 63 classifications of investors working in the executive, legislative, and judicial fields who invest only on one platform. Even though in a follow-up investigation, the organizing company stated that it had ensured that there was no conflict of interest or affiliation between parties serving in the company and investors, this needs to be watched out for and becomes a further note for the authorities to continue to monitor so that there is no conflict of interest in the company's operational activities.

#### **4.1.6. Directors and Commissioners**

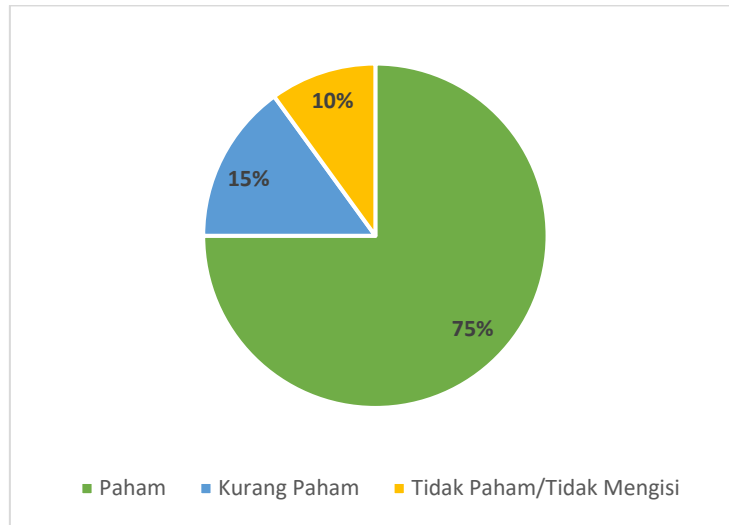
The number of Directors in each SCF organizing company is not more than 5 (five) people, and the number of Commissioners is not more than 3 (three) people. There are unlicensed SCF, where members of the board of directors and commissioners have financial and/or family relationships with fellow parties serving in the organizing company. As many as 30% of SCF companies have members of the board of directors who have financial and/or family relationships with fellow members of the board of directors, commissioners, and shareholders. Meanwhile, 40% of SCF companies have commissioners who have financial and/or family relationships with members of the board of directors, fellow commissioners, and shareholders.

There are company owners who serve as commissioners, but there are no company owners who are part of the directors of the organizing company. From the number of who do not have independent commissioners, there is a reason that the ownership of independent commissioners by the company is still not needed and also as HR efficiency by the newly established organizing company.

#### **4.2. Implementation of ML/TF in Securities Crowdfunding in Indonesia**

Based on the questionnaire data submitted to information technology-based crowdfunding service providers (SCF questionnaire survey data) on the level of understanding of ML and TF and the potential for SCF to be used as a means of ML and TF, information was obtained that 15 out of 20 respondents or as much as 75% had understood the related ML and TF as well as the potential risk of SCF are used as a means of ML and TF.

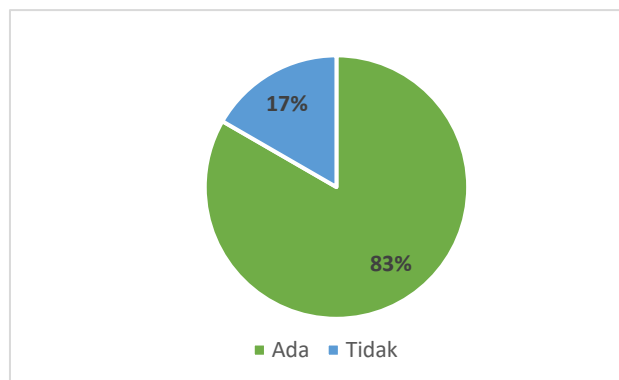
**Grafik 3. Understanding of ML/TF dan SCF risk to Sarana ML/TF**



#### 4.2.1. AML-CFT Policy

As stated in the POJK AML-CFT, the duties of the board of directors include ensuring that the have policies and procedures for the implementation of the AML-CFT programs, proposing written policies and procedures of a strategic nature regarding the implementation of the AML-CFT programs to the board of commissioners, as well as ensuring that the implementation of the AML-CFT programs is carried out. in accordance with the written policies and procedures that have been established. Based on the questionnaire survey data, information was obtained that 83% of respondents stated that their companies already have policies and procedures for implementing AML-CFT programs.

**Graph 4. AML-CFT Policy**



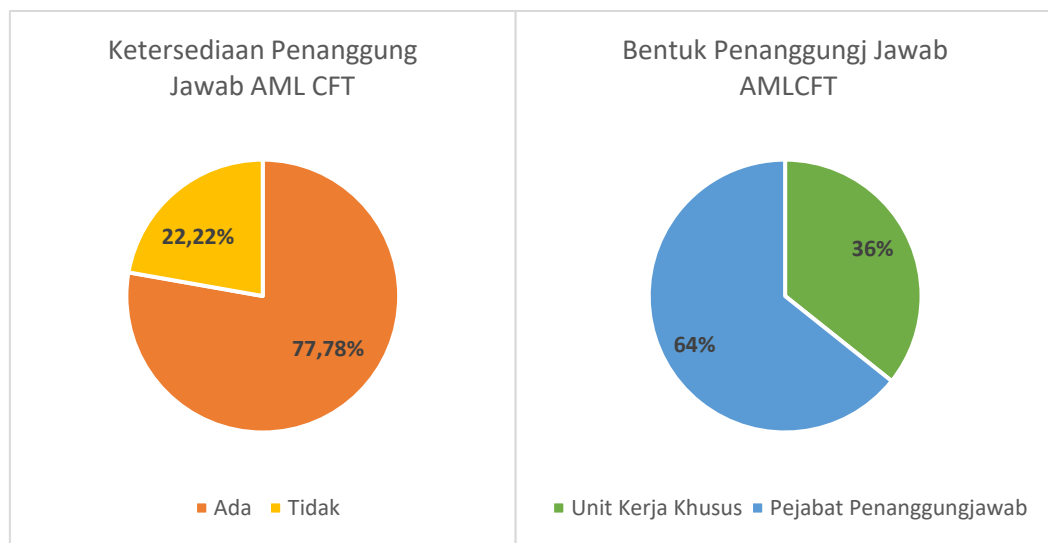
As an electronic system operator, the SCF Operator will be faced with rapid technological developments in SCF's business processes. Therefore, the board of directors also needs to ensure that written policies and procedures regarding the implementation of the AML-CFT programs are in line with changes and developments in products, services and technology in the financial services sector, including the development of money laundering and/or terrorism financing modes as a result of technological developments. .

Furthermore, to achieve the goal of implementing an effective AML-CFT program, the duties of the directors in implementing AML-CFT need to be supported by the person in charge who specifically handles the implementation of the AML-CFT program. The



person in charge of AML-CFT can be in the form of a Special Work Unit (UKK) and/or an official appointed as the person in charge of implementing the AML-CFT program wherein the directors will also supervise the compliance of the said work unit. It is necessary to establish UKK and/or appoint officials in charge of AML-CFT an adequate organizational structure, including a clear division of tasks and responsibilities. This is important in supporting the governance of structured AML-CFT program implementation in the Operator's operations. For example, there is a person in charge of implementing the AML-CFT programs based on the needs and complexity of the Operator's business. The Operator may establish UKK or appoint an official in charge of AML-CFT. Organizers can also establish UKK and appoint officials in charge of AML-CFT.

**Graph 8. Availability of Responsible Persons and Forms of Responsible Person for the Implementation of AML-CFT Programs**

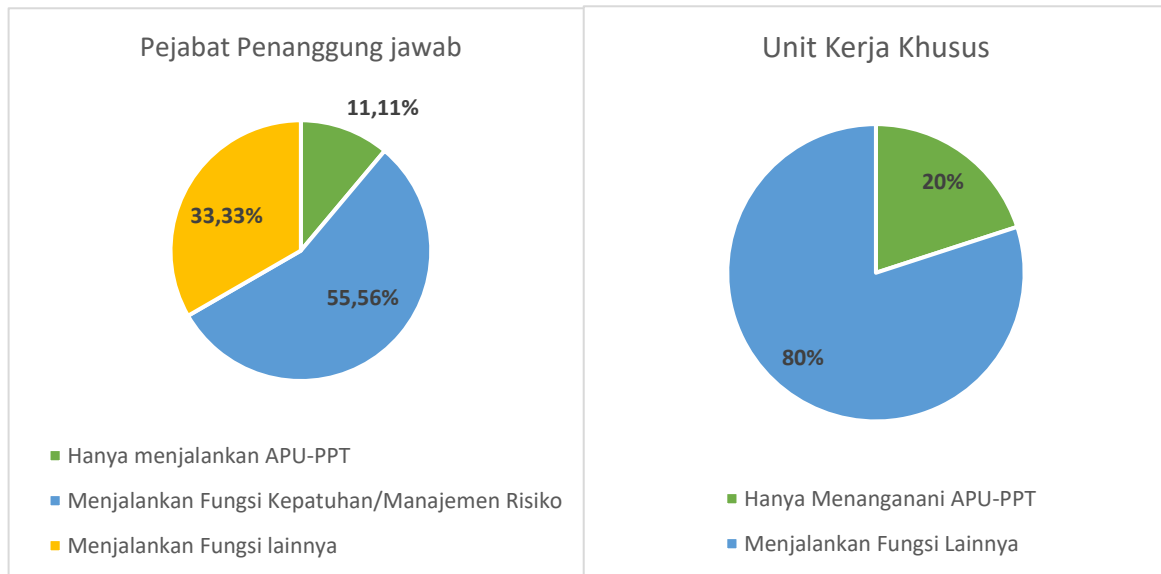


Based on the SCF questionnaire survey data, it is known that 77% of respondents already have a person in charge of implementing the AML-CFT programs. As for the respondents who answered that they already had a person in charge of implementing the AML-CFT programs, as many as 64% stated that the form of the person in charge of AML-CFT was in the form of appointment of officials, while only 36% answered in the form of UKK. This is understandable considering that the SCF industry is a capital-intensive industry that prioritizes the use of information technology and the efficiency of human resources.

The person in charge of AML-CFT in the form of UKK may not frame any functions and only focus on implementing the AML CFT program. Meanwhile, the official appointed as the person in charge can only concurrently carry out the compliance and risk management functions. The independence of the person in charge of AML-CFT is important in the obligation to report LTKM to PPATK where the obligation to submit LTKM applies anti-tipping-off provisions . Based on the SCF questionnaire survey data, information was obtained that the duties and responsibilities of those in charge of AML-CFT were not in accordance with the provisions in which the organizers in charge of AML-CFT respondents were carried out by officials, there were 33% of these officials who carried out other functions other than the compliance function. and risk management, namely the operational function. On the other hand, for the that have UKK, 80% of them stated that the UKK carries out other functions,

namely legal functions. This again shows the importance of OJK to analyze the related functions and positions.

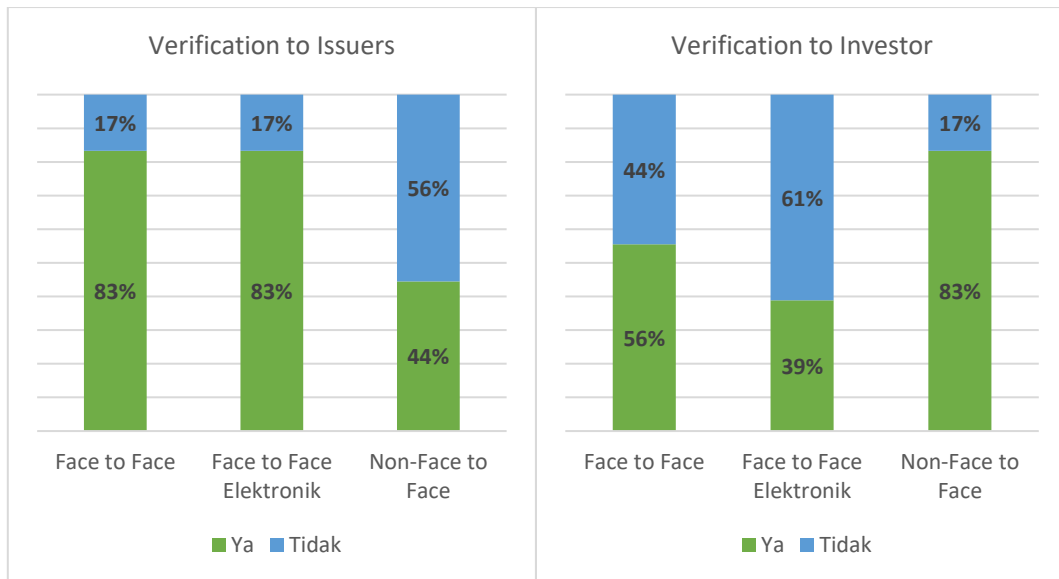
**Graph 9. Positions of Persons in Charge and Special Work Units Responsible for AML-CFT**



#### 4.2.2. Verification Issuers and Investors

The SCF questionnaire survey data shows interesting findings related to the type of verification carried out by the Operator. As many as 83% of stated that it was necessary to verify issuers face-to-face, either directly or using electronic means. Meanwhile, for Investors, the Operator stated that it is still possible to carry out face-to-face verification, either directly or indirectly. Although in accordance with the hypothesis that verification of investors is mostly done non-face to face . From this data, we concluded that the guidelines for the implementation of AML-CFT program needs to be elaborated on all the provisions of how to perform verification, verification that face to face directly, face to face electronically, as well as non-face to face .

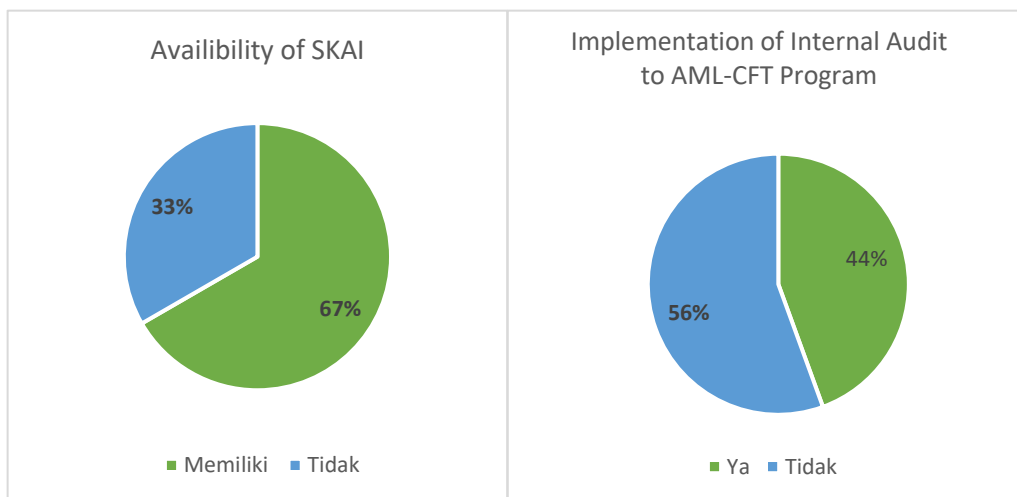
**Graph 11. Implementation of Verification for Issuers and Investors**



#### 4.2.3. Pengendalian Intern

Based on the results of the SCF questionnaire survey data, it is known that 67% of respondents already have an Internal Audit Work Unit (SKAI) to carry out the internal control function in their company. However, the SCF Operator has not yet fully implemented the SKAI function to conduct internal inspections of the AML CFT SOPs that have been implemented even though all companies already have these SOPs. This is indicated by only 44% of respondents stating that the AML-CFT SOPs have been carried out internal checks to ensure the implementation of the AML-CFT program runs effectively.

**Graph 12. Availability of SKAI and Implementation of Internal Audit on the Implementation of AML-CFT Programs**

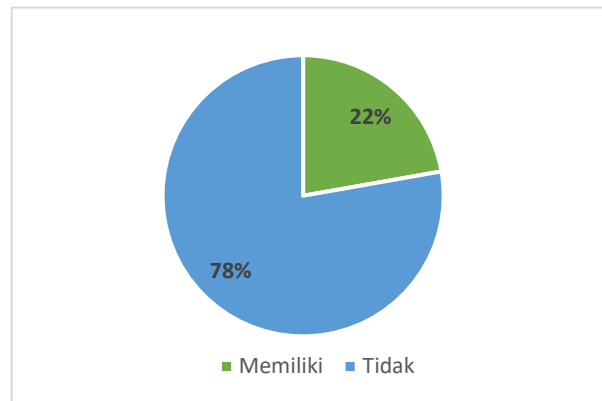


#### 4.2.4. Information Management System

In 2017, the European Commission has categorized crowdfunding as one of the services that is potentially vulnerable to money laundering risk with a "lowly-moderate significant" risk level, and is vulnerable to being used by terrorists to obtain financing, especially to transfer funds at the transnational level with a "moderately" risk level. Therefore, the Operator must have a SIM which is intended to effectively

identify, analyze, monitor, and provide reports on the characteristics of transactions carried out by customers using parameters that are adjusted periodically and taking into account the complexity of the business, transaction volume, and risks owned by the Operator. This is intended so that the Operator can detect irregularities and/or suspicious activity.

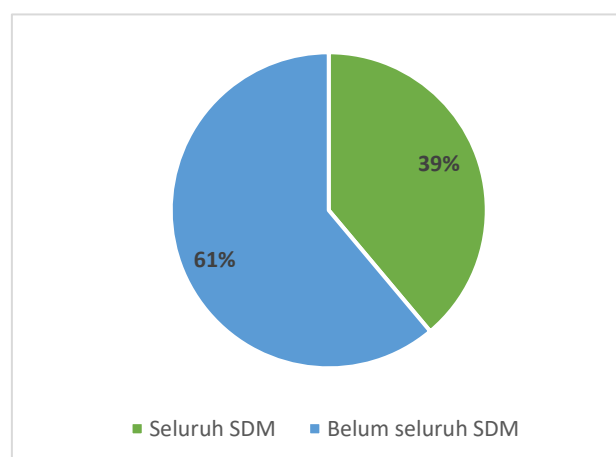
**Gambar 13. Availability of Suspicious Financial Transaction Detection Technology**



Based on the results of the SCF questionnaire survey data, information was obtained that only 22% of respondents stated that their company had available technology to detect suspicious financial transactions. This is contradictory to the nature of SCF's business which prioritizes the application of information technology. Therefore, it is necessary to emphasize in the guidelines that SCF are required to have an adequate SIM for implementing the AML-CFT programs. In addition, it is necessary to conduct intense socialization to the Operator regarding the importance of SIM availability, and the potential use of regulatory technology in SIM for human resource efficiency for SCF .

#### **4.2.5. Implementation of Training related to the Implementation of AML-CFT Programs**

**Graph 14. Implementation of Training Related to the Implementation of AML-CFT Program**



Based on the results of the SCF questionnaire survey data, only 39% of respondents stated that they had conducted training related to the implementation of the AML-CFT programs for all employees in their company. In fact, there was 1 (one) respondent who stated that he had not provided training at all to his company's employees. Therefore,

OJK can collaborate with the Crowdfunding Service Association to organize training on the implementation of the AML-CFT programs for SCF .

The implementation of the training program is carried out using a risk-based approach, particularly related to the AML-CFT program training. A business area or type of business activity that is considered to have a high level of risk, the employees involved must receive training with more frequent and regular intensity. Examples of types of information or training materials related to the AML-CFT programs include:

- a. applicable provisions (law), specifically regarding personal liability arising under applicable provisions, including related to the imposition of sanctions;
- b. policies and procedures related to AML-CFT programs, for example, suspicious activity parameters (red flags and typologies); and
- c. reporting, namely how and to whom reporting must be submitted and addressed, the application of anti-tipping-off in the submission of reports on suspicious financial transactions, and so on.

## **5. Findings and Policy Implication**

### **5.1. Findings**

1. SCF have not fully paid attention to and implemented the principles of Governance. It can be seen that based on the survey results from 10 aspects of corporate governance, not all SCF implement governance.
2. The implementation of AML CFT has not been fully carried out by SCF, which is reflected in the survey results which state that
  - a. there are still SCF who do not have AML-CFT policies and procedures,
  - b. there is no person in charge of AML-CFT,
  - c. does not yet fully have the function of SKAI to carry out internal inspections of AML CFT SOPs,
  - d. technology is not yet available to detect suspicious financial transactions, and the low level of training related to the implementation of the AML-CFT Program.

### **5.2. Policy Implication**

Based on the results of the study, the suggestions that can be made are:

1. Regulators need to make regulations that are specific to SCF governance.
2. Concurrent positions in SCF are a common thing to do considering that the start-up industry prioritizes human resource efficiency in its operational activities. This needs to be a concern regarding whether regulations are needed that require the operator to determine the risk management function to be carried out by certain appropriate sections.
3. Regulators can make regulations regarding the implementation of AML-CFT in SCF based on the results of this research survey

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