

Indonesia in focus

Currency law update – the mandatory use of Indonesian Rupiah?

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Three years after Law No. 7 of 2011 on the Currency (“**Currency Law**”), the Bank of Indonesia issued Regulation No. 17/3/PBI/2015 on the Obligation to Use Rupiah within the Territory of Indonesia (“**BIR 17**”), followed by a circular letter No. 17/11/DKSP on the Mandatory Use of Rupiah Currency in the Territory of Indonesia (“**BI Circular**”). Most companies operating in Indonesia will now be familiar with the purported obligation to use Rupiah for cash or non-cash transactions, subject to limited exceptions, and the broad requirement for Indonesian business operators to quote all prices for goods and services in Rupiah.

Understandably, BIR 17 and the BI Circular have resulted in a significant amount of disruption and uncertainty in a number of areas such as the insurance and energy and natural resources sectors. The new regulations do not sit easily with existing Indonesian currency and foreign exchange frameworks, and numerous issues have arisen particularly as the regulations seem to be geared towards small businesses and do not take into account more structured/complex arrangements such as long term supply agreements.

Open letters published by the Financial Services Authority (OJK) and the Ministry of Energy and Mineral Resources (MEMR) recognise the need for foreign currency in certain situations such as where specific risks need to be reinsured offshore. However, these letters do not provide sufficient clarity as to their application vis a vis BIR 17 and the BI Circular, which continue to apply pending further implementing regulations. Undertaking a risk assessment may help to identify practical steps so as to reduce the risk of sanctions, including potential blockage of US dollar payments by Indonesian banks.

For further information, we would be happy to get in touch:



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