

ASIAPAC BANKING GUIDE FOR NONPROFITS


*HOW TO OPEN AND MANAGE AN ORGANIZATIONAL
BANK ACCOUNT*



INDONESIA



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1. OPENING AN ORGANIZATIONAL BANK ACCOUNT

a. What are the requirements to open an organizational bank account?

i. Do organizations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

Yes, organizations typically need to be physically present in the country to open a bank account. A statutory representative is required to be present in person in Indonesia to fulfill the bank's know-your-customer (KYC) requirements. Alternatively, face-to-face meeting requirements can be satisfied through electronic media such as video calling and/or video documentations, depending on the bank. However, banks may allow the representative to be authorized by the organization to act on their behalf, provided that the proper documentation and proof are provided.

ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)

The legal requirements may vary depending on the type of CSO and the bank's policies. In general, as regulated in *OJK Regulation No. 12/POJK.01/2017* ("POJK 12/2017") and *Bank Indonesia Regulation No. 14/27/PBI/2012* ("BI Reg 14/27/2012"), banks will require organizations to provide registration documents, such as a copy of the organization's deed of establishment and bylaws, license and description of the CSO's activities, tax identification numbers, Power of Attorney for setting up an account and account management (if needed), identification cards of relevant persons in setting up the account and the CSO's management, etc.

POJK 12/2017 further regulates that additional documents such as letter of appointment for authorized representatives and

their specimen signature may be requested for international organizations and foreign representatives.

iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?

Yes, opening a bank account online is possible in some cases, as regulated in Article 17 of *OJK Regulation No. 23/POJK.01/2019* (“**POJK 23/2019**”), but it will depend on each bank’s policies and each organization’s activities.

It is acceptable to sign the paperwork before a notary and legalized by the Indonesian embassy or the relevant apostilling authority at the place of execution.

iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?

In Indonesia, the process of setting up a bank account often entails following steps:

- (a) Compile the necessary documents: The statutory representative of the organization must compile the required documents. These documents may comprise a copy of the organization’s registration certificate and identification documents of the representative, as well as any other documents that the bank may require for opening the account.
- (b) Choose a bank: The organization will need to choose a bank that satisfies its needs and specifications, and confirm that the bank provides the services they need, such as internet banking or international transfers.
- (c) Submit the application: The statutory representative will need to submit the application to the bank, either in person or through an authorized representative. The representative must sign the application and any other pertinent documents, and the application must have all required supporting documentation.
- (d) Verification process: In order to ensure compliance with anti-money laundering and counter-terrorism financing regulations, the bank will confirm the statutory representative’s identity and take other due diligence steps. The statutory representative may need to be interviewed in person, although some banks may accept verification through electronic means as an alternative to a face-to-face meeting.

- (e) Account activation: Following completion of the verification procedure, the account will be activated, enabling the organization to use it.

The time it takes to set up a bank account in Indonesia can vary depending on the bank's specific policies and procedures, the completeness of the documentation provided, and the time it takes to complete the verification process. In general, it may take anywhere from a few days to a couple of weeks to open a bank account.

2. BANKING ACTIVITIES

a. What customer due diligence requirements are in place and what is their impact on civil society organizations' banking activities?

According to POJK 23/2019, customer due diligence (“CDD”) will be carried out by Financial Services Providers, or in this case the bank, in certain situations, such as:

1. Engaging a business relationship with a prospective customer;
2. There is a financial transaction in rupiah and/or foreign currencies with a value equivalent of at least or equivalent to IDR 100,000,000 (one hundred million rupiah);
3. Walk-in customer;
4. There are transactions as referred to in POJK 23/2019;
5. There is an indication of suspicious financial transactions related to money laundering and/or terrorism funding; or
6. If a bank doubts the validity of the information provided by a prospective customer, customer, proxy and/or beneficial owner.

Furthermore, BI Reg 14/27/2012 regulates that the bank is obligated to conduct CDD toward customers using a risk-based approach when:

1. There is a significant increase in transaction value;
2. There is a significant change in customer profile;
3. Information on a customer's profile in the Customer Identification File has not been equipped with relevant documents;
4. Using anonymous accounts or accounts that use a fictitious name.

When conducting CDD, the bank (or a third party appointed by the bank) must:

1. Identify a prospective customer or customer by requesting data and information which at least includes the name, license number from authorized institutions, domicile, forms of legal arrangement, identity of Beneficial Owner (if any), source of funds, and purpose and objective of business relationship or transaction that is going to be performed by prospective customer, and other information that can be an indicator of the customer's risk level;
2. Verify the information obtained through various media, supporting documents, direct meetings, and/or calls through electronic means;
3. Update data and monitor business relationships with the customers, ensuring that the transactions are in line with the established rules; and
4. Follow-up stage where the bank determines whether it can continue the transaction and/or business relationship. If there is no indication of money laundering and terrorism financing, then the bank can continue the transaction and/or business relationship. If the bank is unable to obtain the correct identity and documents of the customer, then the bank must reject or cancel the transaction and/or business relationship.

A simplified CDD can be conducted toward prospective customers or if the risk level of money laundering and terrorism financing is low and fulfills several requirements stipulated in BI Reg 14/27/2012, in which the relevant requirements to CSOs are (1) the purpose of opening an account is for periodic payment of salaries for employees and/or employee account that is used only to receive salary, or (2) the maximum initial deposit amount is IDR 50,000 (fifty thousand rupiah), the maximum balance at

the end of the month is IDR 1,000,000 (one million rupiah), and the maximum transaction in one month is IDR 5,000,000 (five million rupiah).

The documents that will be asked by the bank to CSOs, as prospective customers, are:

- a. License of CSO's activities;
- b. Description of CSO's activities;
- c. The structure and name of CSO's management; and
- d. Identification documents of CSO's members of management who are authorized to represent the CSO and conduct a business relationship with the bank.

b. Which internal principles or official (central bank) "suspicious transaction" monitoring criteria are in place affecting the civil society organizations? Is it publicly available?

According to Article 1 of *Law No. 8 of 2010 on Prevention and Eradication of Money Laundering Crime*, suspicious financial transactions are:

- a. Financial transactions that deviate from profile, characteristic or habit of the transaction pattern of the relevant user;
- b. Financial transactions reasonably suspected to be conducted in order to avoid reporting the relevant transactions which must be conducted by reporting parties;
- e. Financial transactions conducted or canceled by using assets which are allegedly derived from the proceeds of criminal acts; or
- f. Financial transactions requested by the Indonesian Financial Transactions Reports and Analysis Centre ("INTRAC") to be reported by the reporting parties because they involve assets which are allegedly derived from the proceeds of criminal acts.

Suspicious financial transactions must be reported to INTRAC by a submission of suspicious financial transaction reports, no longer than 14 days after the transaction is found and will be further assessed using their Risk Assessment Process.

A monitoring plan will be made after the result of the risk assessment. Enhanced Due Diligence may be conducted when the risk level is high.

c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).

There are certain limitations when it comes to banking transactions and/or transfers to/from high-risk jurisdictions, as stipulated in *Bank Indonesia Regulation No.19/10/PBI/2017*, and it refers to the lists of jurisdictions made by Financial Action Task Force on Money Laundering (“**FATF**”).

i. If yes, is the list of jurisdictions publicly available?

Yes, a list of jurisdictions is publicly available.

FATF regularly publishes and updates the list of Jurisdictions under Increased Monitoring, in which the most updated list of countries was published in February 2023, containing: Albania, Barbados, Burkina Faso, Cayman Islands, Democratic Republic of Congo, Gibraltar, Haiti, Jamaica, Jordan, Mali, Mozambique, Nigeria, Panama, Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Turkey, Uganda, United Arab Emirates and Yemen.

ii. What would be the procedures the bank would follow in this case for their CSO clients?

In the event of banking transactions and/or transfers to high-risk countries, the bank must conduct Enhanced Due Diligence (“**EDD**”), a more in-depth and advanced action of CDD, by requesting confirmation and clarification from relevant authorities. It is conducted by;

- a. Obtaining additional information about the CSO’s profile;
- b. Updating the data identity on a more regular basis;
- c. Obtain additional information regarding the purposes and objectives of the business relationship or transaction;

- d. Obtain additional information regarding sources of funds and sources of wealth; and/or
- e. Carry out stricter monitoring of business relationships or transactions, including determining the criteria for transactions that need further analysis.

3. OBLIGATIONS AND REPORTING REQUIREMENTS

a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?

According to Article 40A of *Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector*, banks are required to provide information to regulatory authorities or public officials in certain circumstances, such as:

- a. judicial interests in civil cases between the bank and customer, between customer and another customer, and related to the customer;
- b. judicial interests in criminal cases;
- c. curator's request based on commercial court decision on bankruptcy or liquidator's request based on court order in the context of settling assets;
- d. written request, approval, or power of attorney from the depository customer;
- e. a legal request from the heir of a depository customer who has passed away;
- f. fulfilling mutual assistance in criminal matters;
- g. exchange of information between banks;
- h. requests for financial information for tax purposes based on statutory provisions;
- i. the interests of other agencies for the purpose of administering the state at the central level and the public interest in accordance with the duties and authorities in the Law;

- j. the interests of carrying out tasks in the monetary, macroprudential and payment system sectors by Bank Indonesia;
- k. interest in carrying out tasks in the field of deposit insurance and resolution by the Deposit Insurance Corporation; and
- l. implementation of cooperation agreements between state authorities that have been signed reciprocally.

The information that will be provided is related to the depositors and their deposits.

b. What obligations do banks have to protect the privacy of clients' information?

The principle of bank secrecy arises from the aim of protecting the interest of bank customers so that confidentiality concerning their financial condition and customer personal data is protected. Banks and their affiliated parties have the obligation to keep information of their depositors and deposits confidential, unless certain circumstances arise as stated previously.

c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?

Other than in the event of indications of money laundering and terrorism financing as stated above, banks do not have any specific reporting obligation to the government.

d. Are you aware of any change in regulation/practice due to the Russian sanctions?

There is no change in banking regulation or practice due to the ongoing Russian sanctions.



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