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NEWSLETTER
blp.co.id

Issue 4 FEBRUARY 2014

New Guidance on the Fisheries Industry in Indonesia

By: Meitha Ria

In order to further facilitate the fisheries industry in Indonesia, on 23 September 2013 the Minister of Maritime Affairs and Fisheries enacted the Minister of Maritime Affairs and Fisheries Regulation No. 26/PERMEN-KP/2013 regarding the Amendment of Minister of Maritime Affairs and Fisheries Regulation No. PER.30/MEN/ 2012, which relates to the Fishing Business in State Fishery Management Areas of the Republic of Indonesia regulation ("**MOMAF Reg No. 26/2013**"). This new regulation is designed to encourage the development and protection of the national fisheries industry in Indonesia.

The following are several major changes that have been made to the MOMAF Reg No. 26/2013.

The Minister of Maritime Affairs and Fisheries Regulation No. PER.30/MEN/2012 concerning the Fishing Business in State Fisheries Management Areas of the Republic of Indonesia ("**MOMAF Reg No. 30/2012**") stated that only a fishery company may engage in fishery business using a fishing vessel and/ or fish carrier vessel with a cumulative weight of above of 200 (two hundred) GT. Based on the previous regulation, Article 4 of the MOMAF Reg No. 26/2013 makes an amendment by stating that only fishery companies may engage in fishery business using fishing vessels and/ or fish carrier vessels with a cumulative weight of above 300 (three hundred) GT. So in accordance with the latest regulation, a fishery company can only enter into a fishery business using fishing vessels and/or fish carrier vessels with a cumulative weight of above 300 (three hundred) GT, not 200 (two hundred) GT.

As stated in MOMAF Reg No. 30/2012, fishery businesses in Indonesia are known as Integrated Fish Businesses which is the integration of fishing activities, fishing transportation and also fish processing industry. This integration intends to improve the quality, value-added benefits, and the competitiveness of fishery products Indonesia. For this Integrated Fish Business, the Indonesian government gives incentives such as:

a. additional allocation of the number of fishing boats;
b. priority for the use of industrial areas in the fishing port;
c. granting permits to build loading ports for fishery businesses which have fishing permits (in Indonesia known as Surat Izin Penangkapan Ikan or SIPI) and Fish Vessel Permits (in Indonesia known as Surat Izin Kapal Pengangkut Ikan or SIKPI) in accordance with their Fish Processing Unit (in Indonesia known as Unit Pengolahan Ikan or UPI);
d. promotion of their fishery products both in the local market and export market; and
e. enhancement of business capacity and human resources.

According to this regulation, the Indonesian government give these incentives to all fishery businesses. But there is a further amendment in MOMAF Reg No. 26/2013, a new provision, Article 10A inserted into this regulation. Article 10A states that the incentives, especially the additional allocation of the number of fishing boats, are only given with priority to:

a. a fishery company which is owned and operated in accordance with their Fish Processing Unit;
b. a fishery company which is still building their Fish Processing Unit; and
c. a fishery company partnered with a Fish Processing Unit, which already has a Certificate of Eligibility Processing (in Indonesia known as Sertifikat Kelayakan Pengolahan or SKP).

The increase from 200 GT to 300 GT also entails other changes in MOMAF Reg No. 26/2013, for example, there are some changes in relation to the application procedure for fishery business licenses, like the fishery business license (SIUP), fishing permit (SIPI), and fish vessel permit (SIKPI) whereby this procedure is also adapted to the increase.

This new regulation does not necessarily change all applicable provisions under the previous regulation, there are also provisions for fisheries business that do not change. For example, regulation about Transshipment (over a charge). Both of MOMAF Reg No. 30/2012 and MOMAF Reg No. 26/2013 allow implementation of transshipment on condition that in the implementation, the fish shall be delivered in the base port according the Fish Vessel Permit (SIKPI) and not taken out of the country.

Overall, this new regulation indicates that the Indonesian government supports the development of national fishery industries in order to increase state revenues from fishery business and also provide added value to Indonesian fishermen or fishery companies. However, to implement the new regulation in order to achieve these goals are not easy. It must be closely supervised, for example, by an increasing number of customs officers to prevent fish theft and smuggling in Indonesia, in order that the amendments to the new regulation can be implemented well.

Acceptance of the 'Cyber Notary' Concept in the Public Notary Law Amendment

By: Ignatia Oktavia Simorangkir

The House of Representatives and Government of Indonesia has approved the Draft Law Concerning Amendments to the Law No. 30 of 2004 on the Public Notary Profession ("**Draft on Public Notary Law**"). Chairman of the Special Committee of the Draft on Public Notary Law, Andi Rio Idris Padjalangi, explained that there are 311 inventory list problems in the preparatory discussion. Then, the Committee reduced the scope of the discussion with 72 inventory list problems.

Based on the provision of Article 1, Paragraph (7) Law No. 30 of 2004 on the Public Notary Profession ("**Public Notary Law**"), a Notary Deed is a deed made by or before the notary in the form and procedure specified in Public Notary Law. A notary must read the deed before the applicants and at least 2 (two) witnesses and subsequently signed immediately by the applicants, the witnesses and notary. Therefore, a notarial deed requires the existence of a physical meeting between the applicants.

Unfortunately, current information technology has grown more rapidly, and in fact transformed the patterns and the behaviour of society. Conventional business transactions conducted with physical meetings is set to shift in the modern era to electronic contract. It is also expressly stated in Article 77 Law No. 40 of 2007 on the Limited Liability Company ("L**aw No. 40/2007**") that arranging the General Meeting of Shareholders ("**GMS**") can be via media teleconference, video conference, or other electronic media. Results of a GMS must be recorded in the minutes of the meeting, approved and signed by all participants of the GMS, both physically and electronically. Furthermore, if a GMS held via electronic media was attended by a Notary, the minutes of the meeting will become electronic evidence in the form of an authentic deed.

In accordance with the above, the cyber notary concept may better accommodate and convenience the business transaction. The cyber notary concept utilizes information technology in a notary's day to day duties and activities, permitting a notary to make an electronic authentic deed without the need to organize a physical meeting. The cyber notary concept will most likely be included in the Public Notary Law amendment as stipulated in Article 15 of the Draft on Public Notary Law. This Article gives authority to the notary, including the authority to certify transactions conducted electronically.

Prior to the presence of the cyber notary term in the Draft on Public Notary Law, the Indonesian legal system has been familiar with the usage of electronic evidence in the law of evidence. Provision of Article 26 A Law No. 31 of 1999 jo. Law No. 20 of 2001 on Corruption Eradication stipulates that valid evidentiary material for corruption offences may be obtained from: (i) other evidentiary material in the form of information uttered, sent, received, or kept electronically by means of optical device or other similar equipment, and (ii) documents, namely any recorded data or information that can be seen, read and/or heard, and issued with or without the help of equipment, either those printed on paper and physical material; other than paper, or those recorded electronically in the form of writing, voice, picture, map, draft, photograph, letters, signs, figures or perforations that have meaning.

Regarding electronic evidence, Article 5 Paragraph (1) Law No. 11 of 2008 Concerning Electronic Information and Transactions also stipulates that electronic information and/or electronic records and/or the printouts thereof shall be a lawful means of proof. Unfortunately, this provision shall not apply to certificates which must be made in written form and by notarial deed.

If the cyber notary concept actually enters into force on Public Notary Law, it is necessary to define the format and the guidelines in drawing up notary deeds based on the cyber notary concept. Notaries must be convincing in the authentication of the deed , and must cooperate with the trusted third party as certificate authority. Any trusted third party has the authority to safeguard and secure electronic contracts by providing and auditing electronic certification.

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The New Bank Indonesia ('BI') Rule Concerning Hedge Swap Transactions with BI

By: Dwi Defiantoro

'Volatile and fluctuating market currency exchange rates can make managing global business operations very difficult. A company that does business around the world can have its earnings deeply impacted by big changes in currency rates. Yet it is no longer the case that currency risk affects only companies and international investors. Changes in currency rates around the globe result in ripple effects that impact market participants throughout the world. Hedging this currency risk is possible using currency swaps.'(cited from 'Investopedia', accessed on February 17, 2014)

Foreign Exchange (FX) swaps normally involve two foreign currency monetary exchanges: at the beginning and at the expiry date (FX swap involves exchange and re-exchange of foreign currency). The dual exchange makes this FX swap different from a forward contract. In the forward contract, the exchange only takes place once. The FX swap involves two stages of exchange. At the beginning when the first currency exchange takes place, the US dollar is converted to the rupiah based on the spot rate. On the same day, both sides will seal a forward contract to exchange the rupiah back to the US dollar at a forward rate. (see 'eurekahedge.com', accessed on February 28, 2014)

The rupiah was one of the world's worst-performing currencies in 2013, falling 20% against the US dollar. Foreign investors fled Indonesian stocks and bonds in 2013, looking to cut their exposure to a risky market at a time of rising US rates. (see Bank of Indonesia- 2014 outlook, 'WSJ.com' accessed on February 17, 2014)

As part of efforts to deepen Indonesia's domestic foreign exchange market, Bank Indonesia announced new regulations to expand currency swap facilities for hedging transactions. Regulation of Bank Indonesia (BI) No. 15/17/PBI/2013 (PBI 15) concerning Hedge Swap Transactions with BI was recently equipped with Circular Letter of BI No. 16/2/DPM/2014 (CL 16) and took effect on 3 February 2014 in accordance with procedural rule PBI 15.

Commercial banks in Indonesia (bank/s) are now able to minimize currency risks that have the potential to negatively impact their investments by hedging via swap transactions with BI. A hedge swap transaction with BI is narrowly defined as a buy swap of a bank in foreign exchange against the Rupiah in order to hedge the investment of the bank with BI. PBI 15 stipulates that buy swap transactions between a bank and BI are exchange transactions of two different currencies through on-the-spot selling and reverse buying periodically later on, that is done simultaneously between a bank and BI on premium rates or currency discount rates, which are made and agreed on transaction date.

Hedge swap transactions have now become increasingly strategic because it can help a bank to hedge its investment amidst the risk of local currency break-ups. And for BI, hedge swap transactions can be a tool for maintaining national financial stability.

Hedge swap transaction requirements

In order to arrange hedge swap transactions, the bank must satisfy these requirements:

a. The hedge swap must be conducted on the bank's underlying transaction or customer's underlying transaction;

b. The underlying transaction time period is equal to or longer than the term of the hedge arrangement between the bank and BI;

c. The nominal value of hedge swap transactions with BI shall not exceed the nominal value of the underlying transaction. The nominal value which banks can propose in hedge swap transactions with BI is no less than USD10.000.000 and anything above that figure must be proposed in multiples of USD1.000.000; and

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d. A bank which is conducting a hedge swap transaction with BI must satisfy the requirements of banks for conducting activities in foreign exchange with a minimum composite 3 rating.

In case of an underlying transaction that is possessed by a bank, the underlying transaction must be a cross-border loan in the form of a credit arrangement and/ or bond issuance.

In case of an underlying transaction that is possessed by a customer, the underlying transaction must be a sell swap transaction between the bank and the customer in accordance with the hedging of:

a. cross-border loans in a credit arrangement and/ or bond issuance;
b. direct investments;
c. foreign exchange proceeds;
d. investment in public facility infrastructure and public production;
e. investment in commercial paper which issued by the Government of the Republic of Indonesia; and
f. Investment in other economic activities.

Procedure of hedge swap transactions with BI

1. The commercial bank in Indonesia gives notification to BI not later than 1 hour before the market window opens through Laporan Harian Bank Umum (LHBU). The notification contains at least: the term of the swap, the swap premium, the transaction date, the transaction window time, the settlement date, and JISDOR (Jakarta Interbank Spot Dollar Rate) rates. Banks can make hedge swap transactions from 2 PM to 4 PM.
2. The bank delivers the hedge contract simultaneously with the proposal for the hedge swap transaction. The Hedge contract contains: the bank's name, the terms of the hedge arrangement, the underlying transaction, and nominal value of the underlying transaction.
3. The bank proposes the hedge swap transaction directly to BI through Reuters Monitoring Dealing System (RMDS). The proposal contains at least: the bank's name, the term of the swap and the nominal value of the underlying transaction, the transaction date, the valuation date, the terms of the hedge swap transaction, the maturity date, the nominal value, and the bank's account of the correspondent bank.

If banks want to extend the term of the hedge swap transaction, they must follow these requirements:

a. Extension requirements:
   i. The bank still has a minimum composite 3 rating;
   ii. The use of the hedge arrangement remains valid;
   iii. The use of underlying transactions which are of the same kind corresponds with the reference number that exists in the hedge arrangement;
b. The value of hedge swaps with BI after extension is no larger than outstanding value of the bank's cross- border loan; and the extension time period of the hedge swap transaction with BI is conducted on the basis of of 3, 6, and 12 month periods.
c. The extension of the hedge swap transaction settlement is required by the netting mechanism.

Other important provisions

a. Once a proposal for a hedge swap transaction is sent, it cannot be cancelled;
b. A bank is prohibited from using the same underlying transaction for more than one hedge arrangement and one hedge swap transaction with BI;
c. Banks must take responsibility for the completeness and the accuracy of original documents of hedge swap transactions with BI and the copied underlying transaction documents of sell swaps between the bank and its customer;
d. The underlying document is received by the bank from its customer no later than 1 month after the date of the hedge swap transaction with BI; and
e. Sanctions for violation of the provisions in PBI 15 or CL 16 may occur in the form of a written notice or fine penalty that is withdrawn from the bank's rupiah giro account or bank's foreign exchange giro account at BI.

Hedge swap transaction, just like other derivative transactions, is a complex financial instruments. Financial institution or other investor need legal counsel that recognizes their need and gives evenhanded help with documentation and analysis of the legal issues surrounding hedge swap transaction.

New Guidance on the Employment of Foreign Workers

By: Athalia Devina

The employment of foreign manpower is one of the effects of globalization. The number of foreign workers who work in Indonesia has increased in the last 5 years, according to research conducted by the Ministry of Manpower and Transmigration. The government realizes that the regulation concerning foreign workers as mentioned in Law No. 13 of 2003 concerning Manpower ("**Manpower Law**") is not sufficient in the current situation therefore additional regulations are needed.

The Minister of Manpower and Transmigration enacted Regulation No. 12 of 2013 concerning Procedures for Employing Foreign Manpower ("**Regulation No. 12/2013**") on 27 December 2013. The enactment of Regulation No. 12/2013 is to replace Regulation No. PER.02/MEN/III/2008 concerning Procedures for Employing Foreign Manpower ("**Regulation No. 2/2008**"). Regulation No. 12/2013 has been enacted to curb the employment of foreign workers and refine Regulation No. 2/2008.

There are several new points stipulated in Regulation No. 12/2013:

1. The employers of foreign workers must take the form of legal entities. Civil partnerships (*persekutuan perdata*), firms (*firma*), limited partnerships (*CV*), and *usaha dagang* (UD) are prohibited from hiring foreign workers except when specifically regulated according to article 4 of Regulation No. 12/2013.

2. Regulation No. 12/2013 specifically mentions which works are categorized as temporary works in relation to the Expatriate Manpower Utilization Plan ("**RPTKA**"). According to article 8 of Regulation No. 12/2013, RPTKA for temporary works are granted for (i) works to be performed and completed at once and (ii) works related to the instalment of machines, electrical works, after-sales services, or trial period products.

3. Manpower Law stipulates that every worker, especially foreign workers, must have certain competencies. Article 26.1.b of Regulation No. 12/2013 specifically mentions that foreign workers must have competencies that are proved by competence certificates or 5 years working experience in the positions applied for.

4. The applications and services in relation to the employment of foreign workers, which are included in RPTKA, Recommendation for working visa, and Expatriate Working Permit, should be applied for online via the website of the Ministry of Manpower and Transmigration according to article 34 of Regulation No. 12/2013.

The employers of foreign workers must also be aware that it is prohibited to hire a foreign worker in more than 1 (one) position in the same corporation. It is also prohibited to hire a foreign worker who has been hired by another employer unless the position of that foreign worker is a director or a commissioner based on the decision of the General Meeting of the Shareholders.

Muhaimin Iskandar, Minister of Manpower and Transmigration, states that the employment of foreign workers must be done through the right procedure and in accordance with the prevailing regulations in Indonesia. The regulation governing the hire of foreign workers should also consider the opportunity for local workers to contribute I to the economy, therefore not all positions are available for foreign workers. The employers must check whether the positions applied for by foreign workers are in compliance with the prevailing laws or not.

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Indonesia's First Law of Trade

By: Arselan Ruslan

After almost 69 years being a sovereign state, the Indonesian Parliament has finally approved the bill of law regarding trade ("**UU Perdagangan**"). To date, Indonesia still uses several trade regulations that it inherited from the Dutch colonial era, i.e Bedrijfsreglementerings Ordonnatie 1934. UU Perdagangan is the harmonization of law in the area of trade, which was approved by the Indonesian Parliament on 11 February 2014. This is a breakthrough for the trading of goods or services business in Indonesia.

The UU Perdagangan regulates the trade of goods and services. In brief, the outline of UU Perdagangan is as follows:

(a) Domestic Trade (Perdagangan Dalam Negeri);
(b) Empowerment of Micro, Small and Medium Enterprises (Pemberdayaan Usaha Mikro Kecil dan Menengah);
(c) Standardization;
(d) International Trade;
(e) Export Development;
(f) Trading Protection and Safety;
(g) International Trade Cooperation;
(h) Electronic Commerce
(i) Supervision; and
(j) Sanctions and Penalties.

Domestic Trade (Perdagangan Dalam Negeri)

The UU Perdagangan authorizes the government to determine certain restrictions or prohibitions of trade in goods and/or services under certain considerations such as security, moral protection, health and protection of natural resources. Moreover, the UU Perdagangan also instructs the business person to use labels in Bahasa Indonesian for goods that will be traded domestically. Although this kind of requirement is not entirely new, the UU Perdagangan does emphasize this particular requirement, especially in relation to penalties or sanctions.

The UU Perdagangan also requires a warehouse to be registered by the owner / borrower / manager of a warehouse. The warehouse registration must cover width and storage capacity. In addition to that, the owner / borrower / manager must also organize administration books which covers at least the amount of goods in storage and total goods in and out.

Empowerment of Micro, Small and Medium Enterprises (Pemberdayaan Usaha Mikro Kecil dan Menengah)

Under the UU Perdagangan, the government is obliged to provide guidance and development to micro, small and medium-sized enterprises in business development. The UU Perdagangan does not cover the provisions related to this matter in detail. The UU Perdagangan only emphasizes that further details will be governed by a ministry regulation.

Standardization

The UU Perdagangan also covers the Indonesian national standard for goods and/or services. The UU Perdagangan requires that the quality of products that are traded must meet the requirements of Standard Nasional Indonesia (Indonesia National Standard). These standard requirements are also applied for the trade of services. Services that are governed under the UU Perdagangan, among-others, are business services, distribution, communication, education, environmental, financing, construction, health and social, recreation and culture, tourism, transportation and other services.

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International Trade

The UU Perdagangan abides by the spirit of negative lists, which regulates all goods can be exported or imported unless specifically banned or restricted. Export or import can only be conducted by a business person that has obtained approval from the Ministry. Specifically for import, only new goods can be imported. Used goods cannot be imported unless specifically permitted by the Ministry.

Export Development

The Government plays an active role developing export activity, including expansion of market and access to the trade in goods and services for domestic business persons. The Government also takes part in the promotion of domestic products.

International Trade Cooperation

This section governs international trade activity undertaken by the Government. The trade activity must be conducted either by way of bilateral, multilateral or regional agreements.

Electronic Commerce

Another interesting point in the UU Perdagangan is the provision relating to electronic commerce. In order to conduct trading via electronic systems, a business person must exchange detailed data and information including:

(a) Identity and legality of such business persons as producers or trade institutions.

(b) Technical terms of the goods offered;

(c) Qualification for services offered;

(d) Price and payment method for the goods or services; and

(e) Delivery method.

Failure to provide accurate and proper data or information will be penalised with criminal penalties.

Monitoring

The Ministry of Trade is mandated by the UU Perdagangan to conduct the monitoring of the trading of goods and services activities. The monitoring includes the following activities:

(a) monitoring of licensing for trading of goods or services;

(b) monitoring of banned or restricted goods;

(c) monitoring of distribution of goods and/or services;

(d) monitoring of registration of products and country of origin for imported goods;

(e) monitoring of implementation of Indonesia national standard; and

(f) monitoring of the registration of warehouses.

Penalties and Sanctions

The UU Perdagangan provides certain criminal penalties and administrative sanctions. Some of the activities that have criminal penalty consequences are:

(a) The trade of banned goods;

(b) Trading without licenses;

(c) The Export or import of goods that are not permitted to be imported or exported; and

(d) The electronic trade of goods and/or services that does not provide detailed and complete information.

The UU Perdagangan also provides certain administrative sanctions such as written warnings, temporary business suspension and finally, revocation of business licenses.

Following the issuance of the UU Perdagangan, the following regulations are revoked and no longer valid:

(a) UU No 10 Tahun 1961 tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang No. 1 Tahun 1961 tentang Barang menjadi Undang Undang;

(b) Undang Undang No. 8 Prp Tahun 1962 tentang Perdagangan Barang-Barang dalam Pengawasan;

(c) UU No. 11 Tahun 1965 tentang Penetapan Peraturan Pemerintah Pengganti UU No. 5 Tahun 1962 tentang Perubahan UU No. 2 Prp Tahun 1960 tentang Perguda-ngan.

Although the bill of the UU Perdagangan has been approved by the Indonesian Parliament, the government must prepare and issue the implementing regulations to give full force to the UU Perdagangan within 2 years of the enactment date. Although the issuance of the UU Perdagangan is a breakthrough for the trading of goods or services business in Indonesia, not all of the requirements or provisions under the UU Perdagangan are entirely new, as certain provisions have been introduced and implemented before the issuance of the UU Perdagangan, such as the requirement of Indonesia National Standard (Standard Nasional Indonesia), the requirement of labelling of goods in Bahasa Indonesia and the licences requirement for importers or exporters.

The OJK Regulates the New Premium Tariff

By: Anindia Kusuma

Indonesia's Financial Services Authority (Otoritas Jasa Keuangan or "**OJK**") has issued Surat Edaran Nomor 06/D.05/2013, dated 31 Desember 2013, a new insurance rule to regulate the premium tariff for property and motor vehicles against natural disasters ("**OJK Rule**"). We will provide an overview below of the regulation of the new premium tariff for property, flooding, earthquakes and vehicles that will prevail from this year.

The OJK Rule sets the maximum and minimum premium rates chargeable by the Country's general insurance companies for the protection of properties and motor vehicles against losses caused by natural disasters, especially flooding and eartquakes. The maximum premium rate is necessary to save the insurance industry as well as protecting consumer interests from failure to claim due to insufficient premiums, while the minimum premium rate is necessary to protect customers from over priced premium rates and also to ensure healthy competition in the industry.

Under the OJK Rule, the premium price depends on the type of motor vehicle or property as well as the zones; whether it is a flood-prone zone or not. The new premium tariff for property insurance against flooding is set differently, according to the zone of the property being insured. Each zone will determine the potential risks: these are the low risk zone, moderate risk zone, high risk zone and very high risk zone. In Indonesia, there are two area zones, the area that covers Jakarta, Banten and West Java, and the area that covers all regions in the Country outside Jakarta, Banten and West Java. The premium tariff of property insurance against flooding for Jakarta, Banten and West Java is determined by the level of water when flooding occurs. As for other areas, it is based on flooding frequency. Meanwhile, for the insured objects which are located on the second floor or in high rise buildings, the premium tariff can be reduced by 20% at the most. The regulation governing premium tariffs for flood insurance commenced effectively on 1 February 2014.

The first, low-risk zone, covers the areas of Jakarta, Banten and West Java which have never been flooded, or areas that have been flooded to a depth of 30 centimeters, and the areas outside Jakarta, Banten and West Java which have never been flooded or have not been flooded for more than 6 years. The premium tariff for the areas in Jakarta, Banten and West Java is set at 0,050%-0,055% of the property price and 0,045%-0,050% of the property price for the other areas.

The second, moderate-risk zone covers the areas in Jakarta where past flooing was between 30 centimeters and 60 centimeters; the rate is determined by the underwriter of insurance company. Meanwhile, for the areas outside Jakarta, Banten and West Java that have been flooded in the last 6 years, the rate is set at 0,050%-0,055% of the property price.

The third, the high risk zone,covers the areas in Jakarta, Banten and West Java in which past floodwater levels were between 60 centimeters and 100 centimeters, and the area outside Jakarta, Banten and West Java which which have not been flooded in the last 3 years. The rates for the two areas are determined by underwriters of insurance companies.

The last zone, the very high risk, covers the areas in Jakarta, Banten and West Java where past floodwater levels have exceeded 100 centimeters, and the area outside Jakarta, Banten and West Java which have not been flooded in the last 1 year. The rates for the two areas are determined by underwriters of insurance companies.

Meanwhile for the property sector, the new rate scheme classifies properties into 3 types of buildings, such as industrial, commercial and residential, with protection from earthquakes. The new premium tariff for property insurance against earthquakes is set differently, according to areas where the property is located. Each area will determine the premium tariff. This type of insurance has been implemented since 1 February 2014.

Areal mapping also prevails on vehicle insurance. The calculation of new premium tariffs for vehicles under the new rule is based area, of which there arehree : area I covers Sumatra and the surrounding islands, area II covers Jakarta, Banten and West Java, area III covers all regions in the Country except area I and II. For motor vehicle insurance, this has been implemented from 1 January 2014, with a transition period up to 28 February 2014.

By implementing the OJK Rule, unfair competition in the Country's insurance industry is expected not to occur again. The OJK prepares supervising strategy and implementation of penalties for insurance companies that violate the OJK Rule. The OJK will take firm action by imposing administrative sanctions on the violators, to ensure that insurance companies do not violate the OJK Rule in the future.

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