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Indonesia has a new capital! Or it will have soon. The Indonesian government has announced that the new capital of Indonesia will be called Nusantara and will be located on the island of Borneo. Planning the move will begin in earnest at the end of 2022.

More good news for the Indonesian public – with the Government’s introduction of its digital payment system BI-Fast, which will be rolled-out across Indonesia in stages.

In addition to the convenience of the BI-Fast system, the Government has reaffirmed its commitment to financial inclusion by freeing up some of the restrictions on Branchless Banking Services in the hope that more people, particularly in rural areas, will have access to banking services.

Heads up for those undertaking offshore foreign exchange loans or foreign exchange risk participa-

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tion transactions - Bank Indonesia has significantly increased reporting requirements.

The Government made changes in relation to land, establishing the Land Bank Authority to hold and manage land. Finally, the Government has made some procedural changes to the administration of competition law to streamline the competition regulatory framework. Further details on each of these changes can be found in the articles inside.

A New Capital for Indonesia

by Rahmi Intan Jeyhan



Image source: <https://nasional.kompas.com/image/2022/02/00/10552701/jakarta-terken-ua-ilm-tiri-luar-cabutan-wilayah-ibu-kota-nusantara?page=7>

The Indonesian government has just enacted the law on the nation's capital city (the "Law")*. Based on the Law, the current capital of Indonesia, Jakarta, located on the island of Java, will be relocated to an area on the island of Borneo. While the reasons underpinning the move include the environmental stress placed on the current capital, the move is not without controversy – the primary concern being the environmental impact on Borneo.

The new capital will be called Nusantara, meaning archipelago. It will serve as the new home for central government activities, as well as the seat of representatives of foreign countries and international institutions.

The change will be carried out in stages with a newly appointed authority, the Nusantara Capital

Authority, in charge of planning, development and relocation (the "**Authority**"). The Authority will also be in charge of administering the capital city once it has been relocated. The Law stipulates that the Authority must start operating by the end of 2022.

The new capital city development will probably be one of the largest infrastructure development projects ever undertaken by the Indonesian government. Interested parties can take part in this project through public-private partnership schemes, as well as being involved in its financing. The Authority is authorised to provide incentives to parties that support the financing.

Further provisions regarding the planning, development, and relocation of the capital city will be regulated in implementing regulations.

*Law Number 03 of 2022 concerning the Nation's Capital City.

New Digital Payment System: BI-Fast

by Louise Ayu Cecilia

Bank Indonesia has launched a new system of fast and safe digital payments for retail customers.* Bank Indonesia calls this payment system, Fast Payment, or BI-Fast. Customers will be able to make interbank money transfers of up to IDR 250 million per transaction (approx. USD17,000) with a charge of only IDR 2,500 (approx. USD .17) per transaction. Furthermore, BI-Fast offers customers the ability to make interbank payments using phone numbers and emails as an alternative to account numbers.



Image source: <https://www.msn.com/id-id/benar-taher-bi-fast-pada-santangan-bagi-bisnis-perusahaan-switching-or-AKQzZi7t5u3scem-tue6limgen-1>

Customers will be able to use BI-Fast services with financial institutions, mostly banks, that have met Bank Indonesia's requirements. Currently, there are 42 banks and 1 non-bank registered as being able to provide BI-Fast services.

*Bank Indonesia Board of Governors Regulation No. 23/25/PADG/2021 on the Organization of the Bank Indonesia-Fast Payment.

Coal Mining: New Fines and Compensation

by Jayalaksana Purnama



Image source: <https://www.gettyimages.com/photos/coal-mining-vehicle-on-black-rocky-soil-during-daytime-60000>

The Minister for Energy and Mineral Resources has recently overhauled the system of compensation and fines for companies carrying out coal mining. The new system provides compensation for companies who are not able to sell one quarter of the coal they have produced in fulfillment of their regulatory requirement to produce a certain amount for Indonesian domestic consumption. The new compensation scheme is calculated on a formula that takes into account sales, price and production. Similarly, for those that fail to produce the legislated amounts of coal for Indonesian domestic consumption instead of the previous administrative sanctions, a fine will be imposed, calculated on the sales, prices and the volume production has fallen short. Compensation and fine payment will be carried out online.

Indonesia Land Bank Authority

by Hans Thioso

Indonesia has a lot of commercial land, the use of which hasn't been decided. This land is the object of speculation, which drives up the price across the board. To tackle this, the Government has established the Indonesia Land Bank Authority, in Indonesian, *Badan Bank Tanah*.^{*} The Government has provided the Authority with various powers,^{**} including the power to ensure that commercial land is available for particular interests, such as national development. The Authority will manage the land it obtains using the right-to-manage. The Authority also has the power to cooperate with other parties to use its land.

Under the Regulation 113^{***}, the Government has decreed that the Authority has priority as the first purchaser of land from communities. However, the issuance of Regulation 113 is contradicted by the Decision No. 91^{****}, which prohibits the government from issuing derivative regulations from the Job Creation Law until it is amended. Consequently, the implementation of Regulation 113 may be problematic. If you would like a more detailed understanding of this issue, please reach out to your usual contact at our company who will be happy to help.

^{*}Law No. 11/2020 concerning Job Creation.

^{**}Government Regulation No. 64/2021 concerning Indonesia Land Bank Authority.

^{***}Presidential Regulation No. 113/2021 concerning Structure and Operation of Indonesia Land Bank Authority.

^{****}Constitutional Court Decision No. 91/PUU-XVIII/2020 dated 25 November 2021.

Significant New Reporting Requirements: Foreign Exchange Transactions

by Melisa Kristian

Bank Indonesia has enacted new Regulations,^{*} which amend the previous law by introducing significant new reporting requirements for parties undertaking foreign exchange offshore loans and/or risk participation transactions. Bank Indonesia has introduced a new online reporting site to support the increased reporting requirements.



Under the new Regulations, participants must report significant details of these planned transactions including the parties, sums involved, payment plans, interest, any non-payment, amendments to the transactions, among other details. Parties must also upload supporting documentation.

The New Regulations will come into effect on 1 July 2022.

^{*}Regulation of the Board of Governors of Bank Indonesia No. 23/28/PADG/2021 concerning the Amendment to Regulation of the Board of Governors of Bank Indonesia No. 21/4/PADG/2019 concerning the Report of Foreign Exchange Activities in the Forms of Offshore Loans and Risk Participation Transactions.

Branchless Banking Services: New Regulations

by Aldy Kurniawan

Indonesia introduced Branchless Banking Services, Laku Pandai, in 2014 with a view to bringing banking services to people in Indonesia who are unable to access to financial services. Typically, those excluded from financial services are those with low incomes in rural areas. Branchless Banking Services, provided through agents, are seen as a cost-effective method of financial inclusion.



The Government has been monitoring the Branchless Banking Services and in January 2022, the Financial Services Authority introduced new Regulations* to address some issues. The new Regulations generally lift a number of restrictions to create a wider range of more flexible services and provide a wider range of agents. The Government will be monitoring these changes closely to see whether they have the desired effect of bringing more banking services to those currently excluded.

*OJK Regulation No. 1/POJK.03/2022 on Branchless Banking Services for Inclusive Finance.



Competition Law: Changes to Court Procedure

by Faudzan Eka Putra



The Supreme Court has issued a circular stating that the authority to adjudicate objections to decisions of the Commission for the Supervision for Business Competition is to be transferred from the District Court to the District Court's Commercial Court.* The Government has made further amendments to competition law, including the abolition of a cap for fines.** The Government hopes that these changes will ease the practicalities of compliance and enforcement of competition law.

*Circular Letter of the Supreme Court No. 1 of 2021.

**Article 118 section 1 of Law No. 11 of 2020 concerning Job Creation.

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