

MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
THE CAPITAL MARKET AND FINANCIAL INSTITUTION
SUPERVISORY AGENCY

DUPLICATE OF
DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET AND FINANCIAL
INSTITUTIONS SUPERVISORY AGENCY
NUMBER: KEP - 313/BL/2007

CONCERNING

KNOW YOUR CUSTOMER PRINCIPLES (IMPLEMENTED) BY FINANCIAL
SERVICE PROVIDERS IN CAPITAL MARKET AREA

CHAIRMAN OF THE CAPITAL MARKET AND FINANCIAL INSTITUTIONS
SUPERVISORY AGENCY,

Considering : that in order to better support the efforts in preventing and eradicating money laundering crimes in capital market area, the provisions regarding Know Your Customer Principles (implemented) by Financial Service Providers in Capital Market Area is necessary to be revised by enacting new Decision of the Chairman of the Capital Market and Financial Institutions Supervisory Agency;

In view of :

1. Law Number 8 year 1995 concerning the Capital Market (Statute Book year 1995 number 64, Supplement to the Statute Book Number 3608);
2. Law Number 15 year 2002 concerning Money Laundering Crimes (Statute Book year 2002 number 30, Supplement to the Statute Book Number 4191) as amended by Law Number 25 year 2003 (Statute Book year 2003 number 108, Supplement to the Statute Book Number 4324);
3. Government Regulation Number 45 of 1995 concerning Capital Market Organization (Statute Book year 1995 Number 86, Supplement to Statute Book Number 3617), as amended with Government Regulation Number 12 year 2004 (Statute Book year 2004 Number 27, Supplement to Statute Book Number 4372);
4. Government Regulation Number 46 year 1995 concerning Capital Market Formal Investigative Procedures (Statute Book year 1995 Number 87, Supplement to Statute Book Number 3618);
5. Presidential Decree of the Republic of Indonesia Number 45/M year 2007;

HAS DECIDED:

To enact : **DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY CONCERNING KNOW YOUR CUSTOMER PRINCIPLES (IMPLEMENTED) BY FINANCIAL SERVICE PROVIDERS IN CAPITAL MARKET AREA**

MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
THE CAPITAL MARKET AND FINANCIAL INSTITUTION
SUPERVISORY AGENCY

Article 1

Provisions concerning Know Your Customer Principles (implemented) by Financial Service Provider in Capital Market Area are regulated in Rule Number V.D.10 as stipulated in the Attachment of this Decision.

Article 2

Financial Service Providers in Capital Market area which have been granted with license or approval from the Capital Market and Financial Institutions Supervisory Agency prior to the enactment of this Decision, should adjust their policies and written procedures regarding acceptance of customer, identification and verification of customer, monitoring of customer account and transactions, and risk management in relation to implementation of Know Your Customer Principles by Financial Service Provider in Capital Market Area , as contained in the Guidelines for Implementation of Know Your Customer Principles, and also complete documents related to their customers as required by the Attachment of this Decision, no later than 6 (six) months since the enactment of this Decision.

Article 3

With the enactment of this Decision, the Decision of the Chairman of the Capital Market Supervisory Agency Number Kep-02/PM/2003 dated January 15, 2003 concerning Know Your Customer Principles is declared to be revoked.

Article 4

This decision shall become effective since the date of its promulgation.

In order that all will be informed, this Regulation will be promulgated by publication in the State Gazette of the Republic of Indonesia.

Enacted in : Jakarta
Date : August 28, 2007
The Chairman of the Capital Market and
Financial Institutions Supervisory Agency

Signed

Based on the original document
Head of General Affairs Division

A. Fuad Rahmany
NIP. 060063058

signed

Prasetyo Wahyu Adi Suryo
NIP 060076008

ATTACHMENT

Decision of the Chairman of Capital
Market and Financial Institutions
Supervisory Agency (CMFISA)
Number : Kep-313/BL/2007
Dated : August 28, 2007

**RULE NUMBER V.D.10 : KNOW YOUR CUSTOMER PRINCIPLES
(IMPLEMENTED) BY FINANCIAL SERVICE
PROVIDERS IN CAPITAL MARKET AREA**

1. For the purpose of this Rule, the following definitions shall apply:
 - a. Investment Fund Selling Agent is a Person who sells Investment Funds based on agreement with Investment Manager managing the respective Investment Fund.
 - b. Custodian Bank is a Commercial Bank that is granted approval from the Capital Market and Financial Institutions Supervisory Agency (CMFISA) as a Custodian.
 - c. Customer is a Person that use services provided by the Financial Service Provider in Capital Market area.
 - d. Investment Fund Manager is an Investment Manager.
 - e. Financial Service Provider in Capital Market area is a Securities Company, Investment Fund Manager, and Custodian Bank.
 - f. Know Your Customer Principles are the principles implemented by Financial Service Providers in Capital Market area, in order to identify the background and identity of Customer, to monitor account and transaction of Customer, including the reporting of suspicious financial transaction.
2. Financial Service Providers in Capital Market area shall implement Know Your Customer Principles.
3. In implementing Know Your Customer Principles, Financial Service Provider in Capital Market area shall:
 - a. establish a working unit or assign a director or officer under director level who is responsible for the implementation of Know Your Customer Principles;
 - b. enact policies and written procedures regarding the acceptance of Customer, identification and verification of Customer, monitoring of Customer account and transactions, and risk management in relation to the implementation of Know Your Customer Principles as contained in Guidelines for Implementation of Know Your Customer Principles;
 - c. submit Guidelines for the Implementation of Know Your Customer Principles as meant in letter b to CMFISA; and
 - d. submit any alteration of the Guidelines for Implementation of Know Your Customer Principles as meant in letter b to CMFISA no later than 7 (seven) working days since the enactment of such alteration.
4. Working unit, member of board of directors, or officer under director level who is responsible for the implementation of Know Your Customer Principles as meant in point 3 letter a is established as part of organizational structure of the Financial Service Provider in Capital Market area.

5. Working unit, member of board of directors, or officer under director level who is responsible for the implementation of Know Your Customer Principles as meant in point 3 letter a shall be responsible directly to the board of directors of the Financial Service Provider in Capital Market area.
6. Offices of Financial Service Provider in Capital Market area that perform business activities in areas different from the head office shall implement policies of Know Your Customer Principles that are enacted by the head office under coordination of the working unit, member of board of directors or officer under director level who is responsible for the implementation of Know Your Customer Principles in the head office of the Financial Service Provider in Capital Market area.
7. In the case that Investment Manager appoints Investment Fund Selling Agent, the following provisions shall apply:
 - a. Investment Fund selling agreement between Investment Manager and Investment Fund Selling Agent shall contain provisions regarding implementation of Know Your Customer Principles;
 - b. Investment Fund Selling Agent shall implement Know Your Customer Principles policies determined by and under coordination of Investment Manager;
 - c. Investment Manager shall be responsible for the implementation of Know Your Customer Principles performed by Investment Fund Selling Agent to its customers;
 - d. Investment Manager shall have procedures of fit and proper test and supervision for Investment Fund Selling Agent in implementing the Know Your Customer Principles and implement such procedures; and
 - e. Investment Fund Selling Agent shall provide information regarding its customers' data to the Investment Manager under a condition that all customer data may only be used merely for matters related to Investment Fund activities.
8. Working unit, member of board of directors, or officer under director level who is responsible for the implementation of Know Your Customer Principles shall carry on main duties as follows:
 - a. ensuring the availability of system for identification of customers and any suspicious financial transactions or financial transaction by cash;
 - b. monitoring the update of customers and their transaction profiles, including customer identification and monitoring of those considered as high risk customers;
 - c. coordinating and monitoring the implementation of Know Your Customer Principles policies with related working units;
 - d. accepting and verifying report on any suspicious financial transaction or financial transaction by cash submitted by related working units; and
 - e. preparing report on suspicious financial transaction or financial transaction by cash for the director or any responsible person which further will be submitted to the Financial Transaction Report and Analysis Centre (or PPATK in Indonesian acronym).
9. Customer Acceptance and Identification.

- a. Before a customer is investing in capital market, with or without opening securities account, Financial Service Provider in Capital Market area shall request information regarding:
 - 1). customer background and identity;
 - 2). intention and objective of the potential customer to open account;
 - 3). other information that enable Financial Service Provider in Capital Market area to identify the profile of potential customer; and
 - 4). identity of other Person, in case that the potential customer acts for and on behalf of other Person.
- b. Information regarding customer as meant in letter a shall be able to be proven by supporting documents.
- c. The supporting documents as meant in the provision mentioned in letter b for:
 - 1). Individual customer shall include at least:
 - a) customer background and identity containing:
 - (1) name;
 - (2) address or residence;
 - (3) place and date of birth;
 - (4) marital status; and
 - (5) citizenship;
 - b) information on occupation;
 - c) specimen of signature; and
 - d) information regarding source of fund and objective of fund usage.
 - 2). Institutional customer such as legal entity, cooperative, association, or organized group shall include at least:
 - a) letter of incorporation/articles of association which is in compliance with prevailing rules and regulations;
 - b) business license or other licenses issued by authorized institution;
 - c) Taxpayer Number (or NPWP in Indonesian acronym) for customers that are required to have NPWP to be in compliance with the prevailing regulations;
 - d) financial report or description of business activities;
 - e) structure of management;
 - f) identity document of management who has the power to act on behalf of institutional customer, legal entity, cooperative, association or organized group;
 - g) name, specimen of signature of appointed person; and power of attorney from the authorized official to appointed person to act on behalf of the company, legal entity, cooperative, association or organized group to invest in capital market, including giving instruction in relation to the customer account; and
 - h) information regarding source of fund and objective of fund usage.
 - 3). Customer that is government or international institution shall at least consist of name, specimen of signature of the official who is appointed

- to represent such intitution and the letter of appointment or the power of attorney from the authorized Person.
- d. Financial Service Provider in Capital Market area shall identify and verify the supporting documents by conducting the following activities:
 - 1). Check the validity of documents and identify if there is any possibility of unusual and suspicious matter;
 - 2). Conduct cross checking to ensure consistency of various information submitted by potential Customers;
 - 3). Conduct more stringent verification to potential Customer who is deemed and or categorized as to have high risk of money laundering practices. Level of risk can be seen from:
 - a) background or profile of the Customer who is considered as politically exposed persons, including government officials;
 - b) business sector that is potentially being used for money laundering activities (*high risk business*); and
 - c) country of origin of Customer that is potentially being used for money laundering activities (*high risk countries*);
 - 4). Approval for account opening may be given after ensuring validity of identity and supporting documents of potential Customer and considering factors enable Customer to conduct money laundering activities, such as records, documents, lists, information regarding violations and or crimes; and
 - 5). Having special policies and procedures to ensure identity of potential Customer and judge the fairness of information given by potential Customer, in case the opening account is done without direct face to face interaction with potential Customer.
 - e. In the case that the potential Customer acts for and on behalf of other Person (*beneficial owner*) to open account, Financial Service Provider in Capital Market area shall obtain supporting documents as meant in point 9 letter c and legal arrangement, designation, and power to act for and on behalf of such other Person.
 - f. In the case that potential Customer as meant in point 9 letter e is another domestic Financial Service Provider in Capital Market area, the Financial Service Provider in Capital Market area may receive written statement stating that such other domestic Financial Service Provider in Capital Market area has gained and conducted verification and identification of supporting documents as meant in point 9 letter c.
 - g. In the case that potential Customer as meant in point 9 letter e is another overseas Financial Service Provider in Capital Market area that implements Know Your Customer Principles at least at the same level as this Rule, Financial Service Provider in Capital Market Area may recieve written statement stating that such other overseas Financial Service Provider in Capital Market area has gained and conducted verification and identification of supporting documents as meant in point 9 letter c.
10. Monitoring of Customer Account and Transaction.

- a. Financial Service Provider in Capital Market area shall administer and keep documents as meant in point 9 for at least 5 (five) years since the closing of Customer accounts.
 - b. Financial Service Provider in Capital Market area shall conduct data updating in case there is any alteration of the documents as meant in point 9.
 - c. Financial Service Provider in Capital Market area shall have information system that enables it to identify, analyze, monitor, prepare report effectively concerning the characteristics of transaction performed by the Customer of the Financial Service Provider in Capital Market area.
 - d. Information system as meant in letter c shall enable Financial Service Provider in Capital Market area to trace each transaction, if necessary, including for tracing the Customer identity, transaction format, transaction date, transaction volume and denomination, and source of fund that is used to finance the transaction.
 - e. Financial Service Provider in Capital Market area shall conduct evaluation on monitoring result of the customers account and transactions to ensure if there is any suspicious financial transaction that can not be properly explained by customer, and then shall report such finding to PPATK.
 - f. Financial Service Provider in Capital Market area shall administrate the result of monitoring and evaluation of customers account and transactions, both which are reported to PPATK and those that are not.
11. Risk Management.
- a. Policies and procedures of risk management related to Know Your Customer Principles shall be part of the whole policies and procedures of risk management of Financial Service Provider in Capital Market area.
 - b. Policies and procedures of risk management at least shall cover:
 - 1). supervision by the management of Financial Service Provider in Capital Market area;
 - 2). delegation of power;
 - 3). segregation of duties; and
 - 4). internal supervision system including internal audit;
 - c. Financial Service Provider in Capital Market area shall perform policies and procedures of risk management as meant in letter b.
 - d. Financial Service Provider in Capital Market area shall examine and conduct random sampling test on the effectivity of the system and the implementation of Know Your Customer Principles and make documentation of such examination for the purpose of system improvement and development.
 - e. Financial Service Provider in Capital Market area shall make documentation and conduct the updating of type, indicator, and example of suspicious transaction that may occur in various related working units.
12. Financial Service Provider in Capital Market area shall fulfill the reporting requirement to PPATK as stipulated in law regarding money laundering crimes and its implementing regulations.
13. Financial Service Provider in Capital Market area shall perform training programs on implementation of Know Your Customer Principles for all

employees who are related to Know Your Customer Principles, which are conducted by following steps:

- a. arrange the training program;
 - b. submit the training program to the CMFISA;
 - c. perform the training program in accordance with the planned program schedule; and
 - d. report the result of the training program to CMFISA.
14. By no means of undermining criminal provisions in capital market, the CMFISA may impose sanctions against any violation of this rule, as well as against any Person who causes such violation to occur.

Enacted in : Jakarta

Dated : August 28, 2007

Chairman of Capital Market and
Financial Institutions Supervisory Agency

signed

A. Fuad Rahmany

NIP 060063058

Based on the original document
Head of General Affairs Division

Signed

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