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(As of December 2014)
Currency Unit = Indonesian Rupiah (IDR)
US$ 1 = IDR 12,820.00

ABBREVIATIONS AND ACRONYMS

AAJI	*Asosiasi Asuransi Jiwa Indonesia* (Life Insurance Association of Indonesia)
AASI	*Asosiasi Asuransi Syariah Indonesia* (Association of Sharia Insurance Companies)
AAUI	*Asosiasi Asuransi Umum Indonesia* (General Insurance Association of Indonesia)
ADPI	Indonesian Pension Funds Association - representing DPPK employer-sponsored pension funds (*Asosiasi Dana Pensiun Indonesia*)
ADPLK	*Asosiasi Dana Pensiun Lembaga Keuangan* (Indonesian Pension Funds Association)
ADR	Alternative Dispute Resolution
AKKI	*Asosiasi Kartu Kredit Indonesia* (Credit Card Association)
ALI	*Asosiasi Leasing Indonesia* (Leasing Association)
AML/CFT	Anti-Money Laundering / Combating the Financing of Terrorism
APEC	Asia-Pacific Economic Cooperation
APEI	*Asosiasi Perusahaan Efek Indonesia* (Association of Indonesian Securities Companies)
APKAI	*Asosiasi Penilai Kerugian Asuransi Indonesia* (Association of Indonesian Insurance Adjusters)
APPARINDO	*Asosiasi Perusahaan Pialang Asuransi dan Reasuransi Indonesia* (Association of Indonesian Insurance and Reinsurance Brokers)
APPI	*Asosiasi Perusahaan Pembiayaan Indonesia* (Association of Multi-Finance Companies)
APRDI	*Asosiasi Pengelola Reksa Dana Indonesia* (Association of Investment Fund Managers)
ASBANDA	*Asosiasi Bank Pembangunan Daerah* (Association of Regional Development Banks)
ASBINDO	*Asosiasi BMT se-Indonesia* (Association of Indonesia BMTs)
ASBRI	Social security scheme covering employees of the military and police
ASEAN	Association of Southeast Asian Nations
ASPKL	*Asosiasi Dana Pensiun Lembaja Keuangan* (Association of DPLK Financial Institution Pension Funds – representing DPLK financial institution pension funds)
ATM	Automated Teller Machine
BAMI	Indonesian Mediation Board
BAPMI	*Badan Arbitrase Pasar Modal Indonesia* (Capital Markets Arbitration Board)
BD	Broker Dealer
BCA	Bank Central Asia
BI	Bank Indonesia
BIK	*Biro Informasi Kredit* (Credit Information Registry at BI)
BKK	*Badan Kredit Kecamatan* (Sub-district level MFIs in Central Java)
BKSLPD	*Badan Kerjasama LPD* (Village Credit Institutions Association)
BMAI	*Badan Mediasi Asuransi Insonesia* (Insurance Mediation Board)
BMT	*Baittul Maal wa Tamwil* (Savings and loan Sharia institution)
BNI	Bank Negara Indonesia
BPJS	*Badan Penyelenggara Jaminan Sosial* (National Social Security Agency)
BPSK	*Badan Penyelesaian Sengketa Konsumen* (Consumer Dispute Settlement Board)
BRI	Bank Rakyat Indonesia
CIU	Collective Investment Undertaking
CPFL	Consumer Protection Financial Literacy
CSR	Corporate social responsibility
DB	Defined benefit
DC	Defined contribution
DPLK	*Dana Pensiun Lembaja Keuangan (*Financial Institution Pension Funds)
DPPK	*Dana Pensiun Pemberi Kerja* (Employer Sponsored Pension Funds)
DJSN	*Dewan Jaminan Sosial Nasional* (National Social Security Trustee Board)
EU	European Union
FBAI	Foreign Banks Association of Indonesia
FCP	Financial Consumer Protection
FISF	Financial Inclusion Support Framework
GDP	Gross Domestic Product

IA	Investment Advisor
IDI	Individual Debtor Information History
IDIC	Indonesian Deposit Insurance Corporation
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange
ISEA	*Ikatan Senior Eksekutip Asuransi* (Insurance Senior Executive Association)
KPPU	*Komisi Pengawas Persaingan Usaha* (Business Competition Supervisory Commission)
KSEI	*Kustodian Sentral Efek Indonesia* (Central Securities Depository)
LPD	*Lembaga Perkreditan Desa* (Village Credit Institutions in Bali)
LPIP	*Lembaga Pengelola Informasi Perkreditan* (Credit Information Management Company)
LSPDP	*Lembaga Standar Profesi Dana Pensiun* (Institution of Professional Standard of Pension Fund)
KPEI	*Kliring Penjaminan Efek Indonesia* (Clearing and Guarantee Corporation)
KSEI	*Kustodian Sentral Efek Indonesia* (Central Securities Depository)
KYC	Know Your Customer
MC	Ministry of Cooperatives and SMEs
MCIT	Ministry of Communication and Information Technology
MFI	Microfinance Institution
MoT	Ministry of Trade
MOU	Memorandum of Understanding
NAV	Net Asset Value
NBCI	Non-Bank Credit Institution
NCPA	National Consumer Protection Agency
NGO	Non-Governmental Organization
NSF	Non-sufficient funds
OECD	Organization for Economic Cooperation and Development
OJK	*Otoritas Jasa Keuangan* (Financial Services Authority of Indonesia)
PAI	*Persatuan Aktuaris Indonesia* (The Society of Actuaries of Indonesia)
PERBANAS	*Perbankan Asosiasi* (Indonesian Banks Association)
PERBARINDO	*Perhimpunan Bank Perkreditan Rakyat Indonesia* (Indonesian Rural Banks Association)
PIN	Personal Identification Number
PPATK	*Pusat Pelaporan dan Analisis Transaksi Keuangan* (Financial Transaction Reports and Analysis Center)
PSB	Professional Standards Board
RTGS	Real Time Gross Settlement
SECCI	Standard European Consumer Credit Information
SIPF	Securities Investor Protection Fund
SKNBI	*Sistem Kliring Nasional Bank Indonesia* (Bank Indonesia's National Clearing System)
SLC	Savings and Loan Cooperative
SJSN	*Sistem Jaminan Sosial Nasional* (National Social Security System)
TA	Technical Assistance
TCEA	*Tasa de Costo Efectivo Anual* (Annual Effective Cost Rate)
TELCO	Telecommunications Company
UPK	*Unit Pengelola Keuangan* (Financial Management Unit)
UPLK	*Unit Perantara Layanan Keuangan* (Financial Intermediary Service Units)
US	United States
WB	World Bank
YCAB	*Yayasan Cinta Anak Bangsa* (Loving the Nation's Children Foundation)
YLPK	*Yayasan Lembaga Perlindungan Konsumen* (Indonesian Consumer Protection Organization)

CONSUMER PROTECTION IN THE BANKING SECTOR

Overview

Indonesia's Banking Law (Law No. 7 of 1992, as amended by Law No. 10 of 1998) defines banks as corporate entities that mobilize funds from the public in the form of deposits and channel these funds to the public in the form of credit. The Banking Law applies to all "commercial" and "rural" banks. A commercial bank provides services in payment transactions based either on conventional or Sharia principles. A rural bank also bases its activities on conventional or Sharia principles but has restricted operational areas, and does not provide any service in payment transactions. While all banks are prohibited from conducting insurance business, rural banks cannot accept funds in the form of demand deposits and cannot conduct business in foreign exchange.

Indonesia has 120 commercial banks and 1,837 rural banks. The former consist of 4 State banks (one of which has an Islamic banking unit), 26 Provincial Government Regional Development Banks covering all 33 of Indonesia's provinces (14 of which have an Islamic banking unit), 79 private conventional commercial banks (8 of which have an Islamic banking unit), and 11 purely Islamic commercial banks. Of the total of 1,837 rural banks, 154 (or some 8%) are Islamic.

Taken together, the assets of all banks, estimated at some 4,716.8 trillion IDR (or about USD 387.9 billion) as of October 2013, account for more than 75% of the assets of Indonesia's financial system.[1]

The banking market is highly concentrated, with just under 50% of all banking assets being held by five commercial banks, of which three state-owned banks own 35% of all assets. Table 1 summarizes this concentration.

Table 1. The 10 Largest Banks in Indonesia as of October 2013

Bank	Assets (in million IDR)	Market share	Type
Bank Mandiri	608,730,930	12.9%	State-owned bank
Bank Rakyat Indonesia (BRI)	581,135,557	12.3%	State-owned bank
Bank Central Asia (BCA)	469,305,421	9.9%	Private non-foreign bank
Bank Negara Indonesia (BNI)	351,034,552	7.4%	State-owned bank
Bank CIMB Niaga	206,571,498	4.4%	Private non-foreign bank
Bank Permata	154,565,917	3.3%	Private non-foreign bank
Pan Indonesia Bank	143,507,655	3.0%	Private non-foreign bank
Bank Danamon Indonesia	140,022,487	3.0%	Private non-foreign bank
Bank Internasional Indonesia	124,445,063	2.6%	Private non-foreign bank
Bank Tabungan Negara	123,196,691	2.6%	State-owned bank
Total assets of all commercial banks	**4,716,845,000**		

Source: Bank Indonesia[2]

[1] The latest estimated total assets per category of banks is as follows: (a) State-owned Banks – IDR 1,615.9 trillion (or USD 147.3 billion); (b) Regional Banks – IDR 387 trillion (or USD 35.07 billion); (c) Private Conventional Commercial Banks - IDR 1,952 trillion (or USD 179.6 billion); (d) Islamic Commercial Banks – IDR 166.4 trillion (or USD 15.3 billion) and (e) Rural Banks – IDR 73.9.trillion (or USD 6.8 billion).

[2] http://www.bi.go.id/web/en/Publikasi/Laporan+Keuangan+Publikasi+Bank/Bank/Bank+Umum+Konvensional/

The ratio of bank credit to GDP is relatively low compared to other economies. Although private credit represents only about 31% of the country's GDP,[3] the sector is rapidly expanding. Indeed, as indicated in Table 2, growth in total bank assets exceeded 200% from December 2007 to December 2012.

Table 2. Bank Assets (in trillion IDR)

	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11	Dec. 12
All Banks	1,986,501	2,310,557	2,534,106	2,517,014	3,652,832	4,262,587

Source: Bank Indonesia

Commercial bank credit is on the rise, especially to households. As indicated by Table 3, from January 1, 2010 to October 31, 2013, commercial bank credit for household purposes including for home mortgages increased by over 60% while commercial bank lending to this segment fluctuated between 19.2% and 22.9% of all commercial bank lending.

Table 3. Breakdown by Sector of Credit provided by Commercial Banks (billion IDR)

Economic Sector		Dec. 2011	Dec. 2012	Oct. 2013
Loans by Industrial Sectors				
1.	Agricultures, Hunting and Forestry	109,790	142,451	167,372
2.	Fishing	4,935	5,492	6,084
3.	Mining and Quarrying	87,780	104,207	109,795
4.	Processing Industry	344,597	445,807	538,245
5.	Electricity, Gas and Water	45,841	59,073	73,736
6.	Construction	75,395	95,921	118,020
7.	Wholesale and Retail Trade	375,017	499,567	627,483
8.	Provision of accommodation and the provision of eating and drinking	30,425	44,640	56,324
9.	Transportation, Warehousing and Communications	97,966	122,235	153,356
10.	Financial intermediaries	105,184	124,958	146,393
11.	Real Estate, Business, Ownership, and Business Services	116,201	150,568	188,148
12.	Government administration, Defense and Compulsory social security	3,014	2,793	6,062
13.	Education Services	4,064	4,612	5,128
14.	Health Services and Social Activities	7,611	8,671	9,509
15.	Community, Sociocultural, Entertainment and Other Individual Services	39,294	45,006	51,992
16.	Individual Services which serve Households	691	711	1,420
17.	International Agency and Other Extra Agency International	3,305	501	334
18.	Business Activities which are not clearly defined	81,689	50,396	2,165
Loans to Non Industrial Sectors				
Households		423,005	619,264	681,201
-	For Home Ownership	176,659	211,476	264,345
-	For Apartment Ownership	5,573	10,275	11,943

[3] This percentage is significantly lower than prevailing percentages in other countries in the region. For instance, the private credit to GDP ratio represents over 104% in Vietnam, 118% in Malaysia and 120% in Singapore (FinStats 2014).

-	For Shop House Ownership	15,207	19,988	24,754
-	For Vehicles Ownership	105,725	98,658	106,601
-	Others	119,841	278,867	273,558
Non Industrial Origin - Others		244,288	180,987	216,711
Total		**2,200,093**	**2,707,862**	**3,159,476**

Source: Bank Indonesia[4]

Rural bank credit is also increasing. From January 1, 2009 to December 31, 2012, rural bank credit for individual and household purposes increased by some 27%, while rural bank lending to this segment has fluctuated in the same period from a high of 17.3% to a low of 14.9% of all rural banks' lending in this same period (see Table 4).

Table 4. Breakdown by Sector of Credit provided by Rural Banks (billion IDR)

Economic Sector		Dec. 2010	Dec. 2011	Dec. 2012	Oct. 2013
1.	Agriculture, hunting, and forestry	2,565	3,062	3,640	4,279
2.	Fishery	40	73	106	127
3.	Mining and quarrying	37	65	99	115
4.	Processing industry	478	584	674	762
5.	Electricity, gas and water	14	26	29	36
6.	Construction	259	617	1,009	1,377
7.	Wholesale and retail trade	10,342	12,119	14,382	15,629
8.	Provision of accommodation and the provision of eating and drinking	288	310	311	384
9.	Transportation, warehousing and communications	577	902	1,140	1,173
10.	Financial intermediaries	32	48	64	84
11.	Real estate	66	202	272	521
12.	Government administration, land and compulsory social security	120	82	56	94
13.	Education services	56	84	120	144
14.	Health services and social activities	81	90	82	107
15.	**Social services, social, cultural, entertainment and other individual**	**1,807**	**1,512**	**1,565**	**2,393**
16.	**Individual services which serve**	**275**	**396**	**506**	**673**
17.	Business activities are not clearly defined	1,683	1,748	1,939	3,106
18.	**Not the business field - households**	**3,785**	**4,502**	**5,376**	**3,366**
19.	Not the business field - other	11,341	14,677	18,449	24,308
Total		**33,844**	**41,100**	**49,818**	**58,677**

Source: Bank Indonesia[5]

Another relatively recent feature of the Indonesian banking sector is the expanding range of financial service delivery options available to consumers, including through money transfer and mobile and internet banking products. This is especially the case with branch and ATM networks,

[4] http://www.bi.go.id/en/statistik/perbankan/indonesia/Default.aspx
[5] http://www.bi.go.id/en/statistik/perbankan/indonesia/Default.aspx

which consistently expanded between 2007 and 2012 (see Table 5). The years 2007 to 2012 also marked a corresponding increase in the number of ATM cards in circulation.[6]

Table 5. Points of Access to Financial Services in Indonesia

Points of access	2007	2008	2009	2010	2011	2012
ATMs per 100,000 adults	11.7	13.4	14. 4	13.3	16.8	36.5
Commercial bank branches per 100,000 adults	6.1	6.7	7.8	8.3	8.7	9.6

Source: IMF Financial Access Survey

The number and value of credit cards in circulation in Indonesia is also on the rise. From May 2011 to May 2012, the number of credit cards in circulation increased by 6.35 % and, in the same period, in terms of value, outstanding credit-card loans grew 12% year-on-year to IDR 17.51 trillion.[7] As of December 2012, there were approximately 7.8 million credit card holders, 15.7 million credit cards and 19 commercial banks and one Islamic bank as credit card issuers in Indonesia. Regular accounts then constituted approximately 70% of the total number of cards, while so-called "premium" accounts made up the balance. The top five credit card issuers then in order were BCA, Bank Mandiri, BNI, Citibank and CIMB Niaga, with BCA having some 2.4 million credit cards held by 1.1 million credit card holders, out of a total banking customer base of about 12 million.[8] As of January 2013, BI has capped the monthly interest rate on any credit card at 2.95%, being 35.40% per year.[9]

[6] See ATM Cards in Indonesia, published February 2013 by Euromonitor International
[7] Source: BI
[8] Data from the Indonesian Credit Card Association (AKKI)
[9] See BI Circular Letter No. 14/34/DASP of November 2012 re: Limit on Credit Card Interest Rates

Comparison with Good Practices

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1.	***Consumer Protection Regime*** **The law should provide clear consumer protection rules regarding banking products and services, and all institutional arrangements should be in place to ensure the thorough, objective, timely and fair implementation and enforcement of all such rules.** **a. Specific statutory provisions should create an effective regime for the protection of a consumer of any banking product or service.** **b. A general consumer agency, a financial supervisory agency or a specialized financial consumer agency should be responsible for implementing, overseeing and enforcing consumer protection regarding banking products and services, as well as for collecting and analyzing data (including inquiries, complaints and disputes).** **c. The designated agency should be funded adequately to enable it to carry out its mandates efficiently and effectively.** **d. The work of the designated agency should be carried out with transparency, accountability and integrity.** **e. There should be co-ordination and co-operation between the various institutions mandated to implement, oversee and enforce consumer protection and financial system regulation and supervision.** **f. The law should also provide for, or at least not prohibit, a role for the private sector, including voluntary consumer organizations and self-regulatory organizations, in respect of consumer protection regarding banking products and services.**
Description	As of 1 January 2014, OJK has obtained regulatory and supervisory responsibility for the banking sector (including in relation to consumer protection). In addition, a clear role remains envisaged for consumer protection NGOs. There are, however, overlapping consumer protection regulators, laws and regulations. Also, it is not clear that adequate resources and expertise for consumer protection supervision exist within OJK. And, it is unclear to what extent consumer organizations actually carry out their role. Other regulators include the Ministry of Trade (MoT) and the National Consumer Protection Agency (NCPA) and there is a concern around the lack of coordination among relevant regulatory bodies. *Paragraphs (a) and (b)* The relevant existing statutory provisions constitute an unclear patchwork for the protection of a consumer of any banking product or service. The Banking Law No. 7 of 1992, as amended by Law No. 10 of 1998 (the Banking Law) has limited specific consumer protection provisions but requires banks to

	have as their overriding objective the improvement of "*the welfare of the common people*".[10] The Consumer Law also appears to apply to banking services. This is because the definitions of "*consumer*"; "*entrepreneur*" and "*services*" in Article 1 of the Consumer Law support the view that the Law applies to all financial services (including banking services) and that the responsibilities of both MoT and the NCPA cover such services. Although the mission team was told that the inclusion of a reference to "*services*" in the Consumer Law was a last minute change that was made in Parliament and it is generally considered that the Law is poorly drafted,[11] there seems to be no doubt that any entity providing financial services (including banking services) must comply with the Consumer Law. In summary, the Consumer Law covers the following subjects (many of which overlap with the provisions of the FCP Regulation – See Annex II). • General rights and obligations of consumers and entrepreneurs (Articles 4-8); • Misleading and deceptive conduct (Articles 9-14); • Annoying consumers in the way that services (or goods) are offered (Article 15); • Breaking an agreement with a consumer (Article 16); • Advertising (Articles 17 and 24); • Standard clauses (Article 18); • Compensation for consumers (Articles 19 and 23); • The government's responsibility for consumer protection (Article 29) and the responsibility of the government, the public and consumer protection NGOs for supervision of consumer protection (Article 30); • The establishment of the NCPA (Articles 35-43 and see above); • Recognition of the role of consumer protection NGOs (Article 44 and see below); • Dispute settlement (Articles 45-48 and Good Practice E.2 below); and • Establishment of the Consumer Dispute Settlement Board – or BPSK (Articles 49-59 and see Good Practice E.2); and • Administrative Sanctions (Articles 60-63). Further, the Ministry of Trade (MoT) and the National Consumer Protection Agency (NCPA) have functions which appear to overlap with those of OJK. The MoT responsibilities include supervision and enforcement of the Consumer Law, which is of general application. The NCPA was established under the Consumer Law and its functions include (in summary) advising the government on consumer protection policies; conducting surveys of relevant laws and consumers' needs; encouraging NGO consumer protection foundations and working with the media on consumer issues. The breadth of the definitions of "*consumer*", "*entrepreneur*" and "*services*" in Article 1 of the Consumer Law support the view that the Law applies to all financial services (including banking services) and that the responsibilities of both MoT and the NCPA cover such services.

[10] See Banking Law, Article 4
[11] The mission team was told that the Consumer Law was drafted and passed by Parliament in less than 6 months to meet an IMF requirement for such legislation post the 1987 Asian crisis.

The mission team was told that a Bill has been drafted which will make it clear that the Consumer Law does not apply to financial services. However, the Bill has not yet been tabled in Parliament and it is understood this is not likely to occur for some time.

In practice until December 31, 2013, the Ministry of Trade deferred to BI as the agency responsible for implementing, overseeing and enforcing consumer protection regarding banking products and services, as well as for collecting and analyzing data (including inquiries, complaints and disputes). It seems likely that this practice will continue with OJK now having taken over BI's roles in these respects. Nevertheless, it remains the case that there is no single authority that has sole jurisdiction over matters of consumer protection in the banking sector.

OJK's responsibility for the financial services sector (including the banking sector) is now provided for by Articles 5 and 55 of the OJK Law. Importantly, Article 5 provides that "*The Financial Services Authority shall have the functions to implement the integrated regulatory and supervisory system for the entire activities of the financial services sector*. Article 55 then deals with timing issues by providing that: (emphasis added):

"(1) *As of December 31, 2012, the regulatory and supervisory functions, duties, and powers of financial services activities in the sectors of Capital Markets, Insurance, Pension Funds, Finance Institutions, and Other Financial Services Institutions shall pass from the Minister of Finance and the Capital Market and Financial Institution Supervisory Agency to the Financial Services Authority.*

(2) As of December 31, 2013, the regulatory and supervisory functions, duties, and powers of financial services activities in the Banking sector shall pass from Bank Indonesia to the Financial Services Authority."

OJK's objectives are expressly stated to include consumer protection:

"The Financial Services Authority is established with the objectives that the entire activities of the financial services sector:

c). can protect the interests of Consumers and the public " (Article 4 (c)).

In two specific areas directly bearing on consumers, however, BI retains responsibility, namely the payments system and, for the foreseeable future at least, BI's Credit Reporting System.

The FCP Regulation, which was made by OJK on 6 August 2013, will commence on 7 August 2013 and contains broadly expressed provisions for consumer protection in most parts of the financial sector, including the banking sector. The FCP Regulation, in summary:

- Sets out general principles of consumer protection relating to transparency, fair treatments, reliability, confidentiality and security of customer data and "*complaint handling and resolution of consumer disputes in a simple, fast, and affordable manner*" (Article 2).;
- Describes in broad terms the information to be provided by financial services providers to consumers and by a consumer to a financial services

	providers (Articles 4-13); • Requires financial services providers to carry out education in order to improve the financial literacy of consumers and/or the community (Article 14); • Requires financial services providers to provide equal access to their products and services, subject to specific classifications which are permitted (e.g. in relation to income) (Article 15) and to provide services to customers with special needs (Article 24); • Contains provisions relating to product suitability requirements (Articles 16, 21); • Prohibits "*marketing strategies that harm the consumers by taking advantage of consumers who do not have other options in making decisions*" (Article 17) and prohibits private marketing without consent (Article 19); • Contains provisions relating to product forcing (Article 18 and see Good Practice A.5); • Requires financial service provider details to be included in offers (Article 20); • Requires "*standard contracts*" to be prepared in accordance with statutory regulations and prohibits certain types of standard clauses (Article 22 and see also Article 18 of the Consumer Law which also deals with this topic but is differently worded and does not provide for standard contracts to be prepared in accordance with regulations); • Contains provisions relating to security of deposits and assets etc, of customers (Articles 25 and 27); • Contains provisions dealing with conflicts of interest and making it clear that financial services providers are responsible for the any losses etc. caused by employees and other representatives (Articles 23, 29 and 30); • Provides data protection provisions (Article 31); • Requires financial services providers to have internal complaint resolution procedures (Articles 32- 39 and see Good Practice E.1); • Provides for a facilitation service to be conducted by OJK (Articles 40-47 and see Good Practice E.2); and • Requires financial services providers to have internal control systems to protect consumers (Articles 47-50); • Gives OJK the ability to impose sanctions for breaches of the FCP Regulation (Article 53); and • Provides for existing consumer protection implementation provisions to remain valid so long as not inconsistent with the FCP Regulation (Article 55). Annex II provides a table that compares relevant provisions of the Consumer Law and the FCP Regulation applicable to all providers of financial services to consumers, including banks. *Paragraph (c)* With some 1,100 BI supervisors of banks supervising 120 commercial banks and 1,837 rural banks, it could be argued that BI has been under-resourced in order to be able to carry out its mandate efficiently and effectively in respect of consumer

	protection. That OJK is planning on increasing the number of bank supervisors by some 600 individuals as soon as feasible in 2014 is testament to this concern. *Paragraph (d)* Although there is no reason to doubt that the work of BI has been carried out with integrity, there has been: (a) no division of resources within BI regarding its efforts at prudential and business conduct regulation, supervision and enforcement; and (b) no clear mechanism for accountability in respect of any weak BI performance regarding matters of banking consumer protection. Further, although BI is required to prepare an annual financial report and publicize it through the mass media,[12] this report has not routinely dealt explicitly with issues regarding the business conduct of banks towards their customers. *Paragraph (e)* While the role of NGO consumer protection foundations, the Ministry of Trade and other so-called "*technically related Ministries*" is explicitly set forth in the Consumer Law as being essential for purposes of supervising the application of this Law, there does not appear to be any mechanism for co-ordination and co-operation among BI, the Ministry of Trade, other technically related Ministries and consumer protection foundations in devising, implementing, overseeing and enforcing banking consumer protection requirements. *Paragraph (f)* Finally, both the Consumer Law and the OJK Law provide a role for voluntary consumer organizations in respect of consumer protection regarding banking products and services. There is, however, no provision in law that explicitly looks to any banking association as a self-regulatory organization. The OJK Law only provides for the organization, governance and authority of OJK. Established with the objective of protecting the interests of consumers and the public,[13] OJK has authority to regulate and supervise financial service activities in the banking sector.[14] In carrying out its responsibilities, OJK may enact regulations, grant or revoke licenses, examine and investigate violations and impose sanctions. Since the Enactment Law makes it clear that Regulations are subordinate to Laws, to the extent that any Regulation concerning matters of financial consumer protection in respect of all banks in Indonesia is in conflict with existing Law, including most importantly for the banking industry the Banking Law, the latter will govern. As the OJK Law makes clear, existing banking laws and regulations prevail unless they are contrary to the OJK Law. Also, OJK will be required to coordinate with BI in formulating banking policies. *Legal Framework* Although there are many laws and regulations relating to banking products and services of relevance to consumers, there is a lack of clarity as to the extent to

[12] See BI Law, Article 61
[13] OJK Law, Article 4 c.
[14] Ibid., Article 6

	which will continue to apply once the FCP Regulation comes into effect on 7 August 2014. The Consumer Law and the Bank Transparency Regulation of 2005[15] are two examples. Against this background, Article 70 of the OJK Law refers to the various sector specific laws (such as the Banking Law), their "*ancillary regulations*" and "*other laws and regulations in the financial services sector*" and then provides that these laws and regulations "*remain valid to the extent not in contravention of and not yet replaced by this Law*". The OJK Law itself does not contain detailed consumer protection provisions. However the FCP Regulation does and provides in Article 55 that: *"The implementation of the provisions governing the protection of consumers in the financial services sector shall remain valid as long as not contrary to Financial Services Authority regulations*." The mission team were advised that the intent is that the existing law and regulations should continue to apply "*except to the extent*" the umbrella provisions in the FCP Regulation are clearly inconsistent and regardless of which regulatory agency is responsible for existing regulations (such as the Minister of Finance). However, the provisions of a regulation such as the FCP Regulation cannot override the provisions of a law approved by Parliament (such as the Consumer Law), and there is doubt as to whether the general consumer protection provisions of the FCP Regulation could override sector specific regulations (such as the Bank Transparency Regulations). [16] This overlap and ambiguity in the consumer protection framework is likely to be of concern to relevant financial institutions that have to consider how they can comply with all relevant laws and regulations and work out what differences in language between the FCP Regulation and other laws and regulations means in practice. The ability of the FCP Regulation to override Laws and earlier regulations is not however clear. A law can, of course, amend or revoke a previous law. A regulation, however, cannot do so.[17] And, thus, the efficacy of the statement that "*any existing provisions governing financial consumer protection*" (such as the Consumer Law and the Banking Law) are to remain valid, but only "*to the extent they are not contrary to the FCP Regulation*",[18] appears legally dubious at best. Also, it appears doubtful in law that the FCP Regulation can trump any BI Regulation. The above analysis means that there may be confusion as to the extent to which consumer-related laws and regulations apply to the financial sector. This includes in relation to the Consumer Law which, as mentioned above, applies to financial services. The difficulty is that the Consumer Law contains some provisions which are not included in the FCP Regulation, some of which are inconsistent with the FCP Regulation and others which, while not being entirely inconsistent, are worded

[15] See BI Regulation 7/6/PBI/2005 on Transparency in Bank Product Information and Use of Customer Personal Data
[16] See FCP Regulation, Article 55
[17] See Law No. 12 of 2011 on the Enactment of Laws and Regulations
[18] See FCP Regulation, Article 55

	differently (for example, provisions relating to standard contracts, complaints and harassment and which give consumers the right to "*test or try*" financial products).[19] Although the mission team was informed that a draft Bill has been prepared which makes it clear that the Consumer Law does not apply to financial services, the position may well be confusing to regulated institutions until such a provision is enacted. Finally, there are a number of important matters of relevance to consumer protection which are still to be the subject of regulations. These include future OJK regulations specifically concerning: (a) "*supervision in the financial services sector*";[20] (b) "*procedures for issuing written orders against Financial Services Institutions and certain parties*"; (c) "*procedures for determination of statutory managers in Financial Services Institutions*"; and (d) "*procedures for imposition of sanctions*". *Non-Governmental Consumer Agencies* By the terms of the Government Regulation on Non-Governmental Consumer Protection Agencies,[21] (and in order to implement Article 44 of the Consumer Law), a regime is provided for the formal registration of such agencies. Once registered, they may engage in consumer protection in all parts of Indonesia[22] which for purposes of the Regulation means: • "*Disseminating information in order to increase awareness of rights and obligations as well as consumer caution, in the consumption of goods and / or services*; • *Providing advice to consumers who need it*; • *Working with related agencies in an effort to realize the protection of consumers*; • *Helping consumers fight for their rights, including receiving consumer complaints*; *and* • *Helping government supervision of consumer protection*."[23] The dissemination of information by consumer agencies about consumer protection specifically includes knowledge about the legislation related to consumer protection issues.[24] In addition, consumer agencies are empowered to provide counseling and consumer education.[25] Also, consumer agencies have authority to "*empower consumers to be able to fight for their rights on their own, either individually or in groups*".[26] Furthermore, consumer protection agencies are to provide oversight for goods and services by way of research, testing and surveys.[27] There is, however, no provision for funding such agencies.
Recommendation	*Institutional Arrangements*

[19] Ibid., Articles 4, 7 (e), 15 and 18
[20] In this respect, see also OJK Law, Article 9 (a) which sets out the requirement for OJK "operating policies concerning supervision of financial services activities".
[21] Government Regulation No. 59 of 2001
[22] Ibid., Article 2 2.
[23] Ibid., Article 3
[24] Ibid., Article 4
[25] Ibid., Article 6
[26] Ibid., Article 7
[27] Ibid., Article 8

	There is a need to consider possible revisions to the supervisory structures and reporting lines within OJK. Whilst appreciating that the structure of the Board of Commissioners has been established by the OJK Law, consideration should be given as to how the specialized supervisory arrangements for market conduct (and consumer protection) supervision might be best managed within OJK. Several countries have been evaluating their most appropriate institutional arrangements for financial consumer protection in recent years[28]. According to the Global Survey on Financial Consumer Protection undertaken by the World Bank, the number of economies that have agencies with dedicated resources and staff in financial consumer protection increased from 46 in 2010 to 70 in 2013. Accordingly, 72% of agencies with responsibility for financial consumer protection had a dedicated team or unit in place to perform this function in 2013, as compared to 62% of economies in 2010. OJK does not have such a dedicated team. The overlap between OJK, the MoT and NCPA functions should be clarified. The mission team was not able to meet with the NCPA and so it is not entirely clear to what extent there is an overlap in practice with OJK's consumer protection functions. *Legal Framework* There is a need to clarify the interaction between the FCP Regulation and the Consumer Law as well as other existing consumer-related laws and regulations. Ideally, this would be achieved by enacting a new Financial Consumer Law which would cover the principles of the FCP Regulation plus the more specific consumer protection aspects of existing laws which should continue. However, it is appreciated that this is likely to be a long-term objective. In the interim, the OJK proposal to issue Circulars which clarify the application of the FCP Regulation to the banking sector is helpful. The work begun by the enactment of the FCP Regulation should be expanded to deal in greater depth with important matters of financial consumer protection in the banking industry. For example, further regulations would be particularly helpful in setting forth detailed disclosure rules for banks depending on the banking product, in providing rules applicable to retail customer account switching from bank to bank, and in banning the practice of charging unreasonable prepayment penalties (in some cases as high as 5% on the outstanding balance) on early repayment of loans. Whilst a reasonable fee might be charged with early repayment of a fixed rate loan when interest rates have dropped, it is not considered reasonable that prepayment penalties should be able to be charged for a variable rate loan. Similarly, unreasonable fees on closing a deposit account should not be permitted. OJK Circulars dealing with such issues would be helpful, whilst acknowledging they would not be binding.
Good Practice A.2	***Code of Conduct for Banks*** **a. There should be a principles-based code of conduct for banks that is devised by all banks or the banking association in consultation with the financial supervisory agency and consumer associations, if possible.**

[28] For more examples, please refer to the World Bank technical note "Establishing a Financial Consumer Protection Supervision Department": http://responsiblefinance.worldbank.org/~/media/GIAWB/FL/Documents/Publications/TechNote-Belarus-FCP-Dept-FINAL.pdf

	Monitored by a statutory agency or an effective self-regulatory agency, this code should be formally adhered to by all sector-specific institutions. **b. If a principles-based code of conduct exists, it should be publicized and disseminated to the general public.** **c. The principles-based code should be augmented by voluntary codes of conduct for banks on such matters as facilitating the easy switching of consumers' current accounts and establishing a common terminology in the banking industry for the description of banks' charges, services and products.** **d. Every such voluntary code should likewise be publicized and disseminated.**
Description	There is no principles-based code of conduct for banks of the type contemplated by this Good Practice. Nor are there any voluntary codes of conduct as envisaged by this Good Practice. Of the six banking associations in Indonesia, the first, and by far the most significant, is the Indonesia Banks Association (PERBANAS), a voluntary association of Indonesian Commercial Banks established in Jakarta in 1952. There is also a State-owned Banks Association (HIMBARA), an Association of Regional Development Banks (ASBANDA), one for Islamic Banks (the Indonesia Islamic Banking Association) and one for Rural Banks (PERBARINDO). And finally, there is a Foreign Banks Association of Indonesia (FBAI). With the exception of regional banks (all 26 of which are required to be members of ASBANDA), membership on the part of banks is not compulsory in any of these Associations and there is no overlapping of membership. PERBANAS has 15 full-time staff and, in recent years, its budget has averaged the extremely modest sum of about IDR 300,000,000 (or some USD 26,700) per year. Taken together, however, the member banks of PERBANAS have some 90% of all assets in the banking sector. Apart from the Chairman, there are five volunteer Deputy Chairs of PERBANAS who focus on: (i) State-owned Banks; (ii) Big Private Banks; (iii) Medium and Small-size Private Banks; (iv) Regional Banks; and (v) Islamic Banks. All office holders provide their time on a voluntary basis. The mission team was told that PERBANAS strongly favors a possible future statutory requirement that all commercial (as opposed to rural) banks in Indonesia (including Indonesian subsidiaries of banks with head offices outside Indonesia) be required to join PERBANAS as a condition of obtaining or maintaining a banking license. None of the six Associations of banks has formulated any detailed principles-based code of conduct for its member banks and their consumers. Resource constraints suggest that this is not likely to occur in the near future. Rather, each association has devised its own internal Code of Ethics. By way of example, the PERBANAS Code of Ethics has five sentences, as follows: • *"Our national banks are loyal to the Republic of Indonesia based on the Constitution of 1945.* • *Our national banks as one unit take responsibility for the implementation of economic and financial development to achieve a prosperous and fair society blessed by Allah.*

	• *Our employees are Indonesian nationals that uphold their national character, both in the work place, as well as in their daily lives.* • *Our employees, in carrying out our daily devotion, always maintain ethics, honesty, vigilance, solidarity, and thoroughness in managing money entrusted to us by the community.* • *We bankers always uphold the national bank secrecy entrusted to us."* Individual banks are left to devise their own code of conduct or ethics. While a Code of Ethics is required of every bank, no prescription exists as to what any such Code must contain. Inevitably, therefore, the wording of these Codes varies widely. As far as treatment of consumers is concerned, these Codes typically only recite the general staff requirement to keep all customer information confidential. In addition, there invariably is no recourse provided to a consumer in the event of any breach by a bank of the terms of its Code. Thus, banks' Codes of Ethics are of little, if any, practical relevance to consumer protection in the delivery of banking products and services.[29] The present situation will continue under the FCP Regulation, with all officers and employees of any Financial Services Provider being required "*in [their] dealings with consumers [to] abide by the [their employer's] Code of Ethics*".[30]
Recommendation	In order to strengthen the role of industry associations in financial consumer protection, OJK could develop guidance on the principles and minimum content of industry codes of conduct. Such Codes could be enforced by the associations or by OJK (if the industry associations do not have the resources or the capacity to do so). Guidance should also be provided on the mechanisms to disseminate the code among industry employees and consumers and to enforce the industry code by the association's members (e.g. through "naming and shaming" members who do not comply and ultimately by giving the association power to suspend their membership). At a minimum, any such Code should be contractually binding between a bank and its customers through inclusion of an appropriate term in the contract for the banking service. In the medium to long-term, consideration should be given to encouraging PERBANAS to formulate a Code of Conduct for the commercial banking industry. Such a Code should be widely publicized and disseminated, including thorough being made available at branches, any banking agents, and on the on the websites of OJK, PERBANAS and all commercial banks. PERBANAS could require all its members to subscribe to the Code. The development and enforcement of such a Code would, of course, require significant resources. The content of an industry Code of Practice would be a matter for consultation but, at a minimum, it could be expected to deal with the following subjects: • The objectives of the Code; • Scope of coverage; • Supervision and enforcement mechanisms;

[29] By way of example, see the Code of Conduct of Bank Mandiri at: http://ir.bankmandiri.co.id/phoenix.zhtml?c=146157&p=irol-govConduct
[30] FCP Regulation, Article 30 (2)

	• Internal and external complaint handling processes and timelines; and • General descriptive information about banking products and services (including those distributed by banks); • Advice to consumers concerning the enquiries they should make and • Other subjects not comprehensively covered by exisiting law (such as disclosure requirments, responsible lending rules, cooling off periods, advertising and obligations for informatiom to be legisble, clearly expressed, in plain language and with a minimum font size). The Code of Banking Practice approved by the Banking Association of South Africa in June 2010 – and in force as of 1 January 2012 – may be a useful reference.[31] See also *Regulatory Guide 183: Approval of Financial Sector Codes of Conduct*, published by the Australian Market Conduct Regulator, the Australian Securities and Investment Commission.[32] With over 1,800 rural banks, not all of which are members of PERBARINDO, it is recognized that formulating a voluntary Code of Conduct that applies to *all* rural banks in their dealings with consumers is unrealistic.
Good Practice A.3	***Appropriate Allocation between Prudential Supervision and Consumer Protection*** **Whether prudential supervision of banks and consumer protection regarding banking products and services are the responsibility of one or two organizations, the allocation of resources to these functions should be adequate to enable their effective implementation.**
Description	Although OJK has a strong policy focus on consumer protection, at present it does not separate its prudential and market conduct supervisory arrangements. Individual staff members at OJK perform both prudential and market conduct supervisory functions and do not appear to have a particular focus on consumer protection issues. The concern is that consumer protection and prudential supervision require different types of supervisory profiles, skills and approaches, with the latter focusing more on quantitative skills and analysis of an institution's financial soundness, and the former on qualitative skills and assessment of how an institution deals with consumers. Further, staff do not use, in any systematic way, many of the specific tools relevant to this area (such as mystery shopping, customer focus groups and surveys, review of advertising materials or a systematic analysis of customer complaints made to the various mediation services on offer). There are also concerns as to whether OJK is adequately resourced for the broad CPFL functions it has to carry out. In addition, having consumer protection and prudential responsibilities within the same unit may make it harder to resolve situations when conflicting objectives arise. For example, if the consequences of sanctioning a financial institution for noncompliance with one or more consumer protection provisions would have a negative impact on the soundness (or public perception of soundness) of a financial institution, or if a requirement for a financial institution to compensate customers

[31] The Banking Association of South Africa's Code of Banking Practice, in force as of 1 January 2012, is found at: http://www.banking.org.za/consumer_info/code_of_banking/code_of_banking.aspx

[32] http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg183-published-1-March-2013.pdf/$file/rg183-published-1-March-2013.pdf

	would have a negative impact on prudential requirements, a supervisor may opt to avoid making a decision or even considering consumer protection issues in order to minimize prudential impact. Alternatively, when high political or public pressure exists to identify problems with consumers, the attention of supervisors may focus too much on consumer protection - rather than prudential - issues. The position was similar with BI's supervision of business conduct by banks. Supervision appears to have been limited to requiring quarterly reports concerning consumer complaints and periodic reports from banks to BI's Payments Department regarding matters such as the operation of the Funds Transfer System. Important consumer materials such as terms and conditions, application forms, and sales and disclosure documentation were not reviewed by BI. As BI's Banking Overview webpage still makes clear, the approach BI used regarding supervision was to encourage "*self-regulatory banking in which banks consistently implement their own internal regulations for operational activities within the overall guidelines of prudential principles*". BI also did not apparently use the market conduct supervision tools referred to above.
Recommendation	There is a need to consider possible revisions to supervisory structures and reporting lines within OJK. Whilst appreciating that the structure of the Board of Commissioners has been established by the OJK Law, consideration should be given as to how the specialized supervisory arrangements for market conduct (and consumer protection) supervision might be best managed within OJK. It is worth noting that several countries have been evaluating their most appropriate institutional arrangements for financial consumer protection in recent years. According to the Global Survey on Financial Consumer Protection undertaken by the World Bank, the number of economies that have agencies with dedicated resources and staff in financial consumer protection increased from 46 in 2010 to 70 in 2013. Accordingly, 72% of agencies with responsibility for financial consumer protection had a dedicated team or unit in place to perform this function in 2013, as compared to 62% of economies in 2010. OJK does not have such a dedicated team. Special consideration should be given as to how market conduct supervision in OJK could be separated from prudential supervision, and be resourced with adequate tools, approaches and capacity. Ideally market conduct supervision in OJK should be separated from prudential supervision and have adequate expert staff and resources in order to perform its specialized responsibilities effectively and in order to avoid any conflicts of interest.
Good Practice A.4	***Other Institutional Arrangements*** **a. The judicial system should ensure that the ultimate resolution of any dispute regarding a consumer protection matter in respect of a banking product or service is affordable, timely and professionally delivered.** **b. The media and consumer associations should play an active role in promoting banking consumer protection.**
Description	*Paragraph (a) - Judicial System* The Indonesian judicial system does not appear able to meet the standards required by this Good Practice. In general, it is understood that neither consumers nor financial organizations trust

	the courts since their processes are perceived to be slow, expensive, and unpredictable, as well as handled by low-paid judges susceptible to bribery.[33] The mission team was also told there are cultural considerations which make consumers uncomfortable bringing their disputes before a court. *Paragraph (b) - The Media* The media and consumer associations do not yet play an active and effective role in promoting banking consumer protection. While press coverage of important developments appears from time-to-time, the mission team was informed that there have only been a few instances, to date, of television and radio programming devoted to banking consumer protection issues. *Paragraph (b) - Consumer Associations* With few exceptions, it appears that consumer associations lack the funds and human resources needed to play an active and sustained role of significance in promoting banking consumer protection. However, some consumers have asked YLKI or other formal consumer associations for help, and they have contacted financial institutions to correct wrongdoing. OJK and the Ministry of Trade have been receptive to the actions of YLKI and similar consumer associations, for example by participating in consumer awareness campaigns or events (e.g. a campaign carried out last year encouraging consumers to present complaints regarding credit cards). YLKI has also shared with OJK information about the complaints they receive regarding business practices and contract terms of multi-finance companies. Annually YLKI also organizes a press conference to disseminate the main activities they undertook during the year, and share information about the main types of complaints they receive.
Recommendation	*Judicial System* See the recommendations in Good Practice E.2 concerning the importance of developing an effective alternative dispute resolution system in Indonesia. *Media* Consideration should be given to mounting a public and media awareness campaign in relation to financial products and services, as well as in respect of the statutory and other obligations that OJK, the Government, banks and other financial institutions have towards consumers. There also appears to be a need to educate journalists on financial issues, a role which could at least partially be undertaken by OJK. *Consumer Associations* Consideration should also be given to providing funding to consumer associations to promote their capacity to deal with consumer protection matters regarding financial services in general, and banking services in particular. In addition, it will also be important for OJK to promote the participation of consumers associations

[33] By way of example, see Sebastiaan Pompe, The Indonesian Supreme Court: A Study of Institutional Collapse, Ithaca, New York, Cornell University Southeast Asia Program, 2005. Note also that in 2012, Transparency International ranked Indonesia 118 out of 174 countries in its Corruption Perception Index which reflected a deterioration from 100 out of 182 countries in 2011.

	in working groups or consultative bodies in order to ensure that consumers are represented during the formulation of future financial services policies and the drafting of pertinent laws, regulations and guidelines as a result.
Good Practice A.5	***Licensing*** **All banking institutions that provide financial services to consumers should be subject to a licensing and regulatory regime to ensure their financial safety and soundness and effective delivery of financial services.**
Description	All Indonesian banks that provide financial services to consumers have been required to be licensed by BI. By Article 16 of the Banking Act, all institutions that aimed to take deposits from the public whether as commercial bank or a rural bank had first to be licensed by BI after having met all specified statutory requirements As of January 1, 2014, OJK has authority to do the following: (1) issue a license for the establishment of a bank; (2) supervise bank activities in respect of such matters as business plans, mergers and acquisitions and amendments to their articles of association; (3) regulate and supervise all bank's regarding prudential norms and requirements, including in respect of capital adequacy, liquidity, reserves and standards of accounting, as well as the management of risk, bank governance and know your customer principles; (4) regulate and supervise all commercial and rural banks in respect of their conduct in dealing with consumers; and (5) impose sanctions on any bank for its breach of any regulation regarding banking consumer protection.[34] By its FCP Regulation, OJK has set high-level criteria for the business conduct of banks as of August 7, 2014 which could be relevant to future decisions regarding the licensing of banks.
Recommendation	OJK should consider making it a licensing condition that an applicant is able to demonstrate compliance with all market conduct laws (such as the FCP Regulation). Consideration might also be given to requiring licensed banks to provide an annual certificate to OJK certifying their compliance with these laws.

SECTION B	**DISCLOSURE AND SALES PRACTICES**
Good Practice B.1	***Information on Customers*** **a. When making a recommendation to a consumer, a bank should gather, file and record sufficient information from the consumer to enable the bank to render an appropriate product or service to that consumer.** **b. The extent of information the bank gathers regarding a consumer should:** **(i) be commensurate with the nature and complexity of the product or service either being proposed to or sought by the consumer; and** **(ii) enable the bank to provide a professional service to the**

[34] Besides the FCP Regulation itself, these presumably include all relevant BI Regulations.

	consumer in accordance with that consumer's capacity
Description	The "Know Your Customer" (KYC) rules contained in the Law on Anti-Money Laundering and Combatting the Financing of Terrorism[35] require commercial - but not rural - banks to record an array of information regarding every retail customer but are focused more on matters of financial integrity rather than the product or service needs of customers. *Paragraphs (a) and (b)* When any commercial or rural bank makes any recommendation to a consumer, however, it is under no legal obligation to gather, file and record any, let alone "sufficient", information from the consumer to enable the bank to render an appropriate product or service. Also, there is no legal obligation on any commercial or rural bank to make the extent of its consumer information gathering exercise be commensurate with the nature and complexity of what is being offered to, or requested by, the consumer. There is, though, a provision in Article 15 of the FCP Regulation aimed at enabling banks to provide a professional service in accordance with the consumer's own capacity. In this respect, a bank is obliged to provide any consumer equal access to its products and services according to his or her "class", as devised solely by the bank based upon such factors as: (a) the consumer's "profile"; (b) his or her occupation; (c) "average" income; (d) the purpose for which a product and/or service are to be used; and (e) any other information according to which "classes of consumers" may be determined.[36] In addition, all banks are entitled to rely upon the consumer's good faith and to have access to accurate, honest and clear information on, and documents from, a consumer.[37]
Recommendation	OJK should give consideration to requiring all banks, by Regulation, to adhere to all aspects of this Good Practice.
Good Practice B.2	***Affordability*** **a. When a bank makes a recommendation regarding a product or service to a consumer, the product or service it offers to that consumer should be in line with the need of the consumer.** **b. The consumer should be given a range of options to choose from to meet his or her requirements.** **c. Sufficient information on the product or service should be provided to the consumer to enable him or her to select the most suitable and affordable product or service.** **d. When offering a new credit product or service significantly increasing the amount of debt assumed by the consumer, the consumer's credit worthiness should be properly assessed.**
Description	Although there is no legal requirement for any bank to attempt to ascertain the true "*needs*" of its consumers as provided for by this Good Practice, there are

[35] See BI Regulation 14/27/PBI/2012, Articles 12 and 14
[36] Ibid., Article 15 Query, however, whether, by allowing each bank to devise its own classes, the result is tantamount to legal authority to discriminate.
[37] See FCP Regulation, Article 3

	requirements relating to credit – worthiness assessments that must be undertaken by banks. Specifically, under the BI Act, a commercial bank is required, before extending credit (or financing based on sharia principles) to "*have confidence*" that the customer will repay his or her debt (or the financing) according to the agreed terms. And this confidence must be based upon "*a thorough analysis of the intention, capability and ability of the customer*".[38] Further, by August 7, 2014, all banks and other financial services providers will be required to consider the "*suitability of needs and capability of Consumers*" for the products and/or services being offered to them.[39] No guidance is given, though, as to basis for any such consideration or its required extent. Also, there is no obligation to inform the consumer of the results of this consideration, nor is there clarity as to the implication(s) of a bank's failure to comply with this requirement. Also, banks and all other Financial Services Providers will be prohibited from using any marketing strategy for a product or service that harms a consumer by taking advantage of the consumer's condition.[40] It is unclear, however, how any bank can possibly know, say, of a consumer borrower's "*condition*" unless it is obvious or the bank has been fully and accurately informed about it by the consumer. And, in this respect, the only somewhat relevant legal provision comes from the Consumer Law which, among other things, obliges consumers "*to act in good faith in conducting the transaction of purchasing goods and/or services*".[41]
Recommendation	The existing provisions relating to understanding a customer's needs should be considerably strengthened to deal with the above-mentioned gaps. This might be achieved by OJK providing regulatory guidance as to its expectations as to how financial institutions might comply with Article 16 of the FCP Regulation. It is considered especially important that a bank should be required to obtain independently verifiable evidence of its consumer's assets and liabilities in order to ascertain whether the consumer has the financial capacity to repay the credit without substantial hardship. The new rules could also appropriately include a requirement for a signed waiver by the customer if a recommendation of non-suitability of a product or investment is ignored. The following may be useful references in this regard: the EU Directive on Unfair Terms in Consumer Contracts 1993/13/EEC and EU Directive on Credit Agreements for Consumers, 2008/48/EC; the Peruvian Regulation 6941-2008 (Rules for administration of over-indebtedness risk of retail debtors) and Chapter 3 *Responsible Lending* of the Australian National Consumer Credit Protection Act 2009.
Good Practice B.3	***Cooling-off Period*** **a. Unless explicitly waived in advance by a consumer in writing, a bank**

[38] See Banking Act, Article 8. Note: This Article transfers to OJK as of 1 January 2014, as per Article 69 (1) b. of the OJK Law.
[39] See FCP Regulation, Article 16. By way of the Elucidation of this Article, the concept of "*affordability*" for a debtor is provided by way of example.
[40] Ibid., Article 17
[41] Consumer Law, Article 5 b.

	should provide the consumer a cooling-off period of a reasonable number of days (at least 3-5 business days) immediately following the signing of any agreement between the bank and the consumer. **b. On his or her written notice to the bank during the cooling-off period, the consumer should be permitted to cancel or treat the agreement as null and void without penalty to the consumer of any kind.**
Description	Unlike in the insurance industry, where a 14 day cooling-off period is required, no cooling off period is mandated for banks. By the terms of its own loan agreements,[42] however, a bank may introduce a cooling-off period of any length for its customers. It would appear, though, that doing so is rarely done. Rather, if a consumer wants to terminate a loan after having received all or a portion of the principal sum, it would appear that the consumer is typically required to forfeit all up-front fees and to pay interest on the outstanding sum no matter how soon notice to terminate has been lodged with his or her bank. It would also appear that, in many cases, the consumer is required to pay a fee by way of penalty. There are no statutory or regulatory requirements in these respects.
Recommendation	Unless explicitly waived in advance by a consumer in writing, banks should be required to provide their consumers a cooling-off period[43] of a reasonable number of days (say, three to five business days) immediately following the signing of any loan agreement.[44] There should also be an obligation on all banks to advise their retail customers of their rights in this regard when they take out their loans. Ideally debtors should always have the right to prepay any credit provided this right is subject to the payment of reasonable administrative fees and reasonable break costs in the case of fixed rate loans.
Good Practice B.4	***Bundling and Tying Clauses*** **a. As much as possible, banks should avoid bundling services and products and the use of tying clauses in contracts that restrict the choice of consumers.** **b. In particular, whenever a borrower is obliged by a bank to purchase any product, including an insurance policy, as a pre-condition for receiving a loan from the bank, the borrower should be free to choose the provider of the product and this information should be made known to the borrower.**
Description	See Insurance Sector Good Practice A.5
Recommendation	See Insurance Sector Good Practice A.5
Good Practice B.5	***Preservation of Rights*** **Except where permitted by applicable legislation, in any communication or agreement with a consumer, a bank should not exclude or restrict, or seek to exclude or restrict:** **i. any duty to act with skill, care and diligence toward the consumer in**

[42] By Article 8 (2) of the Banking Law, each Commercial Bank is required to formulate and implement its own procedures for the extension of Credit (or Financing based on Sharia Principles). Thus, a bank is free to allow for cooling-off if it would like to do so.

[43] For a description of cooling-off periods in several EU Member States, see the EC's Discussion Paper for the amendment of the Directive 87/102/EEC concerning consumer credit.

[44] Ideally debtors should always have the right to prepay any credit provided this right is subject to the payment of reasonable administrative fees and reasonable break costs in the case of fixed rate loans.

	connection with the provision by the bank of any financial service or product; or **ii. any liability arising from the bank's failure to exercise its duty to act with skill, care and diligence in the provision of any financial service or product to the consumer.**
Description	There is no law which expressly prohibits the practices described in this Good Practice. However the standard contracts provisions in Article 22 of the FCP Regulation provide some protection for consumers in this regard.
Recommendation	No recommendation.
Good Practice B.6	***Regulatory Status Disclosure*** **In all of its advertising, whether by print, television, radio or otherwise, a bank should disclose the fact that it is a regulated entity and the name and contact details of the regulator.**
Description	**The requirements of this Good Practice will substantively be met when the FCP Regulation takes effect, although there will be no obligation to disclose contact details for OJK.** Specifically, all financial services providers, including all banks, must affix and/or mention in any offer or promotion of their products and/or services: (a) the name and/or logo of the Financial Services Provider; and (b) a statement that the Financial Services Provider is registered with, and under the supervision of, the Financial Services Authority.
Recommendation	Consideration should be given to requiring all regulated financial services providers to include OJK's full name (i.e. without an option to provide merely its logo), as well as OJK's street address, email address and telephone number in all their advertising.
Good Practice B.7	***Terms and Conditions*** **Before a consumer opens a deposit, current (checking) or loan account at a bank, the bank should make available to the consumer a written copy of its general terms and conditions, as well as all terms and conditions that apply to the account to be opened. Collectively, these Terms and Conditions should include:** **a. disclosure of details of the bank's general charges;** **b. a summary of the bank's complaints procedures;** **c. a statement regarding the existence of the office of banking ombudsman or equivalent institution and basic information relating to its process and procedures;** **d. information about any compensation scheme that the bank is a member of;** **e. an outline of the action and remedies which the bank may take in the event of a default by the consumer;** **f. the principles-based code of conduct, if any, referred to in A.2 above;** **g. information on the methods of computing interest rates paid by or charged to the consumer, any relevant non-interest charges or fees related to the product offered to the consumer;** **h. any service charges to be paid by the consumer, restrictions, if any, on account transfers by the consumer, and the procedures for closing an account; and** **i. clear rules on the reporting procedures that the consumer should follow in the case of unauthorized transactions in general, and stolen cards in**

	particular, as well as the bank's liability in such cases facilitates the reading of every word.
Description	Although the mission team was informed that all banks have written terms and conditions for retail products and services, there is currently no statutory requirement to meet the provisions of this Good Practice.[45] Further it is not usual practice for banks to comply with many aspects of the Good Practice. In addition, it appears to be common practice for commercial banks to produce terms and conditions that are difficult for the non-lawyer to understand. Also, they are usually in font size 7 which makes them difficult to read.[46] This is notwithstanding the Consumer Law requirement that they not include standard clauses "*in the form which is difficult to see or cannot be read clearly, or in a statement which is difficult to understan*d".[47] Finally, it is to be noted that the general terms and conditions of some commercial banks can extend to more than 20 pages. While the Banking Act does not currently deal with Terms and Conditions, *per se,* it provides that, "*in extending credits … and conducting other forms of business*", banks are "*required to adhere to methods not detrimental to the Bank and the interests of Customers entrusting their funds to the Bank*".[48] Also, "*in the interest of its customer, a bank [must] provide information concerning the risk of possible loses relating to [any] customer transaction conducted through the Bank*".[49] These provisions have transferred to OJK as of January 1, 2014.[50] Some aspects of the Good Practice will be covered when the new FCP Regulations come into effect in August 2014. However there will still be a need for detailed regulations (and at minimum, guidelines) as to the required content and format of terms and conditions. From August 2014, a bank will be required by the FCP Regulation to provide its potential customers with a document containing the terms and conditions regarding the product or service on offer "*prior to a Consumer signing any product or service document or agreement*". And these terms and conditions must include "*at least:* a) *detailed charges, benefits and risks; and* b) *procedures for complaints handling and redress by the bank*".[51] In formulating a loan or any other agreement with a consumer, a bank will also be required "*to maintain balance, fairness, and reasonableness".*[52] These terms are, however, undefined.

[45] After the CPFL Review, OJK Circular Letter No.12/SEOJK.07/2014 concerning the Delivery of Responsible Information on Financial and Marketing Products and/or Services was issued, but was not the object of the mission team's analysis.
[46] In this respect, banks clearly do not comply with the requirement of Article 18 (2) of the CP Law which prohibits banks from including a standard clause that is difficult to see, cannot be read clearly or is difficult to understand.
[47] See Consumer Law, Article 18, Section 2
[48] Banking Act, Article 29 (3)
[49] Ibid., Article 29 (4)
[50] See OJK Law, Article 69 (1) b.
[51] Ibid., Article 11
[52] Ibid., Article 21

Recommendation	In the first place, it would be helpful if all banks were required to comply with all aspects of this Good Practice. This would ideally be done by way of regulation so as to ensure enforceability. At a minimum, OJK should issue detailed guidelines for the purposes of the abovementioned provisions of the FCP Regulation. Secondly, contract documents could also be made comprehensible through summaries of key information, clear language and format and explanations from bank staff in appropriate cases. This might be achieved by implementing the following specific recommendations: • A Key Facts Statement should be provided on the first page of every contract summarizing the key terms (see Good Practice B.8). • Contracts should be both intelligible and legible. Contract documents should be plainly expressed, in a minimum of a 10 point font size and provided to a customer in the official language most relevant to the customer. • Contract documents should be explained to customers who would not otherwise understand them. If a customer is clearly not able to read and understand contract or security disclosure documents they should be required to be explained to him or her by the institution concerned. This might be required if, for example, if the customer is illiterate or blind. • Customers should be given time to consider documents. Customers should also be given a reasonable time (say at least one day) to consider the information provided to them before the contract is signed. Similarly, banks should explain the effect of giving any security (including a mortgage or a guarantee) and the implications of default. Thirdly, of high priority in the medium term, OJK could develop and require the application by all banks of a standard methodology for financial institutions that discloses the total price or cost of financial products to consumers ('effective interest rate') and is comparable across all banks. A future OJK Regulation should specify a standard methodology required to be applied by all banks and OJK should then monitor compliance in using it. Banks should be required to disclose their effective interest rates, in advertising, marketing and sales materials and on request. For example, Peru's Regulation of Transparency requires banks to disclose the "TCEA", or Annual Effective Cost Rate, which is expressed as an interest rate, but includes all costs associated with a consumer credit. See also in this respect, B.8 below regarding Key Facts Statements. Fourthly, in the medium term, OJK should consider establishing a price comparison webpage on its website to provide consumers with the means to compare the cost (or return) and terms of similar financial products and to provide an incentive for providers to compete to improve product design and pricing. The webpage could also include easy-to-use financial tools, for example to compare similar products, or to plan for expenditures (such as the birth of a child, or for health insurance). As a complement to that webpage, price comparison tables could also be made available by means of newspapers, community leaders, consumer associations, and through suitable outlets in rural areas. In time, agents for mobile money providers could use this webpage information and make tools available to customers for example, including those customers that are semi-literate or not able to read. National price comparison websites have increased competition and reduced consumer prices, for example in the case of the financial regulator's

	website in Peru.[53]
Good Practice B.8	***Key Facts Statement*** **a. A bank should have a Key Facts Statement for each of its accounts, types of loans or other products or services and provide these to its customers and potential customers.** **b. The Key Facts Statement should be written in plain language and summarize in a page or two the key terms and conditions of the specific banking product or service.** **c. Prior to a consumer opening any account at, or signing any loan agreement with, the bank, the consumer should have delivered a signed statement to the bank to the effect that he or she has duly received, read and understood the relevant Key Facts Statement from the bank.** **d. Key Facts Statements throughout the banking sector should be written in such a way as to allow consumers the possibility of easily comparing products that are being offered by a range of banks.**
Description	N/A.
Recommendation	As a matter of some priority in the near-term, all banks should be required to have a Key Facts Statement[54] for each of its commonly used consumer products accounts and provide these to its customers and potential customers, after testing consumers understanding of proposed mandatory disclosure. This Regulation should require every Key Facts Statement to be written in plain language, in a minimum of font size 11 and to summarize in a page or two the key terms and conditions of the specific banking product or service being offered. Also, prior to a consumer opening any account at, or signing any loan agreement with, a bank, the same Regulation should require the consumer to have delivered a signed statement to the bank to the effect that he or she has duly received, read and understood the relevant Key Facts Statement from the bank. Furthermore, Key Facts Statements throughout the banking sector should be written in such a way as to allow consumers the possibility of easily comparing products that are being offered by a range of banks. For this to happen, however, OJK would need to specify the required standard format.[55] For example, there should be explicit OJK instructions as to how interest rates and monthly minimum balances must be calculated and presented. Consideration should also be given to including a requirement to disclose the total

[53] Superintendence of Banking, Insurance and Private Pension Funds of Peru found that online publication of consumer loan rates reduced the average consumer lending rate by 1000 basis points (or ten percentage points) at the time of stable interest rates – see: http://www.sbs.gob.pe

[54] Examples of Key Facts Statements include the UK FSA's initial disclosure documents applicable to housing credit products, the EU's Standard European Consumer Credit Information (SECCI) form, the US Truth in Lending Act's "Schumer Box" for credit cards, Peru's "Hoja Resumen" (Summary Sheet), South Africa's Pre-Agreement Statement & Quotation for Small Credit Agreements, Ghana's Pre-Agreement Truth in Lending Disclosure Statement and Australia's Key Facts Statements for Home Loans and Credit Cards. Copies of these examples, and others, can be provided on request.

[55] By way of example, such a statement for a loan contract should include the interest rate, fees and charges, the total amount to be repaid, the term of the loan and the repayment details.

	cost of credit which shows as a single rate the applicable interest rate and mandatory fees (such as a loan application fee) and charges (such as for a credit-life insurance premium). A Key Facts Statement should also indicate the mechanisms for recourse available to the consumer in the event of any complaint. Finally, in addition to extensive consultations with Indonesia's banking industry, these measures would benefit from consumer pre-testing of the formats created by OJK to be sure they are useful and understandable. Also, all standard formats should be published on OJK's website and in the media and other means in order to increase public awareness.
Good Practice B.9	***Advertising and Sales Materials*** **a. Banks should ensure that their advertising and sales materials and procedures do not mislead customers.** **b. All advertising and sales materials of banks should be easily readable and understandable by the general public.** **c. Banks should be legally responsible for all statements made in their advertising and sales materials (i.e. be subject to the penalties under the law for making any false or misleading statements).**
Description	**Although Indonesia does not have a Law of Advertising, as of August 7, 2014, all banks and other financial services providers "*must provide accurate, honest, clear and not misleading information on its products and/or services*".**[56] **Further, such "*information … must be*:** • *provided when giving an explanation to Consumers of their rights and obligations;* • *provided when entering into an agreement with a Consumer; and* • *included when published in the media, inter alia, through advertisements on print or electronic media*."[57] **In addition, as of the same date, all banks and other financial services providers:** • **"*must*** *provide up-to-date and easily accessible information to Consumers on its products and/or services";* [58] and • shall not use marketing strategies that "*harm the consumers by taking advantage of consumers who do not have other options in making decisions*".[59] There is, however, nowhere stated **the need for an easily legible print font size for advertising or sales materials of a bank, nor for the application of any objective test of how readily any such material is generally understandable. Finally, although it is obviously in a bank's best, long-term interest to ensure that all of its advertising and sales materials are in no way misleading to customers, there appear to be few effective sanctions for failure to do so.**

[56] See FCP Regulation, Article 4 (1)
[57] Ibid., Article 4 (3)
[58] Ibid., Article 5 What constitutes information that is "easily accessible", however, is not defined.
[59] Ibid., Article 17 The meaning of the words here in quotes is somewhat ambiguous, however, as the implication is that the prohibition only applies where the sole source of information is the advertising material in question.

	By the terms of the Consumer Law, advertising agencies are prohibited from producing advertisements which: • deceive consumers regarding the quality, quantity, … use and prices of goods and/or rates of services and the timeliness of receiving goods and/or services; • deceive in respect of a guarantee on certain goods and/or services; • provide incorrect, wrong or inaccurate information on any good and/or service: • do not provide information on the risks of using any good and/or service; • exploit an incident and/or someone without permission from authorized officials or the approval of the person concerned; or • violate ethics and/or legal provisions on advertising.[60] In addition, advertising agencies are prohibited from continuing the circulation of an advertisement which has violated any of a. through f. above[61] and they are responsible for the advertisements they produce and all of the consequences caused by them.[62]
Recommendation	The FCP Regulation should be amended as follows: • to provide a clear prohibition on misleading and deceptive conduct in relation to any sales and advertising materials in Article 17; • to make it clear that Article 7 (1) applies to marketing and sales materials; and • to ensure that Article 7 requirements also apply where a language other than Indonesian is used for materials or information given to a consumer (e.g. English). Pending any such changes, it is recommended that regulatory guidance be provided in an OJK Circular issued for these purposes.
Good Practice B.10	***Third-Party Guarantees*** **A bank should not advertise either an actual or future deposit or interest rate payable on a deposit as being guaranteed or partially guaranteed unless there is a legally enforceable agreement between the bank and a third party who or which has provided such a guarantee. In the event such an agreement exists, the advertisement should state:** **i. the extent of the guarantee;** **ii. the name and contact details of the party providing the guarantee; and** **iii. in the event the party providing the guarantee is in any way connected to the bank, the precise nature of that relationship.**
Description	A bank is "*prohibited from misleadingly offering, promoting or advertising any specific goods and/or services if doing so would involve the offering of something containing a promise or guarantee that is not secured*".[63] It is not made explicit, however, that a legally enforceable agreement must exist between the bank and a third party who or which has provided such a guarantee. And, if such an agreement does in fact exist, there is no requirement for the advertisement to state any of (i) to (iii) above.
Recommendation	Consideration should be given to covering all aspects of this Good Practice.

[60] See Consumer Law, Article 17 (1)
[61] Ibid., Article 17 (2)
[62] Ibid., Article 20
[63] See Consumer Law, Article 9 (1) k.

Good Practice B.11.	***Professional Competence*** **a. In order to avoid any misrepresentation of fact to a consumer, any bank staff member who deals directly with consumers, or who prepares bank advertisements (or other materials of the bank for external distribution), or who markets any service or product of the bank should be familiar with the legislative, regulatory and code of conduct guidance requirements relevant to his or her work, as well as with the details of any product or service of the bank which he or she sells or promotes.** **b. Regulators and associations of banks should collaborate to establish and administer minimum competency requirements for any bank staff member who: (i) deals directly with consumers, (ii) prepares any Key Facts Statement or any advertisement for the bank, or (iii) markets the bank's services and products.**
Description	There are no industry-wide minimum requirements of professional competence for any bank staff member, including for those who deal directly with consumers, who prepare bank advertisements (or other materials of the bank for external distribution), or who market any service or product of the bank. As a general rule, however, the various banking associations in Indonesia do not appear to have the resources to take on any such role whether on their own or together. Rather, as the mission team was informed by PERBANAS, what training exists is typically provided exclusively within each bank. Although some banks do provide credible on-the-job training in respect of financial terminology, legislative and regulatory requirements and the range of products and services the bank has on offer, the extent and quality of training inevitably differs from bank-to-bank. Furthermore, the mission team was informed that BI and the various associations of banks have never collaborated to establish and administer minimum competency requirements for any bank staff member. Rural and commercial banks are encouraged, however, to provide "Education and Training Funds" on an annual basis of no less than 5% of the actual expense incurred for human resources in the previous year for the purpose of training their staff.[64] The only other legislative provision of some relevance comes from the FCP Regulation which requires all financial services providers to maintain and apply written policies and procedures for consumer protection.[65] What the abovementioned policies and procedures must specify is, however, left entirely to the discretion of each individual Financial Services Provider. That said,

[64] See BI Regulation No. 5/14/PBI of 2003 concerning Obligation of Funds Provision for Education, Training and Human Resources Development, Article 2. A similar requirement applies to commercial banks. See: BI Indonesian Banking Booklet 2013, Part 12 re: Human Resources Development in the Banking Sector

[65] See FCP Regulation, Article 49, section (1)

	these policies and procedures must become "*a guideline on any operating activities of the Financial Services Provider*"[66] and "*complied with by the officers and employees of the Financial Services Provider*".[67] Financial products are increasingly complicated, products overlap, and the delineation between banking and non-banking products is no longer clear. Thus, it is important that consumers fully understand any product, let alone a complex product before buying it.
Recommendation	OJK, the banking associations and relevant consumer associations should collaborate to establish and administer minimum competency requirements for any bank staff member who: (i) deals directly with consumers, (ii) prepares any Key Facts Statement or any advertisement for the bank, or (iii) markets the bank's services and products. At the very least, banking industry employees who deliver products and services to consumers need to be financially literate, fully knowledgeable about these products and services, aware of the Financial Consumer Laws and regulations and able to explain the nuances to consumers. In the long-term and at a minimum, there should be a licensing requirement for bank staff and intermediaries who deal face-to-face with financial institution consumers or who prepare advertising and sales brochures to undertake standardized training programs which meet OJK requirements. In particular, there should be training and qualification requirements for staff or third party agents who advise on financial products and services, as well as requirements to ensure that sufficient information about the customer's needs is gathered so as to ensure that appropriate products and services are provided.

SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Statements*** **a. Unless a bank receives a customer's prior signed authorization to the contrary, the bank should issue, and provide the customer free of charge, a monthly statement of every account the bank operates for the customer.** **b. Each such statement should: (i) set out all transactions concerning the account during the period covered by the statement; and (ii) provide details of the interest rate(s) applied to the account during the period covered by the statement.** **c. Each credit card statement should set out the minimum payment required and the total interest cost that will accrue, if the cardholder makes only the required minimum payment.** **d. Each mortgage or other loan account statement should clearly indicate the amount paid during the period covered by the statement, the total outstanding amount still owing, the allocation of payment to the principal and interest and, if applicable, the up-to-date accrual of taxes paid.**

[66] Ibid., section (2)
[67] Ibid., section (3)

	e. A bank should notify a customer of long periods of inactivity of any account of the customer and provide a reasonable final notice in writing to the customer if the funds are to be treated as unclaimed money. **f. When a customer signs up for paperless statements, such statements should be in an easy-to-read and readily understandable format.**
Description	Banks are currently not under an obligation to issue and provide any customer, free of charge, a monthly statement of every account the bank operates for the customer (unless the customer has provided his or her bank with a prior signed authorization to the contrary). That said, it appears that bank statements account do generally meet the requirements of paragraphs (a) to (d) above but not paragraphs (e) and (f). The FCP Regulation also requires the provision of statements. By Article 27, "*a Financial Services Provider must provide a Consumer with a statement on the balance position and deposit transactions, funds, assets, or obligations of a Consumer accurately, timely, and in a manner and means under the agreement with a Consumer.*" The obvious implication is that, provided the agreement states a regular time frame for such statements, any time frame (say, even once a year) is permissible.
Recommendation	The Disclosure Regulation should deal with all aspects of this Good Practice, with all banks being required to apply every aspect.
Good Practice C.2	***Notification of Changes in Interest Rates and Non-interest Charges*** **a. A customer of a bank should be notified in writing by the bank of any change in:** **(i) The interest rate to be paid or charged on any account of the customer as soon as possible; and** **(ii) A non-interest charge on any account of the customer a reasonable period in advance of the effective date of the change.** **b. If the revised terms are not acceptable to the customer, he or she should have the right to exit the contract without penalty, provided such right is exercised within a reasonable period.** **c. The bank should inform the customer of the foregoing right whenever a notice of change under paragraph a. is made by the bank.**
Description	When the Financial Services Regulation comes into effect, a Financial Services Provider will be required to inform its customer of the cost to be borne by him or her for any of its products or services. And, without written consent from a consumer, a Financial Services Provider will be prohibited from providing the consumer with automatic facilities that increase charges.[68] More particularly, however, a Financial Services Provider will be required to "*inform Consumers of any changes in the benefits, charges, risks, terms and conditions stated in the documents and/or agreements on the products and services of the Financial Services Provider*".[69] And this information must be "*notified to Consumers*

[68] FCP Regulation, Article 10, sections (1) and (2)
[69] Ibid., Article 12, section (1)

	within thirty (30) working days prior to the changes in the benefits, charges, risks, terms and conditions of the products and services of the Financial Services Provider coming into effect".[70] Furthermore, where a consumer "*gives no consent to the changes in the terms of the products and/or services …, the Consumer is [to be] entitled to terminate the products and/or services at no cost*".[71] And, finally, where a consumer "*has been allowed reasonable time to give [no consent] … and fails to do so, a Financial Services Provider may deem the Consumer has given consent to the changes*".[72] Various issues arise with the abovementioned requirements. In particular, there is no requirement as to how a customer should be informed of the relevant changes (e.g. in writing or electronically or in newspapers) or as to how the consumer can exercise his or her right to object. Further, there is not an obligation to inform a customer of their right to object and how the objection should be made and the time period for doing so.
Recommendation	The abovementioned issues should be clarified in regulations or, at a minimum, in guidelines to be issued by OJK.
Good Practice C.3	***Customer Records*** **a. A bank should maintain up-to-date records in respect of each customer of the bank that contain the following:** **(i) a copy of all documents required to identify the customer and provide the customer's profile;** **(ii) the customer's address, telephone number and all other customer contact details;** **(iii) any information or document in connection with the customer that has been prepared in compliance with any statute, regulation or code of conduct;** **(iv) details of all products and services provided by the bank to the customer;** **(v) all documents and applications of the bank completed, signed and submitted to the bank by the customer;** **(vi) a copy of all original documents submitted by the customer in support of an application by the customer for the provision of a product or service by the bank; and** **(vii) any other relevant information concerning the customer.** **b. A law or regulation should provide the minimum permissible period for retaining all such records and, throughout this period, the customer should be provided ready access to all such records free of charge or for a reasonable fee.**
Description	BI's Regulation on Anti-Money Laundering and Combatting the Financing of Terrorism[73] meets the requirements of this Good Regulation to some extent. The gaps include: • The customer's telephone number, email address and all other customer

[70] Ibid., section (2)
[71] Ibid., section (3)
[72] Ibid., section (4)
[73] BI Regulation 14/27/PBI/2012

	contact details; • Any information or document in connection with the customer that has been prepared in compliance with any statute or regulation; • Details of all products and services provided by the bank to the customer; • All documents and applications of the bank completed, signed and submitted to the bank by the customer; • A copy of all original documents submitted by the customer in support of an application by the customer for the provision of a product or service by the bank; and • Any other relevant information concerning the customer. Furthermore, no regulatory provision ensures that a customer can have ready access to his or her bank records either free of charge or for a reasonable fee.
Recommendation	In addition to the requirements of the Regulation on Anti-Money Laundering, commercial and rural banks should be required by OJK Regulation to maintain an up-to-date file in respect of each customer containing the above-mentioned items identified as missing. Also, the Regulation should require banks to maintain a loan file as long as the loan in question has not been repaid or liquidated in some other manner.
Good Practice C.4	***Paper and Electronic Checks*** **a. The law and code of conduct should provide for clear rules on the issuance and clearing of paper checks that include, among other things, rules on:** **(i) checks drawn on an account that has insufficient funds;** **(ii) the consequences of issuing a check without sufficient funds;** **(iii) the duration within which funds of a cleared check should be credited into the customer's account;** **(iv) the procedures on countermanding or stopping payment on a check by a customer;** **(v) charges by a bank on the issuance and clearance of checks;** **(vi) liability of the parties in the case of check fraud; and** **(vii) error resolution** **b. A customer should be told of the consequences of issuing a paper check without sufficient funds at the time the customer opens a checking account.** **c. A bank should provide the customer with clear, easily accessible and understandable information regarding electronic checks, as well the cost of using them.** **d. In respect of electronic or credit card checks , a bank should inform each customer in particular:** **(i) how the use of a credit card check differs from the use of a credit card;** **(ii) of the interest rate that applies and whether this differs from the rate charged for credit card purchases;** **(iii) when interest is charged and whether there is an interest free period, and if so, for how long;** **(iv) whether additional fees or charges apply and, if so, on what basis and to what extent; and** **(v) whether the protection afforded to the customer making a**

	purchase using a credit card check differs from that afforded when using a credit card and, if so, the specific differences. **e. Credit card checks should not be sent to a consumer without the consumer's prior written consent.** **f. There should be clear rules on procedures for dealing with authentication, error resolution and cases of fraud.**
Description	There is limited compliance with this Good Practice to some extent, but there are gaps. In particular, there does not appear to be a minimum prescribed period for check clearing or in relation to fees for issuing or clearing checks or the liability of the parties to a check in the case of fraud. Detailed provisions regarding fraud generally and the penalties entailed, however, are found in Chapter XXV of the Indonesia Penal Code. The law of checks finds its basis in the Commercial Code, but has been significantly expanded by a BI Regulation of 2006[74] and the BI Circular Letter of 2007.[75] The Regulation and Circular together provide rules pertaining to checks drawn on an account that has insufficient funds and the consequences that flow from the issuance of dishonored checks. If three checks of relatively small sums are dishonored within six months or one check in a sum greater than IDR 500 million is issued without sufficient funds, the issuer is "blacklisted" and forbidden from holding checks at any bank for one year.[76] The Regulation and Circular also deal with how "stop payment" on a check can be realized by a customer and provide rules for error resolution.[77] Furthermore, all banks are under an obligation to educate each one of their deposit or checking account customers by giving oral and/or written information regarding the law applicable to checks and the consequences of issuing a check with insufficient funds, including the provisions regarding compulsory blacklisting for issuing non-sufficient funds (NSF) checks. Finally, Indonesia does not permit electronic or credit card checks.
Recommendation	Consideration should be given in the medium- to long-term to introducing requirements that cover all aspects of this Good Practice. Any new law or regulation should consolidate what exists, as well as provide clear rules on the issuance and clearing of paper checks that deal with: • the duration within which funds of a cleared check should be credited into the customer's account; • charges by a bank on the issuance and clearance of checks; and • the liability of the parties in the case of check fraud.
Good Practice C.5	***Credit Cards*** **a. There should be legal rules on the issuance of credit cards and**

[74] See BI Regulation No. 8/29/PBI/2008 re: National Blacklist of Bad Checks
[75] See BI Circular Letter No. 9/13/DASP of June 2007 re: National Blacklist of Bad Checks
[76] BI Regulation No. 8/29/PBI/2008, Article 15 (1)
[77] See Ibid., Articles 22 and 24 and see also BI Circular Letter No. 9/13/DASP, Part IX. 1, 3, 4, and 5

	related customer disclosure requirements. **b. Banks, as credit card issuers, should ensure that personalized disclosure requirements are made in all credit card offers, including the fees and charges (including finance charges), credit limit, penalty interest rates and method of calculating the minimum monthly payment** **c. Banks should not be permitted to impose charges or fees on pre-approved credit cards that have not been accepted by the customer.** **d. Consumers should be given personalized minimum payment warnings on each monthly statement and the total interest costs that will accrue if the cardholder makes only the requested minimum payment.** **e. Among other things, the legal rules should also:** **(i) restrict or impose conditions on the issuance and marketing of credit cards to young adults (below age of 21) who have no independent means of income;** **(ii) require reasonable notice of changes in fees and interest rates increase;** **(iii) prevent the application of new higher penalty interest rates to the entire existing balance, including past purchases made at a lower interest rate;** **(iv) limit fees that can be imposed, such as those charged when consumers exceed their credit limits;** **(v) prohibit a practice called —double-cycle billingll by which card issuers charge interest over two billing cycles rather than one;** **(vi) prevent credit card issuers from allocating monthly payments in ways that maximize interest charges to consumers; and** **(vii) limit up-front fees charged on sub-prime credit cards issued to individuals with bad credit.** **f. There should be clear rules on error resolution, reporting of unauthorized transactions and of stolen cards, with the ensuing liability of the customer being made clear to the customer prior to his or her acceptance of the credit card.** **g. Banks and issuers should conduct consumer awareness programs on the misuse of credit cards, credit card over-indebtedness and prevention of fraud.**
Description	There is substantial compliance with this Good Practice, other than in relation to paragraph (g). *Paragraphs (a) – (f)* Indonesia appears to comply with these parts of Good Practice C.5.[78] Further, each credit card billing statement must include the detailed information required by the Card Based Payment Amendment Regulation BI Regulation[79] and

[78] See BI Regulation No. 14/2/PBI/2012 Articles 1-7 inserting Article 16 B (1) in BI Regulation No. 11/11/PBI/2009
[79] Ibid.

	be delivered to the card holder by the bank or other card issuer "*correctly, accurately, and in a timely manner*"[80] and be delivered to the specified address.[81] *Paragraph (g)* As a general rule, however, banks and issuers do not conduct consumer awareness programs on the misuse of credit cards, credit card over-indebtedness and prevention of fraud. The basic provisions for the use of card-based payment instruments are found in BI Regulations of 2009[82] and 2012.[83] The Card Based Payment Amendment Regulation of June 2012 took effect in January 2013, with issuing banks and other credit card issuers and their credit card customers having until January 2015 in order to comply with it fully. Individuals whose monthly income is between IDR 3 million (about USD 251) and IDR 10 million (USD 838) are, as a general rule, allowed to have a maximum of two credit cards, while those earning less than IDR 3 million per month have been required to cancel their cards as of January 2013 and are barred from acquiring a new card.[84] The Card Based Payment Amendment Regulation has been significantly expanded upon by BI Circular Letter No. 14 of June 2012, which contains detailed consumer protection provisions concerning the information to be received by prospective and actual cardholders including in respect of procedures for use of the card, risks, rights and obligations, interest and fees and charges, transaction and billing information and information about how to close the facility.[85] The BI Payments System Department will clearly require major resources to implement the above mentioned requirements and to educate and monitor the credit card industry in respect of compliance. So far, it appears that some issuers of credit cards are still learning of their responsibilities in the above and related respects and are only slowly adjusting long-standing practices, including, by way of example, providing customers their terms and conditions for credit cards in less than comprehensible language, less than readable font size and less than complete documents.
Recommendation	BI should consider: (i) whether it has the required resources to ensure effective supervision of the thorough application of all of the requirements recently placed upon issuers of credit cards; and (ii) increasing its resources for these purposes in the event existing staff are found to be insufficient.
Good Practice C.6	***Internet Banking and Mobile Phone Banking***[86]

[80] Ibid.
[81] See the Elucidation of BI Regulation No. 14/2/PBI/2012 Articles 1-7 regarding Article 16A (1)
[82] BI Regulation No. 11/11/PBI/2009 Article 14
[83] See BI Regulation No. 14/2/PBI/2012 of January 2012, Articles 1-5, which amends Article 16 (1) of BI Regulation No. 11/11/PBI/2009
[84] See BI Circular No. 14/27/DASP of September 2012 re: Credit Card Ownership Adjustment Mechanism
[85] See BI Circular Letter No. 14/17/DASP of June 2012, Section 1
[86] "Internet banking" is defined as banking services that customers may access via the Internet. The access to the Internet could be through a computer, mobile phone ("mobile phone banking"), or any other suitable device. Payment services that are only initiated via the internet using a mobile phone (e.g. by a mobile banking application using an

	a. The provision of internet banking and mobile phone banking (m-banking) should be supported by a sound legal and regulatory framework. **b. Regulators should ensure that banks or financial service providers providing internet and m-banking have in place a security program that ensures:** **(i) data privacy, confidentiality and data integrity;** **(ii) authentication, identification of counterparties and access control;** **(iii) non-repudiation of transactions;** **(iv) a business continuity plan; and** **(v) the provision of sufficient notice when services are not available.** **c. Banks should also implement an oversight program to monitor third-party control conditions and performance, especially when agents are used for carrying out m-banking.** **d. A customer should be informed by the bank whether fees or charges apply for internet or m-banking and, if so, on what basis and how much.** **e. There should be clear rules on the procedures for error resolution and fraud.** **f. Authorities should encourage banks and service providers to undertake measures to increase consumer awareness regarding internet and m-banking transactions.**
Description	With the exception of the rules applicable to electronic fund transfers (see Good Practice C.7 below) and customer data privacy and confidentiality (see Section D below), no sound framework existed at the time of the mission regarding any aspect of this Good Practice as it pertains to consumer protection in the provision of internet and mobile phone banking. However BI's Branchless Banking Guidelines, compliance with which is entirely voluntary, potentially go some way towards meeting the requirement of this Good Practice. They apply to all banks and telecommunication companies (telcos) that have chosen to join BI's pilot branchless banking program which was launched in May 2013. Under this program, these banks and/or telcos may, with BI oversight, offered banking and payment system services to Indonesians through agents known as Financial Intermediary Service Units (UPLK). Of relevance regarding this Good Practice, Part V of these Guidelines suggests the following: 1. Banks and telecommunication companies should educate their potential customers in order that every user of a service through UPLKs is aware of

app on a smart phone) are not considered to be mobile payments; instead they are categorized as internet payments. This interpretation is consistent with the view of the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements (BIS), who is the relevant standard setting body on payment and settlement systems. However, for practical reasons and due to the importance of mobile money in the country, Good Practice C.6. is intended here as also covering mobile payments and, to some extent, e-money. Further analysis on e-money issuers in Paraguay is provided in Section IV.

	and understands the benefits and risks he or she faces. 2. Such education should be given to potential customers by means of booklets, brochures or leaflets or by means of verbal explanation, which among other things, makes clear: i) the benefits and risks of the proposed products and related costs; ii) the identity of the applicable UPLK and the status of the cooperation between the bank and/or telco and the relevant UPLK; iii) the procedures to access customer service units (call centers), as well as those regarding the submission of any complaints to the applicable bank and/or telco; and iv) the need for safeguarding measures to be employed by every customer, such as: • keeping his or her password/PIN secret, as well as changing it from time to time; • not providing any personal information, such as name, address, account number and name of natural mother to any unauthorized party; • keeping proof of all transactions; • being vigilant and thorough in making transactions; • safeguarding any cell phone used in making transactions; and • employing other safeguarding measures, such as blocking an account should the need arise. 3. And finally, banks and telecommunication companies should ensure customer protection at least in the following respects. i) The secrecy of all customers' data should be protected in accordance with the laws and regulations in force. Also, every cooperation agreement between a bank and/or telco and a UPLK should require the UPLK to keep secret the data it obtains regarding any customer. ii) Other than as expressly agreed between a bank and/or telco and a UPLK, the UPLK should not conduct any activity regarding a customer, nor add any additional cost payable by a customer. iii) The electronic system that is employed should notify the UPLK and the customer in case the transaction has been successfully carried out and, in the event that it is refused or fails, besides notification to the UPLK and the customer, information on follow up procedures should also be given. iv) Procedures should exist: (a) for UPLKs to receive and attempt at least to settle any complaint made by a customer; as well as (b) for transmitting and processing complaints that cannot be solved at the UPLK level.
Recommendation	The early issuance of the above-mentioned Regulation is to be encouraged. Also, more generally, consideration should be given to the consumer protection issues associated with innovative products and distribution channels in the financial system, as well as the appropriate methods to provide flexibility for future innovations. In particular, there should be consideration of: (i) the issues specific to different types of new products and channels; (ii) the different international models; (iii) the regulatory and self-regulatory options; and (iv) capacity building for supervisors. It would be appropriate for OJK and BI to consult closely in this

	regard, given BI's role in relation to the payments system. Such consultation could occur pursuant to the OJK/BI coordination and cooperation provisions provided for by Chapter X of the OJK Law. It is, of course, important that care should be taken not to unnecessarily dampen innovation and to ensure that any new regulatory regime provides a balance between relevant risks and the cost of compliance. Further, relevant institutions should be encouraged to consult with Bi and OJK in relation to proposed new innovative product and distribution channels.
Good Practice C.7	***Electronic Fund Transfers and Remittances*** **a. There should be clear rules on the rights, liabilities and responsibilities of the parties involved in any electronic fund transfer.** **b. Banks should provide information to consumers on prices and service features of electronic fund transfers and remittances in easily accessible and understandable forms. As far as possible, this information should include:** **(i) the total price (e.g. fees for the sender and the receiver, foreign exchange rates and other costs);** **(ii) the time it will take the funds to reach the receiver;** **(iii) the locations of the access points for sender and receiver; and** **(iv) the terms and conditions of electronic fund transfer services that apply to the customer.** **c. To ensure transparency, it should be made clear to the sender if the price or other aspects of the service vary according to different circumstances, and the bank should disclose this information without imposing any requirements on the consumer.** **d. A bank that sends or receives an electronic fund transfer or remittance should document all essential information regarding the transfer and make this available to the customer who sends or receives the transfer or remittance without charge and on demand.** **e. There should be clear, publicly available and easily applicable procedures in cases of errors and frauds in respect of electronic fund transfers and remittances.** **f. A customer should be informed of the terms and condition of the use of credit/debit cards outside the country including the foreign transaction fees and foreign exchange rates that may be applicable.**
Description	*Paragraph (a)* The Fund Transfers Law of 2011, the Fund Transfers Regulation of 2012, and the Fund Transfers Circular of 2013 together provide at least certain clear rules on the rights, liabilities and responsibilities of the parties involved in any electronic fund transfer, whether within Indonesia or between Indonesia and any other country. They all relate exclusively to fund transfers in written and electronic form. *Paragraph (b)* The practice among banks seems to vary, however, regarding the extent of information they provide to consumers on prices and service features of electronic fund transfers and remittances. Also, what information is provided in writing is not necessarily in an easily accessible and understandable format. Although, as seen above, banks generally are required to provide written information to their

	customers in a way which is understandable and easily read, there is no explicit statutory obligation to do so in respect of any terms and conditions applicable to electronic fund transfer services.[87] *Paragraphs (c), (d)* The requirements of these Good Practices are not met. *Paragraph (e)* Statutory procedures exist in relation to errors (but not frauds) but are rarely made publicly available. *Paragraph (f)* Finally, while banks that issue credit and debit cards are under a statutory obligation to provide their customers with terms and conditions applicable to the use of such cards, there is no explicit requirement to inform their cardholders of the foreign transaction fees and foreign exchange rates that may be applicable in the event a card is used outside Indonesia. However, for all incoming and outgoing international transfers of funds, a written agreement is required which "*must stipulate at least the following:* • *application of the principle of reciprocity between the parties;*[88] • *rights and obligations of the parties;* • *mechanism for determination of exchange rate, fees and settlement; and* • *mechanism for resolution of problems that may arise in the course of collaborative activities in provision of Funds Transfers*".[89] There is, however, no description of any appropriate "mechanism" whether for the determination of exchange rates and fees or for the resolution of any problems. In addition, Article 68 of Law No. 3 of 2011 allows fees to be charged "within reason". However this term is not defined. Further provisions deal with the essential information that must be supplied by the Originator of a Funds Transfer Order,[90] as well as certain rights of the Originator. These are the right: • to specify the Execution Date in his or her Funds Transfer Order;[91]

[87] Note though that this could very well change under the anticipated BI Payments Department Regulation dealing with consumer protection in respect of internet and mobile phone banking.
[88] As indicated in the applicable Elucidation, "Reciprocity is intended to safeguard equal treatment between domestic Providers and foreign Providers".
[89] See BI Regulation No. 14/23/PBI/2012, Article 8 (3)
[90] Law No. 3 of 2011, Article 8 by Article 1, a "*'Funds Transfer Order' is an unconditional order from a Sender to a Receiving Provider for payment of a specified amount of Funds to a Beneficiary*." And the "'*Originator' is the party issuing a Funds Transfer Order in the first instance*".
[91] Ibid., Article 10

	• to learn from the Originating Provider the estimated time frame for execution of the transfer;[92] and • to specify a Payment Date.[93] The treatment of error resolution is dealt with in Chapter V of the Funds Transfer Law and Part III of the Fund Transfers Regulation, as well as in a separate section of the Fund Transfers Circular Letter. The latter deals with a Provider's[94] obligations in the event that, after Acceptance,[95] the Provider is late or makes an error in executing a transfer or fails to execute a Funds Transfer Order.[96] And, in these respects, the Circular indicates the method of calculating the amount of fees, interest or compensation to be paid by the Provider.
Recommendation	In the medium-term, BI should consider revising its Fund Transfers Regulation to deal with those aspects, if any, of the Good Practice that remain to be covered following the issuance of the BI Regulation on consumer protection in internet and mobile phone banking.
Good Practice C.8	***Debt Recovery*** **a. A bank, agent of a bank and any third party should be prohibited from employing any abusive debt collection practice against any customer of the bank, including the use of any false statement, any unfair practice or the giving of false credit information to others.** **b. The type of debt that can be collected on behalf of a bank, the person who can collect any such debt and the manner in which that debt can be collected should be indicated to the customer of the bank when the credit agreement giving rise to the debt is entered into between the bank and the customer.** **c. A debt collector should not contact any third party about a bank customer's debt without informing that party of the debt collector's right to do so; and the type of information that the debt collector is seeking.** **d. Where sale or transfer of debt without borrower consent is allowed by law, the borrower should be:** **(i) notified of the sale or transfer within a reasonable number of**

[92] Ibid., Article 11 by Article 1, the "'Execution Date' is a specified date at which a Receiving Provider is required to execute the Funds Transfer Order from the Originator".
[93] Ibid., Article 12 By Article 1, "'Payment Date' is the date at which the Beneficiary Provider is required to provide Funds that may be appropriated in favor of the Beneficiary".
[94] Note: The English translation of the official text of BI Circular Letter No. 15/23/DASP refers to "Operator" but this term is nowhere defined in this Circular or in the relevant Regulation or Law. What is meant, however, is clearly "Provider" which is defined in Article 2 of BI Regulation 14/23/PBI/2012 as "*any Bank and non-bank business entity incorporated in Indonesia that has obtained approval or licensing from Bank Indonesia to operate as: a. member of the BI-RTGS System; b. member of the SKNBI; and c. provider of any card based payment instrument offering Funds Transfer services*". RTGS stands for "Real Time Gross Settlement" and "SKNBI" means "BI's National Clearing System".
[95] Article 1 of Law No. 3 of 2011 defines: "Funds Transfer Order" as "*an unconditional order from a Sender to a Receiving Provider for payment of a specified sum of Funds to a Beneficiary*"; "Acceptance" as "*an action by a Receiving Provider indicating approval to execute or fulfil the contents of a received Funds Transfer Order*"; and "Receiving Provider" as "*an Originating Provider, Intermediary Provider and/or Beneficiary Provider receiving a Funds Transfer Order, including the central bank and other Provider conducting settlement activities for inter-Provider payments*".
[96] See Ibid., Part III A

	days; **(ii) informed that the borrower remains obligated on the debt; and** **(iii) provided with information as to where to make payment, as well as the purchaser's or transferee's contact information.**
Description	To some extent the provisions of this Good Practice are met by BI Regulations, but there are gaps. *Paragraph (a)* Although there is no explicit prohibition on giving false statements or false credit information to others, by a recent BI Regulation, any agent of a bank is prohibited from employing abusive debt collection practices against any customer of the bank.[97] This same Regulation makes a bank liable for any action taken by any debt collector acting as an agent on its behalf that causes injury to a customer. *Paragraph (b)* However, it would appear to be the case that there is compliance with this Good Practice. *Paragraph (c)* There are no explicit requirements to the effect of this Good Practice. However BI Regulation No. 13 of 2011 on the Application of the Precautionary Principle for Commercial Banks Transferring the Execution of Work to Others, amongst other things, requires an agreement between a bank and a debt collector to contain ethical billing practices, to only seek to collect debts at the billing address or domicile of the debtor and to prohibit targeting a person other than the debtor.[98] *Paragraph (d)* Finally, the sale or transfer of debt without borrower consent is allowed by Article 613 of the Civil Code which provides as follows: *"The transfer of registered debts and other intangible assets shall be effected by using an authentic or private deed, in which the rights to such objects shall be transferred to another individual. Such transfer shall have no consequences with respect to the debtor, until he has been notified thereof, or if he has accepted the transfer in writing or has acknowledged it. The delivery of bearer claims for indebtedness shall take place by handover, the bearer claims for indebtedness by submission and endorsement of the paper."* This Article refers to the transfer of rights and is silent regarding any continuing obligation of the borrower. Also, there is no: • Time frame in which the borrower must either have been notified of the sale or transfer; or

[97] See BI Regulation No. 14/2/PBI/2012 amending BI Regulation No. 11/11/PBI/2009 concerning Card Based Payment Instruments which deals in part with outsourcing certain bank functions, including debt collection activities. And see also BI Circular Letter No. 14/17/DASP of June 2012.
[98] Part IV

	• Requirement that the borrower be provided with information as to where to make payment, as well as the purchaser's or transferee's contact information.
Recommendation	In the long-term, consideration should be given to introducing requirements on debt collection operations that, among other things, require: • the licensing and oversight of all properly registered collection agencies by an appropriate regulatory authority; • the provision of services in accordance with stated parameters on the basis of generally acceptable fair and reasonable behavior; and • the provision of statistics by each licensed agency to OJK on a regular basis for annual consolidation and wide-spread public dissemination. In addition, consideration should be given to amending Article 613 of the Civil Code to deal with issues related to the assignment of debts. The changes should apply so as to require, where there is a sale or transfer of a debt without the borrower's consent, the borrower must be: • notified of the sale or transfer within a reasonable number of days; • informed that he or she remains obligated on the debt; and • provided with information as to where to make payment, as well as the purchaser's or transferee's contact information.
Good Practice C.9	***Foreclosure of mortgaged or charged property*** **a. In the event that a bank exercises its right to foreclose on a property that serves as collateral for a loan, the bank should inform the consumer in writing in advance of the procedures involved, and the process to be employed by the bank to foreclose on the property it holds as collateral and the consequences thereof to the consumer.** **b. At the same time, the bank should inform the consumer of the legal remedies and options available to him or her in respect of the foreclosure process.** **c. If applicable, the bank should draw the consumer's attention to the fact that the bank has a legal right to recover the balance of the debt due in the event the proceeds from the sale of the foreclosed property are not sufficient to fully discharge the outstanding amount.** **d. In the event the mortgage contract or charge agreement permits the bank to enforce the contract without court assistance, the bank should ensure that it employs professional and legal means to enforce the contract, including regarding the sale of the property.**
Description	This Good Practice is not covered by the laws of Indonesia, including the Civil Code and the Mortgage Law.
Recommendation	OJK should consider formulating rules that capture all aspects of this Good Practice.
Good Practice C.10	***Bankruptcy of Individuals*** **a. A bank should inform its individual customers in a timely manner and in writing on what basis the bank will seek to render a customer bankrupt, the steps it will take in this respect and the consequences of any individual's bankruptcy.** **b. Every individual customer should be given adequate notice and information by his or her bank to enable the customer to avoid**

	bankruptcy. **c. Either directly or through its association of banks, every bank should make counseling services available to customers who are bankrupt or likely to become bankrupt.** **d. The law should enable an individual to:** **(i) declare his or her intention to present a debtor's petition for a declaration of bankruptcy;** **(ii) propose a debt agreement;** **(iii) propose a personal bankruptcy agreement; or** **(iv) enter into voluntary bankruptcy.** **e. Any institution acting as the bankruptcy office or trustee responsible for the administration and regulation of the personal bankruptcy system should provide adequate information to consumers on their options to deal with their own unmanageable debt.**
Description	The mission team was advised that, in practice, banks do not comply with paragraphs (a) to (c) and (e) of this Good Practice. However, an individual debtor, having two or more creditors and failing to pay at least one debt which has matured and became payable, may be declared bankrupt through a Court decision, either on the debtor's own petition or at the request of one or more creditors.[99]
Recommendation	Consideration should be given to requiring compliance with all aspects of this Good Practice, including providing borrowers the statutory right to propose debt agreements with their banks. The benefit of a debt agreement to an insolvent consumer would potentially include: (a) making affordable regular payments over a fixed period and having these payments tailored to the consumer's budget; (b) unpaid debt being legally written off (including interest); and (c) arrangements being binding on all of the consumer's creditors. These benefits could be made subject to certain criteria, including: (i) the inability to pay debts as and when they fall due; (ii) regular employment; and (iii) unsecured debts and equity in assets below a specified statutory minimum.

SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **a. The banking transactions of any bank customer should be kept confidential by his or her bank.** **b. The law should require a bank to ensure that it protects the confidentiality and security of the personal data of its customers against any anticipated threats or hazards to the security or integrity of such information, as well as against unauthorized access.**
Description	**Indonesia has no consolidated data protection law.** Rather, the Banking Law, the OJK Law, the FCP Regulation, the Electronic Information and Transactions

[99] See Bankruptcy Law, Article 2 (1)

	Law, Government Regulation on Implementation of Electronic Systems and Transactions, the Consumer Law, the Law on Human Rights, the Indonesian Criminal Code and the Indonesian Civil Code all have provisions either dealing explicitly with, or of relevance to, privacy and data protection. The Banking Act defines "*bank secrecy*" as "*anything related to information regarding a depositor and his deposits*". [100] And, as general rule, banks are required to "*keep information concerning deposit customers and their deposits confidential*".[101] A "*depositor*" is defined as "*a customer who places funds in the form of deposits according to an agreement between a bank and the customer concerned*"[102]. And "*deposits*" are defined as "*funds entrusted to a bank by the public based on an agreement in the form of demand deposits, time deposits, certificates of deposit, savings and/or other similar forms*".[103] The same general rule applies also to so-called "Affiliated Parties"[104]. Thus, the Banking Law leaves open the right of banks and their affiliated parties to disclose information regarding the loan accounts of their retail customers and any other information pertaining to a retail customer that is not deposit-related. The position is confirmed by the Elucidation of Article 40 (1) which reads as follows: "*If a Customer of a Bank is a Deposit Customer who at the same time is also a Debtor Customer, the Bank shall keep confidential (undisclosed) the information concerning the Customer in its status as a Deposit Customer. Information concerning Customers other than Deposit Customers is not information that shall be kept confidential by the Bank.*" The FCP Regulation holds that an essential principle of financial consumer protection is the "*confidentiality and security of consumers' data and information*".[105] Thus, as of August 7, 2014 and as a general rule, any bank and other provider of financial services will be "*prohibited from disclosing data and/or information on its consumers to third parties in any manner whatsoever*".[106]
Recommendation	In the medium - to long-term, Indonesia should have a Personal Data Protection Law that requires all entities, including banks, to protect the confidentiality and security of all personal data in respect of their customers, including all data regarding them stored electronically, against unauthorized access and any anticipated threats or hazards to the security or integrity of such information.[107] This law should also apply generally to all personal information. This recommendation is made, given:

[100] Law No. 10 of 1998 concerning Amendment of Law No. 7 of 1992 concerning Banking, Article 1 point 28
[101] Ibid., Article 40
[102] Ibid., Article 1, point 17
[103] Ibid., point 5
[104] Ibid.
[105] FCP Regulation, Article 2, point d
[106] FCP Regulation, Article 31 (1)
[107] Although the mission team was informed that a Data Protection Bill has been drafted by at least one Government Ministry in order to implement the OECD Privacy Guidelines, EU Directives and APEC privacy framework, this Bill has not been submitted to Parliament.

	• the sensitivity of the personal information held and used in financial services; • the extensive information flows which can take place (such as between intermediaries and agents and between members of a corporate group); • the increasing potential for information to be received and held electronically with a corresponding increase in the risk of unauthorized access as well as the volume of information which can be easily transmitted; • the uncertainty which presently exists in at least some financial institutions as to the extent to which information can be used for purposes such as marketing and shared with corporate group members; and • the fact that privacy is treated as a fundamental human right deserving of protection in various international instruments to which many countries are signatories. The OECD Guidelines on the Protection and Privacy and Trans-border Flows of Personal Data, 2013, have been used as the basis for developing many such data protection laws. In summary, the relevant principles in the OECD Guidelines are those dealing with collection, data quality, purpose and use, security, openness, access and trans-border data flows.
Good Practice D.2	***Sharing Customer's Information*** **a. A bank should inform its customer in writing:** **a. of any third-party dealing for which the bank is obliged to share information regarding any account of the customer, such as any legal enquiry by a credit bureau; and** **b. as to how it will use and share the customer's personal information.** **b. Without the customer's prior written consent, a bank should not sell or share account or personal information regarding a customer of the bank to or with any party not affiliated with the bank for the purpose of telemarketing or direct mail marketing.** **c. The law should allow a customer of a bank to stop or —opt outll of the sharing by the bank of certain information regarding the customer and, prior to any such sharing of information for the first time, every bank should be required to inform each of its customers in writing of his or her rights in this respect.** **d. The law should prohibit the disclosure by a third party of any banking-specific information regarding a customer of a bank.**
Description	There is limited compliance with this Good Practice, especially in relation to the use of personal information involving electronic data. *Paragraph (a)* Indonesian law does not meet the requirements of this Good Practice. However, the Law on Electronic Information and Transactions[108] now provides that: *1) Unless provided otherwise by Rules, use of any information through electronic media that involves personal date of a Person must be made with the consent of the Person concerned.*

[108] Act No. 11 of 2008

	2) Any Person whose rights are infringed as intended by paragraph (1) may lodge a claim for damages incurred under this Law.[109] And, by recent Government Regulation,[110] Electronic System Operators have numerous other obligations, including being required to protect and ensure the privacy and personal data protection of users.[111] In particular, and in response to consumer complaints regarding the use of personal data for unsolicited marketing purposes, Operators are now obliged to obtain the consent of users prior to the acquisition, usage and utilization of their personal data. The data owner (i.e. the consumer) must approve data usage and disclosure. This rule will extend more broadly when the FCP Regulation comes into force. As indicated in D.1 above, a bank will thereafter be "*prohibited from in any manner whatsoever disclosing data and/or information on its Consumers to third parties*" unless "*the consumer gives written consent or [the disclosure is] required by laws and regulations*".[112] *Paragraphs (b) and (c)* A customer may stop or opt out of his or her bank sharing certain information regarding the customer, provided this right is exercised in writing.[113] There is no stipulation, however, to the effect that, prior to any such sharing of information for the first time, a bank is required to inform its customer in writing of his or her rights in this respect. *Paragraph (d)* There are no explicit requirements to the effect of this Good Practice.
Recommendation	It is suggested that consideration be given to instituting a stipulation in law that would require all banks to comply with every aspect of this Good Practice.
Good Practice D.3	***Permitted Disclosures*** **The law should provide for:** **a) the specific rules and procedures concerning the release to any government authority of the records of any customer of a bank;** **b) rules on what the government authority may and may not do with any such records;** **c) the exceptions, if any, that apply to these rules and procedures; and** **d) the penalties for the bank and any government authority for any breach of these rules and procedures.**
Description	There are various provisions concerning the requirements of this Good Practice.

[109] Ibid., Article 26
[110] See Government Regulation on the Operation of Electronic Systems and Transactions, No.82 of 2012. This Regulation delegates to the Minister of Communication and Informatics to implement the micro details of the Regulation.
[111] Ibid., Article 15
[112] FCP Regulation, Article 31 (1) and (2)
[113] Ibid., Article 31 (4)

	The Banking Law allows exceptions to a bank's general obligation to maintain secrecy regarding the deposits of any depositor.[114] They include provisions allowing for certain disclosures for tax purposes in relation to deposit and depositor information,[115] to settle a bank's claims (in respect of a depositor) which have been transferred to the Agency for State Loan Settlement and Auction or to the Committee for State Loan Settlement[116]; and to assist in respect of a criminal case involving the depositor[117]; for or the purposes of civil suits[118]; as required by the Anti-Money Laundering Law[119] and a board of directors of a bank may disclose a customer's financial information to other banks. [120] The Banking Act also provides stiff fines and imprisonment of two to four years for anyone who, without a written order or permission from the Chairman of BI "*knowingly and willfully forces a bank or affiliated party to disclose information*"[121] contrary to Article 40. Also, a bank is obliged to honor a depositor's written request to have information concerning his or her deposits released to any party named by the depositor.[122] Surprisingly, however, there is no requirement to ensure the authenticity of any such request. In addition, the legal heirs of a depositor are entitled to obtain all information regarding the deposits of the deceased depositor.[123] Customers have certain rights in relation to the disclosure of information. A "*party disadvantageously affected by the disclosed information*" in respect of a tax claim, a criminal investigation or proceeding, a civil law suit, or the exchange of information between or among banks, is "*entitled to know the contents of such information, and to request rectification if errors are found in the disclosed information.*"[124] Nothing is stated, as to how, a party is to know whether any of his or her information has been disclosed in any such instance. Also, as noted in Good Practice, the general prohibition on a bank disclosing data and information on any retail customer to a third party will not apply if the customer consents in writing or if the customer gives written consent and/or [the disclosure is] required by laws and regulations".[125] And as also seen, the consumer can stop or opt-out of consent in this respect by means of a follow-up written statement.[126]

[114] Banking Law, Article 40
[115] Ibid., Article 41
[116] Ibid., implicitly, therefore, it is for the Chairman of BI to decide if the reasons given appear to be valid.
[117] Ibid., Article 42
[118] Ibid., Article 43
[119] Ibid., Article 23, paragraph (1)
[120] Ibid., Article 44 (1)
[121] Ibid., Article 47
[122] Ibid., Article 44A (1)
[123] Ibid., 44A (2)
[124] Ibid., Article 45
[125] Banking Act, op. cit., Article 31 (2)
[126] Ibid., Article 31 (4)

	Importantly, where a bank "*receives personal data and/or information of a person … from [an]other party, and the [bank] wishes to use those data and/or information in the performance of its activities, the [bank] must have a written statement that the other party (from whom the personal data and/or information are received) has obtained written approval from [the] person … whose personal data and/or information are disclosed, to disclose such data and/or information to any party, including to the bank*".[127]
Recommendation	No recommendation.
Good Practice D.4	***Credit Reporting*** **a. Credit reporting should be subject to appropriate oversight, with sufficient enforcement authority.** **b. The credit reporting system should have accurate, timely and sufficient data. The system should also maintain rigorous standards of security and reliability.** **c. The overall legal and regulatory framework for the credit reporting system should be: (i) clear, predictable, non-discriminatory, proportionate and supportive of consumer rights; and (ii) supported by effective judicial or extrajudicial dispute resolution mechanisms.** **d. In facilitating cross-border transfer of credit data, the credit reporting system should provide appropriate levels of protection.** **e. Proportionate and supportive consumer rights should include the right of the consumer** **(i) to consent to information-sharing based upon the knowledge of the institution's information-sharing practices;** **(ii) to access his or her credit report free of charge (at least once a year), subject to proper identification;** **(iii) to know about adverse action in credit decisions or less-than-optimal conditions/prices due to credit report information;** **(iv) to be informed about all inquiries within a period of time, such as six months;** **(v) to correct factually incorrect information or to have it deleted and to mark (flag) information that is in dispute;** **(vi) to reasonable retention periods of credit history, for instance two years for positive information and 5-7 years for negative information; and** **(vii) to have information kept confidential and with sufficient security measures in place to prevent unauthorized access, misuse of data, or loss or destruction of data.** **f. The credit registries, regulators and associations of banks should undertake campaigns to inform and educate the public on the rights of consumers in the above respects, as well as the consequences of a negative personal credit history.**
Description	*Paragraph (a)*

[127] Ibid, Article 31 (3)

	The mandate for exercising the oversight function for Credit Reporting Systems is not well defined under the laws of Indonesia. BI has been operating a Credit Registry since 2005 and the Credit Bureau Regulation establishes BI as the supervisory authority for private credit bureaus. OJK now has responsibility for regulating and developing the interbank information system[128]. The Ministry of Communication and Information Technology (MCIT) also has a role in relation to data privacy and credit reporting. However there is no provision for any entity in Indonesia to have a comprehensive oversight function in respect of the credit reporting system in Indonesia. Ideally one authority would be identified as the primary overseer of the system, with other relevant authorities collaborating and coordinating actions with the primary overseer. As well as being responsible for supervision of private credit bureaus, the relevant body should have general responsibility for: • the institutions, rules, participants and public policy objectives regarding the flow of relevant credit information to creditors, financial institution supervisors and other potential users of the system, consistently with the relevant national strategy on credit reporting; and • coordination between all relevant government agencies, regulators with responsibility for any aspect of the credit reporting system The situation is somewhat confused at the moment as BI operates the BIK and supervises LPIPs (Chapter X of the Credit Bureau Regulation) but the OJK Law specifically provides that OJK has power *"to regulate and supervise bank soundness that includes: …(iii) debtor information system; (iv) credit testing;…".*[129] *Paragraph (b)* The Credit Bureau Regulation requires an LPIP to "*maintain the accuracy, currency, security and confidentiality of data*." (Article 34 (a)). Article 35 then specifies in some detail the issues that must be dealt with in the LPIP's policies and operational procedures. Members of the Board and Commissioners of an LPIP are also required to have a "*strong commitment to preserve the confidentiality and security of data and information*" (Article 10(1)(a)(5) of the Credit Bureau Regulation). Article 81 also provides for sanctions to be imposed on LPIPs if they are responsible for inaccurate credit information. The Debtor Information System Regulation does not contain provisions equivalent to those above apart from requirements for the timely submission of information to BIK (Chapter V). *Paragraph (c)* Credit Reporting activities are covered by an array of different laws and

[128] So far as the interbank information system is concerned, OJK now has that responsibility (see Article 69(1)(a) of the OJK Law and Article 32 of the BI Law).
[129] Article 7(b)

	regulations. Of particular relevance in this context are the Credit Bureau Regulation which applies to LPIPs, the Debtor Information System Regulation which applies in relation to the BIK and the Electronic Transactions Law. See the separate report on Credit Reporting for a discussion of relevant provisions of these laws. The primary point to note in this context is that the Credit Bureau Regulation has a much stronger consumer protection regime than the Debtor Information System Regulation. See Banking Sector Good Practice E.1 concerning dispute resolution systems and the separate report on Credit Reporting in relation to access and correction rights in respect of credit reporting. In particular it is to be noted that Chapter IX of the Credit Bureau Regulation contains extensive provisions on the Handing and Settlement of Complaints in relation to the conduct of LPIPs. However, the Debtor Information System Regulation does not contain similar provisions for debtors whose information is held by BIK, although there are provisions for debtors to access their credit information. Finally, it is to be noted that Article 38 of the Electronic Transactions Law provides for the initiation of actions by individuals, or by way of a class action, *"against parties that provide Electronic Systems and/or using Information Technology*" to the detriment of the relevant party. *Paragraph (d)* Article 42(1)(b) of the Credit Bureau Regulation relevantly provides that an LPIP is prohibited from "*transferring, copying, and/or making the Credit Data and Other Data accessible to/by other parties both inside and outside the territory of the Republic of Indonesia*." There is not, however, an equivalent provision in the Debtor Information System Regulation. *Paragraph (e)* See separate report on Credit Reporting. *Paragraph (f)* BI has undertaken public awareness campaigns explaining the role of credit reporting in the overall credit process. Initiatives have included an annual road show, TV and radio advertisements, participation in trade shows, posters and the establishment of a clinic at BI so that banks, debtors and other organizations can see how the BI credit registry operates in practice. However it is considered that further awareness campaigns are necessary to inform consumers about their rights and the overall objective of credit reporting systems. This will be especially important as private credit bureaus start to operate. See separate report on Credit Reporting.

Recommendation	There should clarification of who has responsibility for the general oversight of the credit reporting system in Indonesia in light of the issues discussed in paragraph (a) above. See also separate report on Credit Reporting for other relevant recommendations.

SECTION E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Complaints Procedure*** **a. Every bank should have in place a written complaints procedure and a designated contact point for the proper handling of any complaint from a customer, with a summary of this procedure forming part of the bank's Terms and Conditions referred to in B.7 above and an indication in the same Terms and Conditions of how a consumer can easily obtain the complete statement of the procedure.** **b. Within a short period of time following the date a bank receives a complaint, it should:** **(i) acknowledge in writing to the customer/complainant the fact of its receipt of the complaint; and** **(ii) provide the complainant with the name of one or more individuals appointed by the bank to deal with the complaint until either the complaint is resolved or cannot be processed further within the bank.** **c. The bank should provide the complainant with a regular written update on the progress of the investigation of the complaint at reasonable intervals of time.** **d. Within a few business days of its completion of the investigation of the complaint, the bank should inform the customer/complainant in writing of the outcome of the investigation and, where applicable, explain the terms of any offer or settlement being made to the customer/complainant.** **e. When a bank receives a verbal complaint, it should offer the customer/complainant the opportunity to have the complaint treated by the bank as a written complaint in accordance with the above. A bank should not require, however, that a complaint be in writing.** **f. A bank should maintain an up-to-date record of all complaints it has received and the action it has taken in dealing with them.** **g. The record should contain the details of the complainant, the nature of the complaint, a copy of the bank's response(s), a copy of all other relevant correspondence or records, the action taken to resolve the complaint and whether resolution was achieved and, if so, on what basis.** **h. The bank should make these records available for review by the banking supervisor or regulator when requested.**
Description	The requirements of this Good Practice are to some extent met in practice and under the BI Regulation No. 7 of 2005 on the Resolution of Consumer Complaints

	and the Consumer Law. They will also be partially provided for by the FCP Regulation when it comes into effect in August 2014. *Paragraph (a)* Every bank must have a policy and written procedures that deal with the receipt of consumer complaints, the handling and resolution of consumer complaints, and the monitoring of complaint handling and resolution.[130] All banks are also required to have a "*unit and/or function*" established in each branch office to handle and resolve consumer complaints and the powers of the unit and/or function must be set forth in the policy and procedures referred to above.[131] Furthermore, banks are required to publish for the public the existence of the dedicated unit and/or function "*in written and/or electronic form*".[132] Although less than adequate, it would appear, therefore, that merely publishing this essential information on the web or by email will suffice. There are also general provisions in the Consumer Law relating to entrepreneurs obligations to deal with customer complaints. In this regard Article 19 requires entrepreneurs to compensate consumers for the damages or loss that they suffer as a result of consuming services. Consumers also have the statutory right: • to be heard in expressing any opinion and complaint regarding goods and/or services they use or consume; • to obtain proper advocacy, protection and settlement in any consumer protection dispute; and • to obtain compensation, redress and/or substitution, if the goods and/or services received are not in accord with the agreement or not received as requested.[133] Further, once the new FCP Regulation comes into effect all financial services providers (including banks) will be required to have and implement mechanisms for consumer complaint resolution.[134] In summary, the requirements are for procedures which: • Are notified to the consumer (Article 32 (1)); • Are free (Article 33); • Include the financial service provider reporting to OJK on complaints and the status of resolution approximately every 3 months (Article 34); • Require the complaint to be resolved within 20 days or, in specified cases, within an additional 20 days (Article 35); • Require a work unit to be established to handle and resolve complaints, with one person in each office to handle complaints. Further, if an employee handling the complaint was involved in the relevant transaction then the compliant has to be referred to another employee (Articles 36 and 37).

[130] Ibid., Article 2 (2)
[131] Ibid., Article 4 (1) and (2)
[132] Ibid., Article 5
[133] See Consumer Law, Article 4, points d, e and h
[134] These provisions are also expanded on in OJK Circular No.2/SEOJK.07/2014 concerning the Service and Dispute Settlement of Consumer Complaints, which was made after the CPFL Review.

	Article 38 further requires a financial services provider to: • *Conduct an internal examination of the complaint competently, correctly, and objectively;* • *Ensure the correctness of the complaint; and* • *Submit a statement of apology and offer compensation (redress / remedy) or repair the product and/or service, if the consumer complained properly.* Further, under the FCP Regulation, a financial services provider will be "*responsible for the loss of the consumer arising out of the faults and/or failure, of the officers, and employees of the financial services provider and/or any third parties in the employ of the financial services provider*".[135] The practices followed by banks also typically include a written complaints procedure and a designated contact point for the proper handling of complaints from retail customers. However a summary of this procedure apparently rarely, if ever, forms part of a bank's Terms and Conditions and there is no indication of how a consumer can obtain the complete statement of the bank's procedures in these respects. *Paragraph (b)* Typically, a bank will acknowledge receipt of a complaint and of the name of the contact point and of the outcome of the investigation of the complaint within a few days of the investigation being received. See also the description of the FCP Regulation in paragraph (a) above. *Paragraph (c)* A bank is required to provide information on the status of complaint resolution at any time the customer or the customer's representative requests explanation from the bank regarding the complaint that has been lodged.[136] Furthermore, if the complaint is submitted in writing, the bank is obliged to convey the result of the complaint resolution process to the customer or the customer's representative in writing within twenty or forty working days as indicated above. If, however, the complaint is submitted verbally, the bank is required to convey the result of the complaint resolution to the customer or the customer's representative either in writing or verbally within two working days. A bank also, if requested, typically provides the complainant with a regular update on the progress of the investigation of the complaint at reasonable intervals of time. See also the description of the FCP Regulation in paragraph (a) above.

[135] FCP Regulation, Article 29 By the Elucidation of Article 29, "faults and/or failure" means faults and/or failure in the performance of business of the Financial Services Provider.
[136] Ibid., Article 12

	Paragraph (d) As contemplated by this Good Practice, there is a statutory requirement "*to resolve each complaint lodged by a customer or a customer's representative*".[137] A bank is also obliged to resolve a complaint no later than twenty working days after receipt of a written complaint. However, provided the customer or the customer's representative is notified[138] before the expiry of the initial twenty working days, a delay of a further twenty working days is permitted in the event that: (a) the bank office receiving the complaint is not the one at which the problem occurred and "*there are impediments to communication between the two offices*"; (b) *"special examination*" of the bank's documents is needed; or (c) a matter outside the control of the bank exists, such as the involvement of a third party.[139] The result of the complaint resolution process as determined by the bank must state: • the complaint registration number; • the problem cited in the complaint; and • the determination of the bank, together with explanation(s) and reason(s).[140] *Paragraphs (e) to (h)* There is not a specific requirement to the effect of these Good Practices.
Recommendation	OJK should give consideration to reviewing and revising the FCP Regulation on the basis of each of the issues raised above. OJK should also require financial services providers to send statistics on consumer complaints, and then OJK should use this information as input to their supervisory activities. Complaints statistics provide with important warning signs not only on consumer protection, but also on reputational and operational risks. Based on the analysis of complaint statistics, OJK could also propose guidelines, instructions or awareness campaigns that address the common problems identified in complaints reports. In time, it will be helpful for all banks and consumers of banking products and services to have reference only to one set of statutory requirements regarding internal complaints procedures. This, though, will necessitate the repeal of the Consumer Law in so far as it applies to banks and all other providers of financial services. As stated above, the FCP Regulation, itself, does not and cannot impliedly repeal or replace the Consumer Law. Further, it should be clear to what extent the BI Regulation dealing with complaints will continue to apply.

[137] See: BI Regulation No. 7/7/PBI/2005 on the Resolution of Customer Complaints, Article 2 (1)
[138] There is no requirement that this be in writing.
[139] BI Regulation No. 7/7/PBI/2005 on the Resolution of Customer Complaints, Article 10
[140] Ibid., Article 13

Good Practice E.2	*Formal Dispute Settlement Mechanisms* **a. A system should be in place that allows customers of a bank to seek affordable and efficient recourse to a third-party banking ombudsman or equivalent institution, in the event the complaint of one or more of customers is not resolved in accordance with the procedures outlined in E.1 above.** **b. The existence of the banking ombudsman or equivalent institution and basic information relating to the process and procedures should be made known in every bank's Terms and Conditions referred to in B.7 above.** **c. Upon the request of any customer of a bank, the bank should make available to the customer the details of the banking ombudsman or equivalent institution, and its applicable processes and procedures, including the binding nature of decisions and the mechanisms to ensure the enforcement of decisions.** **d. The banking ombudsman or equivalent institution should be appropriately resourced and discharge its function impartially.** **e. The decision of the banking ombudsman or equivalent institution should be binding upon the bank against which the complaint has been lodged.**
Description	The current statutory systems for the formal resolution of disputes in the banking system are fragmented and overlapping. Apart from recourse to his or her local or District court, a consumer with an unresolved complaint concerning a banking product or service can access either the Consumer Dispute Resolution Board (BPSK)[141] or the BI Mediation Service.[142] And OJK also has power to provide a service to facilitate the resolution of outstanding consumer complaints under the FCP Regulation (see below re the FCC System).[143] OJK also has advocacy powers to take measures against financial institutions to resolve complaints and to institute proceedings to reclaim property or to recover damages on behalf of a consumer, as well as a financial institution if it is the harmed party.[144] In addition, Indonesia is a participant in the ASEAN Committee on Consumer Protection that provides an avenue for consumers of any service or product to complain and seek compensation for loss.[145] OJK is to be commended for the establishment of its Integrated Financial Customer Care System (FCC System). The FCC System was first established in early 2013 but has since been further developed to provide a trackable and traceable system for customer complaints with a view to making the review process more effective, quick and responsive. Financial institutions can trace the handling of complaints and consumers can track progress in OJK's consideration of the complaints. From 21 January 2013 to 31 December 2013, the FCC System recorded 7,655 reports, including 495 information deliveries (6.47%), 6,271 information enquiries 981.92%) and 889 complaints (11.61%). Consumers can

[141] Operating under Regulation No. 350 of 2001 issued by the Ministry of Trade and Industry
[142] Established under BI's Banking Mediation Regulation No. 8 of 2006, as amended by BI Regulation No. 10 of 2008
[143] See FCP Regulation, Articles 40 to 46
[144] See OJK Law, Article 30
[145] See http://aseanconsumer.org/

	access the service on line, through a hotline and through OJK regional offices. As at February 6th, 2014, the FCC System was supported by 2 supervisors, a quality assurance officer and 22 customer service officers. [146] See Insurance Sector Good Practice E.2 for a full description of the abovementioned provisions.
Recommendation	In the long term, it is recommended that options for a single, independent ADR scheme for all financial sector consumers be considered. It is understood that OJK is giving some consideration to this objective. However, further analysis is needed to identify the most effective institutional setup. Such an analysis should explore different models, and the costing and effectiveness of each in the Indonesian context. At a minimum, it is considered that the relevant body should be independent of financial institutions and OJK (and any other regulator), be available at no or low cost to consumers, have the power to make decisions which are binding on the financial institutions, and operate in accordance with transparent processes and procedures. It is also recommended that it be a licensing condition that the institution concerned be a member of the external dispute resolution scheme. The overseeing body for the scheme should include consumer as well as industry representatives.[147] In the interim the FCC System appears to be playing a useful role. Prior to the commencement of OJK's new complaint facilitation powers, it is recommended that OJK conduct a public awareness campaign of the processes and procedures to be followed. Furthermore, consumer call centers in both OJK and the Consumer Protection Division of BI's Payments System Department should help as a first response to consumers' concerns, provided their existence is very widely publicized (perhaps as a further bank disclosure requirement). It seems likely however that the vast majority of consumers are not likely to know which center to turn to in the first instance. In any event, the capacity of these two centers to deal with complaints should be assessed. The extent to which the BPSK will continue to have jurisdiction over disputes involving financial services after the FCP Regulation comes into effect should also be clarified (through amending regulations). Consideration will also need to be given as to the transitional arrangements for claims which arise before the FCP Regulation commences. It may be the case that the BPSK should be able to hear such claims if they are the subject of proceedings as at August 6th, 2014 but not otherwise. The issues outlined above in relation to the OJK facilitation process should be considered and ideally dealt with through clarifying regulations or (less preferably) guidelines. In summary, the principal issues in this context are: • OJK's inability to make binding decisions;

[146] file:///C:/Users/wb371925/Downloads/press-release-ojk-inaugurates-integrated-consumer-care-system%20(1).pdf
[147] Guidance may be obtained from the World Bank's publication on Resolving disputes between Consumers and Financial Businesses: Fundamentals for a Financial Ombudsman: http://www.networkfso.org/Resolving-disputes-between-consumers-and-financial-businesses_Fundamentals-for-a-financial-ombudsman_The-World-Bank_January2012.pdf

	• The ambiguities in the threshold requirements; • The requirement for an insurer (or any other relevant financial institution) to have agreed before a dispute can be bought before OJK); • The lack of rules as to the qualifications of a facilitator and as to the procedures to be followed in resolving complaints; • It is not clear whether a consumer will have to pay fees (ideally not); and • Ideally it would be clear that OJK has an obligation to analyze complaint statistics and publicize issues of concern. In the near term, it is also recommended that OJK undertake the following activities: • Advise on the terms of reference and governance arrangements for the various industry association schemes with a view to achieving consistency in approaches; • Develop formats for the reporting of statistics on consumer complaints to OJK; • Consider related regulatory requirements; and • Capacity building for the relevant industry associations.
Good Practice E.3	***Publication of Information on Consumer Complaints*** **a. Statistics and data of customer complaints, including those related to a breach of any code of conduct of the banking industry should be periodically compiled and published by the ombudsman, financial supervisory authority or consumer protection agency.** **b. Regulatory agencies should publish statistics and data and analyses related to their activities in respect of consumer protection regarding banking products and services so as, among other things, to reduce the sources of systemic consumer complaints and disputes.** **c. Banking industry associations should also analyze the complaint statistics and data and propose measures to avoid the recurrence of systemic consumer complaints.**
Description	Statistics and data of customer complaints have been required to be compiled and provided to BI on a quarterly basis [148] and the FCP Regulation requires a financial service provider to report to OJK on complaints and the status of resolution approximately every 3 months (Article 34). However there is no requirement for this information to be published and analyzed by any bank or by BI. Likewise the mission team was informed that, to date, no banking industry association has analyzed any consumer complaint statistics and data and proposed any measures to avoid the recurrence of systemic consumer complaints.
Recommendation	OJK should publish statistics, data and analyses related to its activities in respect of consumer complaints regarding banking products and services so as, among other things, to identify and eventually reduce the sources of systemic consumer complaints and disputes. Banks should also be required to centralize all data on the complaints they receive and to analyze these data periodically. Ideally further regulations (or, at a minimum guidelines) would be introduced to specify the type and format of information that should be collected by banks and

[148] See BI Indonesian Banking Booklet, 2013 at page 202 regarding required quarterly Reports from Commercial and Rural Banks on the management and settlement of customer's complaints.

	the required analysis activities. Examples of the type of information that should be required to be collected should include the nature of the complaint, the branch or banking agent and officer involved, the time taken to deal with the complaint, the terms of any decision which is made and the customer's response. Reviewing and checking such reports should be part of OJK's on-site and off-site supervision activities in respect of the business conduct of every bank.

SECTION F	GUARANTEE SCHEMES AND INSOLVENCY
Good Practice F.1	***Depositor Protection*** **a. The law should ensure that the regulator or supervisor can take necessary measures to protect depositors when a bank is unable to meet its obligations including the return of deposits.** **b. If there is a law on deposit insurance, it should state clearly:** **(i) the insurer;** **(ii) the classes of those depositors who are insured;** **(iii) the extent of insurance coverage;** **(iv) the holder of all funds for payout purposes;** **(v) the contributor(s) to this fund;** **(vi) each event that will trigger a payout from this fund to any class of those insured;** **(vii) the mechanisms to ensure timely payout to depositors who are insured.** **c. On an on-going basis, the deposit insurer should directly or through insured banks or the association of insured commercial banks, if any, promote public awareness of the deposit insurance system, as well as how the system works, including its benefits and limitations.** **d. Public awareness should, among other things, educate the public on the financial instruments and institutions covered by deposit insurance, the coverage and limits of deposit insurance and the reimbursement process.** **e. The deposit insurer should work closely with member banks and other safety-net participants to ensure consistency in the information provided to consumers and to maximize public awareness on an ongoing basis.** **f. The deposit insurer should receive or conduct a regular evaluation of the effectiveness of its public awareness program or activities.**
Description	Indonesia has a comprehensive depositor protection scheme. As from 1 January 2014, OJK and the Deposit Insurance Corporation (IDIC) (and in the case of a failure of a so-called "systemic" bank, a committee made up of the Minister of Finance, the Chairman of OJK's Board of Commissioners and the Head of IDIC) are empowered to take all necessary measures to protect depositors when a bank proved unable to meet its obligations, including the return of deposits. There are, however, a number of issues to be addressed. The issues include the

	need: (i) to promote public awareness of the deposit insurance system; (ii) to educate the public on the financial instruments and institutions covered by deposit insurance, and the coverage and limits of deposit insurance and the reimbursement process; (iii) to ensure close working relationships between IDIC and all member banks to ensure consistency in the information provided to consumers; and (iv) by way of receiving or conducting regular evaluations of the effectiveness of public awareness programs or activities regarding deposit insurance. In addition, IDIC does not appear currently to be able to access all pertinent records of a bank in clear financial difficulty until BI has revoked the bank's business license, thereby initiating the bank's liquidation. This delay may unnecessarily hinders the performance of IDIC's subsequent responsibilities. The IDIC Law[149] states: • that IDIC is designated as the insurer; • the extent of insurance coverage;[150] • that every commercial and rural bank must be a member of the Deposit Insurance program; • that every member bank must pay a yearly membership fee from its own equity at the end of the previous fiscal year (or in the case of a new bank from its initial capital);[151] • that IDIC is obliged to pay claims to depositors at a bank only in the event that that Bank's license has been revoked; and • that IDIC has the authority, at least, to carry out public awareness programs for banks and the general public on deposit insurance. IDIC deposit insurance covers a total of 2 billion IDR on deposit by any individual in any member bank. While a bank is required to provide information on the deposit guarantee program in respect of any of its products "*if the bank product pertains to the raising of funds,*"[152] it is not clear that there is compliance with this obligation.
Recommendation	Consideration should be given to close supervision of banks' compliance with the abovementioned obligations.
Good Practice F.2	***Insolvency*** **a. Depositors should enjoy higher priority than other unsecured creditors in the liquidation process of a bank.** **b. The law dealing with the insolvency of banks should provide for**

[149] Law No. 24 of 2004
[150] The initial coverage was IDR 100,000,000 (or some USD 9,000). This, though, was increased by IDIC Regulation No. 2/PLPS/2010 to IDR 200,000,000,000 (or some USD 180,000) following the global financial crisis of 2008. The same IDIC Regulation also set the maximum "fair interest rate" on a deposit account to January 14, 2014 at 7.00% for an account denominated in IDR and 1.50% for an account denominated in foreign currency.
[151] Each bank's initial yearly membership fee was 0.1% of the bank's equity. This, though, was raised to 0.2% on the sums on deposit as of December 31 in the preceding year, again following the 2008 global financial crisis.
[152] BI Regulation No. 7/6/PBI/2005 re: Transparency in Bank Product Information, Article 5 (2)

	expeditious, cost effective and equitable provisions to enable the maximum timely refund of deposits to depositors.
	Under the IDIC Law, depositors enjoy higher priority than other unsecured creditors in the liquidation process of a bank. As indicated, IDIC deposit insurance covers a total of 2 billion IDR on deposit by any individual in any member bank. In the event that this coverage is inadequate, the IDIC Law sets out the hierarchy of payments to creditors from the disposal of assets and/or the collection of receivables. This order is as follows: • accrued and unpaid remuneration for staff; • severance payment for staff; • judicial fees and court charges, cost of unpaid auction expenses and cost of operational expenses; • resolution cost incurred by the IDIC; • unpaid taxes; • uninsured portion of deposits and ineligible deposits; and • other creditors.[153] Also, the IDIC Law provides for expeditious, cost effective and equitable provisions to enable the maximum timely refund of deposits to depositors.
Recommendation	No recommendations.

SECTION G	**CONSUMER EMPOWERMENT**
Good Practice G.1	***Broadly based Financial Capability Program*** **a. A broadly based program of financial education and information should be developed to increase the financial capability of the population.** **b. A range of organizations, including those of the government, state agencies and non-government organizations, should be involved in developing and implementing the financial capability program.** ***c.*** **The government should appoint an institution such as the central bank or a financial regulator to lead and coordinate the development and implementation of the national financial capability program.**
Description	The Indonesian government's approach to financial literacy has come about organically as different agencies have seen the value of the issue and put programs in place to begin to address discrete parts of the issue. Only recently has Indonesian law and regulation clearly assigned financial literacy duties to a specific government agency and that agency (OJK) has published a national blue print to improve the nation's financial literacy, including literacy regarding banking. The document received presidential approval and was launched in November 2013. *Paragraph (a)* Coming mostly through the efforts of Bank Indonesia and OJK, the government's

[153] See IDIC Law, Article 54 (1)

	young effort on financial literacy, while ambitious and commendable, is still varied and uneven in its coverage should be seen as a mix of initiatives, which lacks strong coordination across government agencies and at this stage cannot be considered as broad based in the subjects it covers or the populations it reaches. Since 2008, BI has advanced a multi-prong financial literacy program which includes a variety of different interventions. BI has implemented national campaigns to promote the use of banks (the *Ayo ke Bank* "Let's Go to the Bank" campaign) and general consumer protection (the "3P" campaign). It has also created and distributed financial literacy materials including books, pamphlets and comics. Additionally, BI developed and implemented a financial education module for schools which is presently used in elementary, junior high and high school classrooms. This project also involved entering a MOU with the Ministry of Education and conducting teacher trainings to help increase usage of the materials. Similarly for adults, BI has created materials and conducted seminars for particular segments of the population such as housewives and workers in the fishing and agricultural industry as well as migrant workers. Finally, in 2012 BI has conducted a national survey on financial literacy. OJK has been working in financial literacy for only two years but already has two main financial literacy programs. One of the existing programs provides access to basic financial information through a fleet of cars that visits communities to distribute materials. This channel is particularly useful in reaching rural locations. While this program has been operating for a while, the present intention is to re-launch it with the goal of increasing the size of the fleet from seven cars to 20 before 2014. OJK also provides seminars targeted to housewives. The seminars are hosted by OJK staff and representatives from the financial services industry and seek to increase attendees' knowledge of financial products. OJK is planning on implementing many more programs through its national blue print for financial literacy that was launched in November of 2013. OJK launched Indonesia's first National Financial Literacy Strategy (blue print) for financial literacy on 19 November 2013 at a high profile event which will was led by President Susilo Bambang Yudhoyono. The blue print development process had been ongoing since April of 2013 and received technical advice from the World Bank from mid-September through October. The blue print sets out an aggressive agenda of establishing the essential elements of the nation's financial literacy infrastructure which will in time empower Indonesian consumers with the product knowledge, planning ability and decision-making skills to enter the financial mainstream and thrive within it. Specifically, the strategy sets out three pillars to the national plan to improve financial literacy in Indonesia. The first pillar is to provide financial education through a national campaign which consists of community-based seminars, university workshops, cultural programs and media outreach. The second pillar calls for OJK to strengthen the financial literacy infrastructure which includes enhancing its customer care call center, increasing its web presence, fielding more financial literacy cars to less accessible communities and periodically conducting

	its national financial literacy survey (described in G.5 below). The third pillar is for OJK to work with the financial services industry to develop low cost financial products and services. OJK has chosen to focus on specific segments of the population for educational interventions in each of the next five years according to the following schedule: • 2014: Housewives and Micro, Small and Medium Enterprises (MSMEs) • 2015: Students and Professionals • 2016: Pensioners • 2017: Housewives and MSMEs • 2018: Students and Professionals *Paragraph (b)* In addition to the work of BI and OJK, other government agencies, some companies and a few NGOs have fielded their own programs in financial literacy. Each of these programs has its own independently developed goals, distribution plan, educational standards and data collection practices. Motivations of program providers vary from serving a specialized training need for a segment of adults (as in the case of a World Bank pilot program to education migrant workers), to meeting an educational system standard for youth, to cultivating a positive image for a financial institution. In most cases program providers and sponsors do not coordinate with other programs providers and frequently are unaware of other programs. This deprives all practitioners of learning from each other's experiences, of assuring that educational gaps are filled and unnecessary overlap is avoided and of making meaningful assessments of the effectiveness of the national financial education effort in the aggregate. *Paragraph (c)* Dating back to 2007, Bank Indonesia has lead national financial literacy efforts, but since 2011 OJK has been charged with that responsibility. OJK's statutory responsibility to provide financial education comes from the OJK Law which established the agency. Specifically the law states, *"For the protection of consumers and the public, OJK is authorized to take necessary actions to prevent consumers and the public from harms, which include: a. providing information and educating the public on the characteristics of financial services sector, services, and products..."* [154] Coordination between the agencies on financial education matters is lacking to the detriment of both agencies' programs and ultimately the national effort on this subject. Involvement of one agency does not need to require disengagement by the other, but without communication and planning between the agencies, Indonesia will be hard pressed to reach its financial capability potential.
Recommendation	See the separate Financial Capability report in Annex I.
Good Practice G.2	***Using a Range of Initiatives and Channels, including the Mass Media*** **a. A range of initiatives should be undertaken by the relevant ministry or institution to improve people's financial capability regarding banking**

[154] Law No. 21 of 2011 on the Financial Services Authority, Article 28 and 28(a)

	products and services. **b. The mass media should be encouraged by the relevant ministry or institution to provide financial education, information and guidance to the public regarding banking products and services.** ***c.*** **The government should provide appropriate incentives and encourage collaboration between governmental agencies, banking regulators, the banking industry and consumer associations in the provision of financial education, information and guidance regarding banking products and services.**
Description	Through a few of its campaigns, the GoI has used a range of initiatives in support of its financial literacy efforts. Some use of mass media has also been attempted. See the separate Financial Capability report in Annex I.
Recommendation	See the separate Financial Capability report in Annex I.
Good Practice G.3	***Unbiased Information for Consumers*** **a. Regulators and consumer associations should provide, via the internet and printed publications, independent information on the key features, benefits and risks –and where practicable the costs– of the main types of banking products and services.** **b. The relevant authority or institution should encourage efforts to enable consumers to better understand the products and services being offered to consumers by banking institutions, such as providing comparative price information and undertaking educational campaigns.**
Description	In 2009, Bank Indonesia launched the "3Ps" education campaign to encourage consumers to carefully consider the terms and conditions of any financial product or service they may wish to obtain, including banking products and services ("3Ps" stand for "ensure benefits, understand the risk and consider the costs"). See the separate Financial Capability report in Annex I for details.
Recommendation	To the degree they lack comparative price information, present and future consumer information campaigns should begin to include this information so consumers can shop more effectively for banking products and services.
Good Practice G.4	***Consulting Consumers and the Financial Services Industry*** **a. The relevant authority or institution should consult consumers, banking associations and banking institutions to help them develop financial capability programs that meet banking consumers' needs and expectations.** **b. The relevant authority or institution should also undertake consumer testing with a view to ensuring that proposed initiatives have their intended outcomes.**
Description	Regulator consultation with the financial services industry appears to be sporadic and not routine. Moreover, there appears to be no regularly used formal, ongoing structure to work with banking associations and banking institutions on financial capability programs. Instead, input is sought from specific banking industry members on a case-by-case basis to assist with a particular project, instead of consulting with the broader industry on a regular basis on longer range planning and on program development.

	Paragraph (a) Both Bank Indonesia and OJK have demonstrated some willingness to engage the financial services industry on financial capability matters. Bank Indonesia reports it established a working group on public education in banking in 2007, but evidence cannot be found that it met regularly and developed financial capability programs. OJK regularly consulted with the financial services industry, including the banking industry, during the seven to eight months in 2013 when it was developing the national blue print for financial literacy. This working group, however, did not have a formal structure and appeared to have an ad hoc membership. It appears to have been drawn together for the specific purpose of drafting and launching the national Blue Print and it is not yet clear how this collaboration will continue. While these efforts by both BI and OJK show a positive inclination toward collaborating with industry on financial literacy program development, both agencies and the industry could benefit from a more structured approach to financial industry cooperation on financial capability issues. *Paragraph (b)* While both BI and OJK have conducted national surveys on financial literacy, there is no documentation of thorough, widespread program evaluation or consumer testing. BI reports to have done some program evaluation on a financial education module it has introduced to students. While national surveys are very useful to strategic planning on financial capability matters, they are not substitutes for rigorous evaluation of specific programs and, in fact, can be counterproductive when used for that purpose.
Recommendation	Financial regulators should formalize their consultative relationships with the financial services industry on matters pertaining to financial capability. Establishing and maintaining such a structure will increase the productivity of this relationship, provide better coordination in the provision and distribution of financial capability programs and lessen the likelihood of programmatic gaps or redundancies. FCP Regulation, Article 14 provides OJK a great opportunity to formalize its relationship with the financial services industry by coupling the industry's requirement to provide financial education with ongoing guidance from OJK on the types of programs needed to avoid gaps and redundancies.[155] Individual financial institutions could use such instruction from OJK as they develop their annual plan of financial education activities as required under the regulation.[156] The FISF proposed technical assistance to OJK on FCP, Article 14 could be instrumental as OJK drafts the explanatory circular to Article 14 of the regulation and as OJK develops the processes to provide ongoing guidance to companies. OJK can also use a national financial literacy website to help coordinate the financial literacy efforts of financial institutions. A government sponsored website can feature industry content and inform consumers about industry sponsored financial education programs and events. The FISF proposed technical assistance

[155] See FCP Regulation, Article 14 (1)
[156] Ibid, Article 14 (2)

	on the development of a national financial literacy website could support OJK in this task by researching, explaining and applying lessons learned from other countries' financial literacy websites. Consumer surveys, testing and program evaluation should be utilized extensively as a way to make disclosures, consumer protection rules and financial capability programs more effective.
Good Practice G.5	***Measuring the Impact of Financial Capability Initiatives*** **a. The financial capability of consumers should be measured, amongst other things, by broadly-based household surveys and mystery shopping trips that are repeated from time to time.** **b. The effectiveness of key financial capability initiatives should be evaluated by the relevant authorities or institutions from time to time.**
Description	*Paragraph (a)* Both Bank Indonesia and OJK have recently conducted broadly-based consumer surveys, although evidence of mystery shopping trips is lacking. Specifically, Bank Indonesia conducted a financial literacy survey in 2012 and found, among many other things, that Indonesians' level of financial literacy correlated with gender, age, level of income, geography and level of general education. For its part, OJK conducted a survey in 2013 of over 8,000 consumers spread across 20 provinces and determined both the level of consumer knowledge and utilization of six different types of financial products: banking, insurance, finance (credit), pensions, capital markets and pawnshops. The survey found that for most types of financial products, Indonesian adults had a low amount of knowledge and utilization. Specifically: • Banking: 21.8% of respondents believed they were literate on banking products and services while 42.7% reported using banking products and services; • Insurance: 17.8% of respondents believed they were literate on insurance products and services while 11.8% reported using insurance products and services; • Multi-finance: 9.8% of respondents believed they were literate on multi-finance products and services while 6.3% reported using multi-finance products and services; • Pension: 7.13% of respondents believed they were literate on pension products and services while 1.5% reported using pension products and services; • Securities: 3.8% of respondents believed they were literate on securities products and services while 0.1% reported using securities products and services; • Pawnshop: 14.9% of respondents believed they were literate on pawnshop products and services while 5.0% reported using pawnshop products and services. The results from both of these consumer surveys, if shared with program developers, can greatly assist financial capability efforts. Neither BI nor OJK presented information regarding mystery shopping.

	Paragraph (b) Neither Bank Indonesia nor OJK have made a regular practice of conducting program evaluations on the programs they field. Some programs from BI, including its school based module, have been subject to limited program evaluation, but evidence of widespread program evaluation has not been forthcoming.
Recommendation	Widespread sharing of consumer financial literacy data by regulators would significantly improve future financial literacy efforts. With better data, program funders and developers could do a better job of allocating resources, setting priorities and designing educational interventions to achieve a particular discrete goal with a specific population segment. Use of a mystery shopping approach would also help regulators spot situations where consumers are likely to be victimized. Program evaluations should be made a regular part of all present and future financial literacy programs. Proper data collection and analysis permits program funders and developers to determine if a certain educational intervention is having a positive effect. If the program is not effective, the data can diagnosis the exact weakness and make program enhancement more likely. If the program is having a positive effect, the program evaluation will give funders the confidence to take the program to scale so as to increase its reach and impact. The monitoring and evaluation activities recommended under the World Bank-led Financial Inclusion Support Framework (FISF) speak directly to this need and offer assistance in data collection and analysis. Specifically, the FISF proposal recommends technical assistance on developing key performance indicators for financial inclusion and financial literacy and in creating a monitoring and evaluation framework. Additionally, the FISF proposal suggests capacity building in collecting data for a variety of financial inclusion interventions.

SECTION H	**COMPETITION AND CONSUMER PROTECTION**
Good Practice H.1	***Regulatory Policy and Competition Policy*** **Regulators and competition authorities should be required to consult one another for the purpose of ensuring the establishment, application and enforcement of consistent policies regarding the regulation of financial services.**
Description	There is nothing in the law of Indonesia that requires BI or OJK and the competition authority, namely the Business Competition Supervisory Commission (KPPU) to ensure the application of this Good Practice. Although the Banking Law itself makes no reference to competition, as such, the Elucidation of its Article 16 paragraph (2) dealing with requirements to be granted a banking license states, in part, that BI is to "*take into account the degree of healthy competition among*

	Banks, the degree of Bank density within certain area, and the distribution of national economic development".[157] It is unclear, however, on what basis this is to be accomplished and there is no requirement for cooperation with KPPU. However a Memorandum of Understanding between KPPU and OJK in the final stages of being negotiated. It is to deal with the consultations designed to ensure that consistent financial services policies are established, applied and enforced.
Recommendation	As of 2014, OKJ and KPPU should coordinate in establishing, applying and enforcing consistent policies to ensure a consistently high level of competition in the delivery of all banking services to Indonesians. For this purpose, it would be helpful to finalize the abovementioned Memorandum of Understanding as a matter of urgency.
Good Practice H.2	***Review of Competition*** **Given the significance of retail banking to the economy as a whole and to the welfare of consumers, competition authorities should:** **(i) monitor competition in retail banking;** **(ii) conduct, and publish for general consumption, periodic assessments of competition in retail banking (such as the range of interest rates across banks for specific products); and** **(iii) make recommendations publicly available on enhancing competition in retail banking.**
Description	While KPPU has carried out and published numerous studies dealing with matters of competition,[158] it has not carried out any of the matters referred to in this Good Practice.
Recommendation	KPPU should be staffed, equipped and funded so as to permit it to implement this Good Practice.[159]
Good Practice H.3	***Impact of Competition Policy on Consumer Protection*** **The competition authority and the regulator should evaluate the impact of competition policies on consumer welfare, especially regarding any limitations on customer choice and collusion regarding interest and other charges and fees.**
Description	To date, no evaluations of any kind have been made by KPPU on its own (or in conjunction with either BI or the MoT) of the impact of Indonesia's competition policies on the welfare of consumers of banking services.
Recommendation	In the medium to long-term, KPPU and OJK should adopt and carry out this Good Practice.

[157] See also the Elucidation of Article 18, paragraph (4) of the Banking Act to the same effect. Articles 16 and 18 of the Banking Act will transfer to OJK as of 1 January 2014.
[158] These include booklets on such general matters as price fixing and vertical integration.
[159] The Banking Enquiry of the Competition Commission of South Africa provides an example of the way in which such assessments have been conducted, as well as of the sorts of recommendations that have been made as a result. See: http://www.compcom.co.za/enquiry-in-to-banking

CONSUMER PROTECTION IN THE SECURITIES SECTOR

Overview

The government of Indonesia and major market institutions are very intent on increasing the use of the capital markets as a means of providing finance for businesses in Indonesia and as a source of asset accumulation for retail investors. The Indonesia Stock Exchange (IDX) has established representatives in 17 of the 34 provinces of Indonesia to provide information to businesses and investors on the benefits of using the capital markets to raise capital and invest money. Overall, there is a dynamic movement in the industry to provide the infrastructure for a sound and robust capital market.

The securities market has generally recovered from the crisis of 2008. Market capitalization has risen from approximately USD 98.76 billion in 2008 to approximately USD 396.77 billion in 2012.

Table 6. Stock market capitalization as % of GDP (in current USD)

Year	2012	2011	2010	2009	2008
Capitalization	396,772,107,424	390,106,865,178	360,388,099,886	178,190,945,564	98,760,599,266
% of GDP	45.2%	46.1%	50.8%	33%	19.4%
GDP	878,192,879,854	846,483,465,279	709,266,023,255	539,579,959,053	510,244,548,960

Source: World Bank Indicators

However, the number of equity issuers has only risen from 396 in 2008 to 459 in 2012. Private debt securities have risen from 211 issues in 2008 to 349 in 2012.

Table 7. Shares and Bonds Listed on the IDX

Instrument	2012	2011	2010	2009	2008
Listed Equities	459	440	420	398	396
Debt Securities, Sukuk and ABS	349	299	245	235	211
SBN (Government Bonds and Sharia)	92	106	81	79	70

Source: IDX Annual Report 2012, 2011

The number of securities accounts has increased from 302,447 in 2008 to 359,333 in 2012. However, this does not necessarily reflect the number of retail investors since it includes duplicate, dormant and institutional accounts. The number of investment fund accounts has risen from 352,429 in 2008 to 515,714 in 2012. Since the vast majority of investment fund accounts are held by retail investors, this is a good approximation of the number of retail investors in investment funds.

Table 8. Number of Account Holders of Securities and Mutual Funds

Year	Central Depository Securities Sub Accounts	Investment Fund Accounts
2008	302,447	352,429
2009	375,239	357,192
2010	321,521	353,704
2011	365,651	476,940
2012	359,333	515,714

Source: OJK 2013; Indonesian Central Securities Depository Annual Report 2008, 2009, 2010, 2011, 2012

Article 30(1) of the Capital Market Law requires that all securities companies be registered with OJK which includes by definition broker/dealers, underwriters and investment managers. Sales representatives of broker-dealers must also be registered with OJK under Rule No. V.B.1. the number of broker-dealers has stayed relatively constant in recent years consisting of 158 in 2008 and 146 in 2011.

Table 9. Total Number of Entities Registered to Act as Securities Companies, Broker-Dealers, Underwriters and Investment Advisors

Year	Securities Companies* Total	BD	U	BD + U	IA
2008	158	65	20	73	7
2009	157	65	20	72	8
2010	157	66	20	71	8
2011	146	55	20	71	8
2012	139	47	17	75	7

Source: OJK 2013; BAPEPAM-LK Annual Report 2011, press release 2012
BD = Broker Dealers; U=Underwriters; IA= Investment Advisors
*includes broker-dealers, underwriters, and investment managers

Notwithstanding the fact that the number of broker-dealers and underwriters has declined, the number of licensed representatives has increased dramatically from 6,258 in 2008 to 8,727 in 2012. This indicates that the level of interest in the securities markets has increased, even though the markets have not been able to absorb more broker-dealers.

Table 10. Total Number of Licensed Representatives of Broker-Dealers and Underwriters

Year	Broker-Dealers	Underwriters	Broker-Dealers and Underwriters Total
2008	4,617	1,641	6,258
2009	5,097	1,681	6,778
2010	5,589	1,718	7,307
2011	6,341	1,773	8,114
2012	6.894	1.833	8.727

Source: OJK 2013

The number of open-end investment funds has also increased in the last five years. The number of funds has almost doubled and the net asset value (NAV) has more than tripled in five years.

Table 11. Total Number of Investment Funds

Type of Fund	2012 #of Funds	2012 NAV*	2011 #of Funds	2011 NAV	2010 #of Funds	2010 NAV	2009 #of Funds	2009 NAV	2008 #of Funds	2008 NAV
Equity	110	72.55	90	63.81	73	38.31	73	38.31	67	20.38
Fixed Income	129	35.34	117	29.6	131	18.55	131	18.55	141	11
Mixed/Balanced	115	24.62	105	25.77	117	16.06	117	16.06	112	10.19
Capital Protected	338	42.18	333	43.95	256	35.27	256	35.27	214	29.36
Index	5	.93	2	.37	2	.29	2	.29	2	.10
ETF	3	1.57	2	.57	2	.67	2	.67	2	.73
Money Market	33	12.35	29	9.83	26	5.22	26	5.22	29	2.3

Source: OJK 2013, includes Sharia Funds - *Total NAV (in IDR trillions)

Investment Managers are regulated under the Capital Market Law and can sponsor non-corporate open-ended investment funds. Investment managers can sell their funds directly or they can contract with an Investment Fund Selling Agent to sell investment funds. The Investment Fund Selling Agent must register with OJK under Rule No. V.B.3. The number of investment managers has declined slightly from 77 in 2008 to 73 in 2012, while investment fund selling agents have declined from 27 in 2008 to 22 in 2012.

Table 12. Total Number of Registered Investment Managers and Investment Fund Selling Agents

Year	2012	2011	2010	2009	2008
Investment Managers	73	82	83	93	77
Investment Fund Selling Agent	22	21	21	26	27

Source: OJK 2013

Under Article 32 of the Capital Market Law, sales representatives of Investment Managers who sell investment funds and under Rule V.B.2 sales representatives of an Investment Fund Selling Agent must be registered with OJK. This allows OJK to determine the qualifications of sales people and provides for a clear line of authority for their oversight and supervision. In order to obtain the registration, Rule No. V.B.1 provides that the representatives of investment managers, broker-dealers and underwriters must pass a competency examination. Rule No. V.B.2 (2) provides that representatives of investment fund sales agents must also pass a competence examination.

Table 13. Number of Licensed Natural Persons Acting as Representatives of Investment Funds and Investment Fund Selling Agents

Year	Investment Funds	Investment Fund Selling Agents
2008	1,783	18,495
2009	1,831	21,152
2010	1,874	23,327
2011	2009	13,742
2012	2279	16,128

Source: OJK 2013

Comparison with Good Practices

SECTION A	INVESTOR PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide for clear rules on investor protection in the area of securities markets products and services, and there should be adequate institutional arrangements for the implementation and enforcement of investor protection rules.** **a. There should be specific legal provisions that create an effective regime for the protection of investors in securities.** **b. There should be a governmental agency responsible for data collection and analysis (including complaints, disputes and inquiries) and for the oversight and enforcement of investor protection laws and regulations.**
Description	*Paragraph (a)* The OJK Law provides for a framework for the effective protection of investors in securities. Article 28 of the OJK Law gives OJK the power to take any measures to protect consumers and the public. The FCP Regulation provides for a framework for the protection of investors in the capital markets. Together with the previously promulgated regulations to implement the Capital Market Law, this regulation provides for an effective regime for the protection of investors in securities. As discussed in more detail below, the laws and regulations provide for the registration and supervision of the market participants and their sales people who deal with retail investors. Rules on disclosure and sales practices are in place and the sales representatives must pass examinations regarding these rules in order to obtain a license from OJK. However, the previously promulgated regulations appear to have been issued piecemeal to address particular issues that had come up in the market for specific sectors of the market. For example: • Investment fund selling agents are required to provide prospective customers with a brochure which explains the investment fund in a simple manner, in addition to the longer and more complicated prospectus of the fund. This brochure is generally known as a Key Facts Statement. However, this requirement is not made applicable to broker-dealers or mutual fund employees that sell mutual funds. • There is not an overall requirement for the disclosure of entities that can have an impact on an investor's account. For example, investment managers and custodians of investment funds must disclose affiliated persons, but this does not cover all relevant entities. Advisors and asset managers must disclose the authors of stock market reports and analyses, but broker-dealers are not required to do so. Article 23 of the FCP Regulation will require the disclosure of any conflicts or potential conflicts, but this does not cover all entities that can have an impact on a securities account.

Paragraph (b)

OJK is responsible for oversight and enforcement of investor protection laws and regulations and as part of that responsibility collects data on complaints and disputes (See Table 15).

Table 14. Supervision Actions Related to Capital Market Law and Regulations

Supervisory Actions	2012	2011	2010	2009	2008
Complaints	n/a	243	67	346	106
Resolved	n/a	195	7	n/a	n/a
On-going	n/a	48	3	n/a	13
Supervision and Audits					
Broker-Dealer and Underwriter	n/a	146	157	157	n/a
Investment Manager	n/a	26	28	17	n/a
Investment Fund Sales Agent	n/a	17	21	70 (offices)	n/a
Investment Funds	n/a	291	206	67	n/a
Custodian Banks	n/a	4	1	10	n/a
ABS Collective Investment	n/a	1	2	0 (new product)	Not authorized in 2008
Investment Advisor	n/a	1	0	0	n/a

Source: BAPEPAM LK Annual Report 2008

Recommendation	The regulations in the area of the capital markets should be synchronized and harmonized so that there is uniformity in regulatory requirements for all market participants performing the same function.
Good Practice A.2	***Code of Conduct for Securities Intermediaries, Investment Advisers and Collective Investment Undertakings*** **a. Securities intermediaries, investment advisers and CIUs should have a voluntary code of conduct.** **b. If such a code of conduct exists, securities intermediaries, investment advisers and CIUs should publicize the code to the general public through appropriate means.** **c. Securities Intermediaries, Investment Advisers and CIUs should comply with the code and an appropriate mechanism should be in place to provide incentives to comply with the code.**
Description	There are no industry based Codes as contemplated by this Good Practice. *Paragraph (a)*

	There are no voluntary codes of conduct for securities intermediaries, investment advisers and CIUs in Indonesia. However, Article 30(2) of the FCP Regulation provides that the officers and employees of a financial service provider must abide by the Code of Conduct issued by the individual financial services provider with whom they are employed. In addition, Section 35 of the Capital Market Law sets forth a Code of Conduct for securities companies and investment advisors. Relevant statutory provisions and regulations are not so much a set of principles of good behavior, as a series of prohibitions against egregious behavior. The codes of conduct that exist in the Capital Market Law are based in the regulations of the BAPEPAM LK which are now administered by the OJK.[160] In addition, Article 35, Code of Conduct, of the Capital Market Law also provides for a series of prohibitions regarding the conduct of broker-dealers and investment managers. An affirmative framework for good conduct of market participants is sorely missing from the regulatory framework. The various market participants in the capital markets in Indonesia have however established a number of associations to advance the interests of the participants, such as the Association of Indonesian Securities Companies and the Association of Investment Fund Managers. In discussions with the mission team, numerous market participants indicated that that the associations have considered developing a framework for ethics for their members in the form of a Code of Conduct and that a Code or series of Codes would be helpful to guide sales people and market participants in their conduct. *Paragraph (b)* There is no provision in the law requiring that codes be publicized to the general public. *Paragraph (c)* There are no incentives for compliance other than that failure to comply could subject the financial service provider to sanctions from OJK.
Recommendation	A strong framework for ethical conduct in the securities sector, such as a Code of Conduct, should be developed in Indonesia by the industry associations and market participants. This Code would cover, among other things, the responsibility of the members to act in the highest ethical manner towards clients, to have sufficient resources to maintain their capacity and infrastructure at a level to meet client and regulatory demands, to have the IT capacity to maintain the confidentiality of client information, to engage with civil society as good corporate citizens, and to conduct their internal affairs with adherence to the highest levels of corporate governance. This Code could be given to new and existing customers of capital markets institutions as one means of developing the trust of investors in the market. This Code would be in addition to statutory

[160] (1) V.E. 1 Code of Conduct for Securities Companies Acting as Broker-Dealers, (2) V.B.4 Code of Conduct for Investment Fund Selling Agent, (3) Prohibited Investment Manager Conduct, and (4) V.H.1 Prohibited Investment Advisor Conduct.

	provisions for conduct and, by obtaining the participation of the industry in the development of the Code, there will be additional "by-in" for the Code. OJK and the MC could also usefully develop guidance on the principles and minimum content of industry Codes of Conduct, including for the secturities sector as well as other sectors. Other countries have adopted codes of the type contemplated by this Good Practice. Examples inlcude France where the industry association for asset managment developed a Code of Ethics for Collective Investments and Australia where the Stock Brokers Association of Australia developed a Code of Ethical Conduct. Many of these codes in other countries are mandated by law, but the industry association or individual market participants are allowed to develop a code within a certain set of minimum requirements. In other countries, the associations develop the codes as part of their responsibility for establishing and maintaining the highest standard of conduct for their members.
Good Practice A.3	***Other Institutional Arrangements*** **a. The judicial system should provide an efficient and trusted venue for the enforcement of laws and regulations on investor protection.** **b. The media should play an active role in promoting investor protection.** **c. The private sector, including voluntary investor protection organizations, industry associations and, where permitted, self-regulatory organizations should play an active role in promoting investor protection.**
Description	Although the legal system is not an efficient or trusted venue for retail securities investors, the other aspects of this Good Practice are largely satisfied. *Paragraph (a)* The legal system is used for large securities litigation and is a trusted venue in those cases. However, due to the length of time, cost, and inexperience of courts in dealing with capital market issues, it is not an efficient or trusted venue for retail securities investors. *Paragraph (b)* Based on discussions with the market participants, the financial media in Indonesia actively deals with stock market issues. They do this by publicizing the financial issues and on-going litigation and by conducting analyses of the capital market. *Paragraph (c)* The industry associations participate in investor education and protection activities with the stock exchange and OJK. For example, during January-December 2012, the IDX established 19 new IDX Corners at various higher educational institutions throughout Indonesia, to provide more information to students and faculty about the stock market - 70 IDX Corners were established as of December 2011. For each IDX Corner, IDX provided Capital Market Schools, stock trading simulations, capital market workshops and capital market

	competitions. In commemorating the 34th anniversary of Indonesia's capital market reactivation, IDX in association with Bapepam-LK, KPEI and KSEI held a series of education activities regarding capital market at campuses. The activity, called 'Roadshow Campus to Campus', aimed to introduce and improve current knowledge on Indonesian capital markets to students and communities around campuses. In 2013, the IDX hosted a number of training seminars for journalists in the provinces.
Recommendation	No recommendation, but see the Good Practice E.2 recommendation for the establishment of publicly funded, independent arbitration boards to handle small customer complaints.
Good Practice A.4	***Licensing*** **a. All legal entities or physical persons that, for the purpose of investment in financial instruments, solicit funds from the public should be obliged to obtain a license from the supervisory authority.** **b. Legal entities or physical persons that give investment advice and hold customer assets should be licensed by the securities supervisory authority.** **c. If a jurisdiction does not require licensing for legal entities or physical persons that give only investment advice, such persons should be supervised by an industry association or self-regulatory organization and the anti-fraud provisions of the securities laws or other consumer laws should apply to the activity of such persons.**
Description	Indonesia has a comprehensive system for licensing capital market participants and professionals who work in the area. *Paragraph (a)* As described below, there are various relevant licensing requirements in Indonesia. Article 30(1) of the Capital Market Law requires that all securities companies be registered with OJK, including broker/dealers. Sales representatives of broker-dealers must also be registered with OJK under Rule No. V.B.1. Investment managers are also considered securities companies in the Capital Market Law. Sales representatives of investment managers who sell mutual funds must also be registered with OJK under Rule No. V.B.1. Investment managers can also contract with an Investment Fund Selling Agent to sell investment funds and the Investment Fund Selling Agent must register with OJK under Rule No. V.B.3. Sales representatives of an Investment Fund Selling Agent must also be registered with OJK under Rule No. V.B.2. Under Article 18 of the Capital Market Law, investment funds organized as companies must obtain registration from OJK and investment funds organized as contractual entities must be managed by an investment manager that is registered with OJK.

	Paragraph (b) Article 34 of the Capital Market Law requires that investment advisors be registered with OJK. Rule V.C.1 of OJK provides for the requirements and procedures for the registration of investment advisors. *Paragraph (c)* Not applicable
Recommendation	No recommendations.

SECTION B	**DISCLOSURE AND SALES PRACTICES**
Good Practice B.1	***General Practices*** **There should be disclosure principles that cover an investor's relationship with a person offering to buy or sell securities, buying or selling securities, or providing investment advice, in all three stages of such relationship: pre-sale, point of sale, and post-sale.** **a. The information available and provided to an investor should inform the investor of:** **(i) the choice of accounts, products and services;** **(ii) the characteristics of each type of account, product or service;** **(iii) the risks and consequences of purchasing each type of account, product or service;** **(iv) the risks and consequences of using leverage, often called margin, in purchasing or selling securities or other financial products; and** **(v) the specific risks of investing in derivative products, such as options and futures.** **b. A securities intermediary, investment adviser or CIU should be legally responsible for all statements made in marketing and sales materials related to its products.** **c. A natural or legal person acting as the representative or tied-agent of a securities intermediary, investment adviser or CIU should disclose to an investor whether the person is licensed to act as such a representative and who licenses the person.** **d. If a securities intermediary, investment adviser or CIU delegates or outsources any of its functions or activities to another legal entity or physical person, such delegation or outsourcing should be fully disclosed to the investor, including whether the person to whom such function or activity is delegated is licensed to act in such capacity and who licenses the person.**
Description	The requirements of this Good Practice are largely met. *Paragraph (a)*

	Generally, the capital market law and regulations provide for an adequate level of disclosure to new clients regarding the services for which they are contracting. Specifically, in relation to each of the sub-paragraphs in paragraph (a): (i) There is no requirement that a broker-dealer of investment manager inform the customer of all products and services available. (ii) Rule V.G.1 (6) requires an Investment Manager to disclose the characteristics and costs of the services it is providing. (iii) Article 11(2) of FCP Regulation provides that all benefits and risks must be disclosed prior to signing any document or agreement by the investor. Rule V.B.4 provides that Investment Fund Selling Agents must inform potential customers of the risks inherent in each investment fund they are selling to the client. (iv) Regulation V.D.6 provides for the conditions that must be met by the broker and client before margin can be used in an account. In addition, it requires that extensive risk disclosures be made in the margin agreement. (v) Regulation III.E.1 provides that before a customer enter into a stock option contract or futures index contract they must provide written approval to enter into the contract stating that they understand all the risks. There is no requirement as to the specific risk disclosures that must be made by a broker. *Paragraph (b)* There are various provisions providing for responsibility in relation to statements in marketing and sales materials. Article 29 of the FCP Regulation provides that a financial services provider should be responsible for all losses arising from faults and failures of its officers, employees and third parties in its employment. Article 30(3) reiterates this as to any actions of third party acting for the financial services provider. Rule No. V.B.4 (3) provides that an Investment Fund Selling Agent is responsible for all activities of its representatives related to selling an investment fund. *Paragraph (c)* The rules relating to disclosure of licensing / registration status are incomplete. Article 20(2) provides that when the services are offered by an individual then the individual must state that they are registered with OJK. However, there is no requirement that a sales agent disclose that he or she is licensed as a representative. *Paragraph (d)* There is a requirement for disclosure of the person who has prepared a report for an investment advisor. Rule V.H.1 (4) requires an investment advisor to disclose the identity of all persons who have prepared a report or recommendation if that person is someone other than the investment advisor.
Recommendation	OJK may want to consider requiring a sales agent who operates off-site to disclose their registration status. Although risk disclosure for options and index futures is covered under general risk disclosure requirements, OJK may want to consider issuing specific risk disclosures for derivatives.

Good Practice B.2	***Terms and Conditions*** **a. Before commencing a relationship with an investor, a securities intermediary, investment adviser or CIU should provide the investor with a copy of its general terms and conditions, as well as any terms and conditions that apply to the particular account.** **b. The terms and conditions should always be in a font size and spacing that facilitates easy reading.** **c. The terms and conditions should disclose:** **(i) details of the general charges;** **(ii) the complaints procedure;** **(iii) information about any compensation scheme that the securities intermediary or CIU is a member of, and an outline of the action and remedies which the investor may take in the event of default by the securities intermediary or CIU;** **(iv) the methods of computing interest rates paid or charged;** **(v) any relevant non-interest charges or fees related to the product;** **(vi) any service charges;** **(vii) the details of the terms of any leverage or margin being offered to the client and how the leverage functions;** **(viii) any restrictions on account transfers; and** **(ix) the procedures for closing an account.**
Description	The regulations of OJK generally provide for a thorough disclosure of the terms and conditions of contracts with capital market participants. *Paragraph (a)* There is a requirement for disclosure of services and products to be provided. Article 8 of FCP Regulation provides that a financial service provider must provide potential investors with a concise statement of services and products. *Paragraph (b)* There are applicable requirements for clarity, readability and format. Article 7 of FCP Regulation provides that a financial services provider must use plain terms and words that are readily understandable by investors. These terms must be in clearly readable words, symbols, and diagrams under Article 7(3). *Paragraph (c)* There are various applicable requirements as to the content of terms and conditions. Article 8 of FCP Regulation provides that the concise statement of products and services should include all terms and conditions. The position in relation to the sub-paragraphs of this paragraph (c) is as follows: (i) Article 10(1) and 11(2) of FCP Regulation provides that the financial service provider must provide information on all costs to the investor in detail.

	(ii) Article 11(2) of FCP Regulation provides that the complaints procedure of OJK must be disclosed prior to entering into a contract with an investor. Further, Article 32(2) of FCP Regulation requires that financial service providers must provide customers with information regarding the complaints handling and redress mechanism. (iii) Since this scheme was just commenced in September, 2013, it hasn't been integrated into the regulations. For more details on the scheme see Section F.1.B below. (iv) There is nothing in the regulations relating to computing interest rates. (v) Article 10(1) and 11(2) of FCP Regulation provides that the financial service provider must provide information on all costs to the investor. (vi) Article 10(1) and 11(2) of FCP Regulation provides that the financial service provider must provide information on all costs to the investor. (vii) Regulation V.D.6 provides for the conditions that must be met by the broker and client before margin can be used in an account. In addition, it requires that extensive risk disclosures be made in the margin agreement. (viii) There are no specific provisions for account transfers (when an account is closed the cash is wired to the specified account. (ix) There are no restrictions on closing an account other than that, closure of investment funds must be completed in seven days. Regulation IV.B.1 (28).
Recommendation	The regulations should be amended to provide for disclosure of the method by which margin interest rates are calculated and deducted from the account.
Good Practice B.3	***Professional Competence*** **Regulators should establish and administer minimum competency requirements for the sales staff of securities intermediaries, investment advisers and CIUs, and collaborate with industry associations where appropriate.**
Description	Article 32 of the Capital Markets Law provides that representatives of broker-dealers and investment managers must be registered with OJK and provides for minimum competency requirements. In order to obtain the registration, Rule No. V.B.1 provides that the representatives must pass a competency examination. Rule No. V.B.2 (2) provides that representatives of investment fund sales agents must also have passed a competence examination. Under Article 34, investment advisors must also be registered. Rule No. V.C.1. (2) provides that, for an investment advisor in corporate form, the application must show that it has a person who is registered as a representative of an asset manager. An individual investment advisor must also be registered as a representative of an investment manager under Rule No. V.C.1 and must have passed relevant examinations for that position. The examinations are administered by the Committee for Capital Market Professional Standards which was been established by the Association of Indonesian Broker-Dealer Representatives, Association of Indonesian Underwriter Representatives and Association of Indonesian Investment Manager Representatives and are approved by OJK.

Recommendation	No recommendations.
Good Practice B.4	***Know Your Customer (KYC)*** **Before providing a product or service to an investor, a securities intermediary, adviser or CIU should obtain, record and retain sufficient information to enable it to form a professional view of the investor's background, financial condition, investment experience and attitude toward risk in order to enable it to provide a recommendation, product or service appropriate to that investor.**
Description	There are extensive regulations regarding the obligation of capital market participants to obtain sufficient information regarding their customers so that they can provide services tailored to their customers' financial condition and investment profiles. Article 15 of the FCP Regulation provides that a financial service provider should provide services based on the class of the customer which is determined by a customer profile, income and occupation of the investor, investment objectives and other data. In addition, Article 36 of the Capital Markets Law provides that broker-dealers, investment managers and investment advisors must obtain information regarding the background, financial situation and investment objectives of their clients. Rule No. V.D.10 elaborates on the information that must be obtained. Rule No. IV.D.2 requires an investment fund manager to obtain information on a customer to determine the customer's risk profile to be used in determining the suitability of an investment. Rule No. V.B.4 (h) provides that an Investment Fund Selling Agent must obtain financial information on the customer and his risk profile before selling a fund to him for the first time.
Recommendation	No recommendations.
Good Practice B.5	***Suitability*** **A securities intermediary, investment adviser or CIU should ensure that, taking into account the facts disclosed by the investor and other relevant facts about that investor of which it is aware, any recommendation, product or service offered to the investor is suitable to that investor.**
Description	**Indonesia has general requirements that financial service providers should consider the condition of the client prior to making buy or sell recommendations, but the rules are not currently developed in detail.** Rule No. V.E.1 (2) and (8) provide that a broker-dealer and investment manager must consider the financial condition and objectives of a client before making buy or sell recommendations for securities. Rule No. V.b.4 (f) and (i) provide that an Investment Fund Selling Agent must take into account a customer's interest and suitability for investing in a fund before selling the fund to him and V.B.5 (e) forbids the recommendation of an unsuitable fund. Article 16 of the FCP Regulation provides that a financial services provider must

	consider the suitability of needs and capability of an investor for the investments and services being offered to the investor. However, the procedures for doing this are not developed. In addition, the rule does not take into account what actions are to be taken if a customer decides to ignore a warning of unsuitability.
Recommendation	Suitability rules should be developed in more detail. Relevant rules should include a requirement for a signed waiver by the client if a recommendation of non-suitability of an investment is ignored. This would require the client to reconsider the decision to invest in a non-suitable product and would provide protection to the securities company and sales representative.
Good Practice B.6	***Sales Practices*** **a. Legislation and regulations should contain clear rules on improper sales practices in the solicitation, sale and purchase of securities. Thus, securities intermediaries, investment advisers, CIUs and their sales representatives should:** **(i) Not use high-pressure sales tactics;** **(ii) Not engage in misrepresentations and half truths as to products being sold;** **(iii) Fully disclose the risks of investing in a financial product being sold;** **(iv) Not discount or disparage warnings or cautionary statements in written sales literature;** **(v) Not exclude or restrict, or seek to exclude or restrict, any legal liability or duty of care to an investor, except where permitted by applicable legislation.** **b. Legislation and regulations should provide sanctions for improper sales practices.** **c. The securities supervisory agency should have broad powers to investigate fraudulent schemes.**
Description	Generally, the Capital Market Law and regulations provide for clear rules on sales practices, sanctions and supervisory powers. *Paragraph (a)* The position in relation to the sub-paragraphs of paragraph (a) is as follows: (i) Article 35 (a) prohibits broker-dealers, investment managers and investment advisers from pressuring clients from acting in ways contrary to their interests. Article 19 of the FCP Regulation provides that a financial services provider is prohibited from offering products and/or services to an investor and/or the public through personal means of communication without consent of the investor. Moreover, Article 17 of FCP Regulation provides that financial service provider is prohibited from using a marketing strategy that harms an investor by taking advantage of his lack of an alternative to make an informed decision. Article 35 (a) of the Capital Market Law provides that securities companies and investment advisors are prohibited from influencing or pressuring clients to act in ways contrary to their interests. (ii) Article 35 (c) of the Capital Market Law provides that securities companies and investment advisors are prohibited from concealing material information from clients or making misrepresentations regarding their business capabilities or financial condition. Article 3 and Article 4(1) of the FCP Regulation provides that

all financial service providers are obligated to provide "accurate, honest, clear and not misleading" information to investors.

(iii) Rule V.B.4 provides that Investment Fund Selling Agents must inform potential customers of the risks inherent in each investment fund they are selling to the client. Article 11(2) of the FCP Regulation provides that all risks of investing in a financial product must be disclosed.

(iv) There is no provision as to disparagement in the existing law or the FCP Regulation.

(v) Article 22 of the FCP Regulation provides that in contracts of adhesion, a financial services provider cannot assign liability under the contract to the consumer for responsibilities or obligations of the financial service provider. There is nothing in the existing law to this effect

Paragraph (b)

The Capital Market Law, Article 102, gives OJK the right to impose administrative sanctions such as suspending and revoking licenses and fines. The Capital Markets Law also provides for criminal fines and imprisonment. OJK Law, Article 52, expands on the criminal penalties for violation of consumer protection provisions in the law and in Article 49(1) allows the civil investigators of OJK to have the powers of a criminal investigator.

Paragraph (c)

Under Article 9(c) of OJK Law, OJK has to authority to supervise, examine and investigate financial service institutions. In addition, Article 9(d)-(h) gives OJK authority to issue orders and administrative sanctions to financial service institutions. Further, Article 49 of OJK Law gives the civil servants of OJK broad criminal investigative powers to obtain documents, examine persons, conduct audits, conduct searches, freeze accounts and other legal mechanisms to further their investigation into possible criminal offenses and to protect investors (See Table 16).

Table 15. Enforcement Sanctions Related to Capital Market Law and Regulations

Type of Sanction	2012	2011	2010	2009	2008
Entities Receiving Fines	854	564	434	567	564
Fines (IDR 000s)	14,749,574	14,997,600	13,924,750	9,883,600	14,997,600
Written Admonition	85	48	63	19	48
Business Limitation	1	0	0	0	0
Suspension	8	13	5	7	13
Revocation	13	21	21	5	21

	Source: BAPEPAM LK Annual Report 2008, 2009, 2010, 2011 (as of this report 2012 had not been issued)
Recommendation	No recommendations.
Good Practice B.7	***Advertising and Sales Materials*** **a. All marketing and sales materials should be in plain language and understandable by the average investor.** **b. Securities intermediaries, investment advisers, CIUs and their sales representatives should ensure their advertising and sales materials and procedures do not mislead the customers.** **c. Securities intermediaries, investment advisers and CIUs should disclose in all advertising, including print, television and radio, the fact that they are regulated and by whom.**
Description	Indonesia has adequate regulations in place regarding the mandate that financial service providers use accurate and fair advertising. *Paragraph (a)* See Banking Sector Good Practice B.9 for a description of relevant provisions of the existing Consumer Law and the FCP Regulation provisions. *Paragraph (b)* There are various provisions concerning misleading information. Rule IV.D.1 provides that non-misleading information must be provided to investors in investment funds. Article 35 of the Capital Markets Law provides that broker-dealers, investment managers and investment advisers are prohibited from making misrepresentations or concealing material information. Article 3 and Article 4(1) of the FCP Regulation provide that all financial service providers are obligated to provide "accurate, honest, clear and not misleading" information to investors. *Paragraph (c)* There are adequate provisions for the disclosure of regulatory status. Article 20 of the FCP Regulation provides that all financial services providers must affix their name and logo on all promotional material and must state that they are registered with and under the supervision of OJK.
Recommendation	No recommendations.
Good Practice B.8	***Relationships and Conflicts*** **a. A securities intermediary, investment adviser or CIU should disclose to its clients all relationships that it has which impact on the client's account, such as banks, custodians, advisers or intermediaries which are used to maintain and manage the account.** **b. A securities intermediary, investment adviser or CIU should disclose all conflicts of interest that it has with the client and the manner in which the conflict is being managed.**
Description	Indonesia has a patch work of requirements for disclosure of related entities and conflicts, but a stronger and clearer rule needs to tie the various requirements together.

	Paragraph (a) There are limited rules requiring disclosure of relevant relationships. Regulation V.H.1 (4) requires an investment advisor and Regulation V.G.1 (7) requires an investment manager to disclose the identity of all persons who have prepared a report or recommendation if that person is someone other than the investment advisor. These are the only rules that require disclosure even though many capital market institutions rely on a network of experts and professional market participants who can have an impact on an investor's decision to invest and the performance of the investment. *Paragraph (b)* The rules relating to disclosure of conflicts of interest should be expanded. Article 23 of FCP Regulation provides that a financial service provider should disclose all conflicts of interests or potential conflicts to investors and provide information regarding the conflict. Rule V.H.1 (7) requires that all investment advisors disclose all conflicts of interest prior to rendering any services. Regulation IX.C.6 requires that the prospectus of an investment fund disclose all affiliated entities of an investment manager and custodian for the fund. However, affiliated persons in the Capital Market Law only refer to blood relations or entities that are control or are controlled by the primary person. Many entities that impact on a securities account are not affiliated persons. Moreover, it does not require such disclosure for Investment Fund Selling Agents or broker-dealers for the fund. Rule No. V.B.4 (6) provides for the segregation of activity within a custodian bank when the custodian bank also acts as an Investment Fund Selling Agent. Nonetheless, in Indonesia, investment fund sales agents are most often banks. The sale of a market based financial instrument in an institution that takes deposits and provides time deposits as a financial instrument can be very confusing to customers. Many customers do not distinguish between the instruments or understand the risks of a market based instrument. As a result, notwithstanding extensive disclosures as to the market risks of the investment funds, a degree of inadvertent mis-selling could occur.
Recommendation	*Paragraph (a)* OJK should implement a rule requiring the disclosure by a capital market participant of all entities that provide services that could have an impact on a customer's account and investment. *Paragraph (b)* Banks that sell investment funds should physically separate the sales activity from their banking activity. This can be done by placing the investment fund sales in a different, well marked room or, indeed, in an office in a separate building.

Good Practice B.9	***Specific Disclosures by CIUs*** **a. CIUs should disclose to prospective and existing investors:** **(i) the CIU's policies with regard to frequent trading and the risks to investors from such policies;** **(ii) any inducements that it receives to use particular intermediaries or other financial firms, such as "soft-money" arrangements; and** **(iii) a fair and honest description of the performance of the CIU's investments over several different periods of time that accurately reflect the CIU's performance.** **b. In addition, a CIU should provide a Key Facts Statement for each fund that it is offering to the client that succinctly explains the fund in clear language. Such document is in addition to any other disclosure documents required by law.**
Description	The disclosures for investment funds do not cover a number of significant modern problems facing investment funds and the rules need to be upgraded accordingly. *Paragraph (a)* (i) There are no provisions in existing law. (ii) There are no provisions in existing law. (iii) There are no provisions in existing law. *Paragraph (b)* Rule No. V.B.4 (b) provides that an investment fund sales agent must provide a brochure that describes the fund in clear terms to potential investment fund unit holders.
Recommendation	*Paragraph (a)* OJK should issue a regulation requiring disclosure of special arrangements with large or otherwise favored clients such as arrangements which permit frequent trading. In addition, any inducements from service providers should also be disclosed. *Paragraph (b)* OJK should publish a rule that investment funds should provide performance history over periods of given years, such as 3, 5 and 10 years. *Paragraph (c)* All entities that sell investment funds, not just investment fund sales agents, should provide a brochure or key facts statement that succinctly describes the major characteristics of the fund.
Good Practice B.10	***Specific Disclosures by Investment Advisers*** • **Investment advisers should disclose to prospective and existing clients:** **(i) whether the investment adviser is also registered in another**

	capacity and whether the adviser deals with the client's account in the second registered capacity; and **(ii) whether the financial instruments that the investment adviser is recommending are held in the adviser's own inventory or the inventory of a legal or natural person related to the adviser and will be bought from or sold to its own inventory or the inventory of a related party.** • **An investment adviser should provide prospective and existing clients with a Key Facts Statement for each product or service that is being offered or sold to the client that succinctly explains the product or service in clear language.**
Description	Although relevant disclosure requirements seem acceptable, there are no requirements for a Key Facts Statement as contemplated by this Good Practice. *Paragraph (a)* Disclosures from investment advisors appear generally to be acceptable. (i) There is no requirement of the type described in this Good Practice since investment advisors cannot have two registrations. (ii) Article 35 (d) of the Capital Markets Law provides that an investment advisor is prohibited from recommending that clients buy or sell securities, without revealing that the investment advisor has an interest in such securities. Rule X.F.3 requires an investment advisor to disclose any interest that the advisor has in securities that the advisor is recommending, as well as the advisor's policy related to interests in securities the advisor is recommending. *Paragraph (b)* There is no requirement for a Key Facts Statement from an investment advisor although an investment fund selling agent must provide one.
Recommendation	A Key Facts Statement should be required from investment advisors as well as investment fund selling agents.

SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Segregation of Funds*** **Funds of investors should be segregated from the funds of all other market participants.**
Description	**Indonesia has excellent regulations related to segregation of assets.** Article 37 of the Capital Markets Law provides that broker-dealers and investment management firms must register clients' assets in accounts separate from theirs and maintain secure facilities for keeping the assets.

	Rule No. V.D.4 provides for the details for segregation of assets for broker-dealers and asset managers. Article 25 of FCP Regulation states that a financial service provider must maintain the security of investors' deposits, funds and assets within its responsibility. Rule No. V.B.4 (6) provides for the segregation of activity within a custodian bank when the custodian bank also acts as an Investment Fund Selling Agent. Finally and most importantly, customer funds at the KPEI are segregated into sub-accounts as mandated by BAPEPAM LK in Regulation III.C.7 and are accessible by the investor.
Recommendation	No recommendations.
Good Practice C.2	***Contract Note*** **a. Investors should receive a detailed contract note from a securities intermediary or CIU confirming and containing the characteristics of each trade executed with them, or on their behalf.** **b. The contract note should disclose the commission received by the securities intermediary, CIU and their sales representatives, as well as the total expense ratio (expressed as total expenses as a percentage of total assets purchased).** **c. In addition, the contract note should indicate the trading venue where the transaction took place and whether (i) the intermediary for the transaction acted as a broker in the trade, (ii) the intermediary or CIU acted as the counterparty to its customer in the trade, or (iii) the trade was conducted internally in the intermediary between its clients.**
Description	Indonesian capital market regulations require that a contract note be given to a customer after a trade, but the contents of the note are not specified in the regulations. *Paragraph (a)* There are requirements for a confirmation of a trade but the required content is not specified. Rule No. V.E.1 (11) provides that a broker-dealer and asset manager must give the customer a confirmation of a trade before the end of the exchange day following the transaction. Rules VI.A.3 provides that the custodian should also provide a confirmation of a trade. The exact information to be contained on the confirmation is not described in either regulation. *Paragraph (b)* The exact information to be contained on the confirmation is not described in the Rule. *Paragraph (c)* The exact information to be contained on the confirmation is not described in the

	Rule.
Recommendation	OJK should amend Rules No. V.E.1 and VI.A.3 to require more detailed information as to the execution of an order in the confirmation, as contemplated by this Good Practice.
Good Practice C.3	***Statements*** **a. An investor should receive periodic, streamlined statements for each account with a securities intermediary or CIU, providing the complete details of account activity in an easy-to-read format.** **(i) Timely delivery of periodic securities and CIU statements pertaining to the accounts should be made.** **(ii) Investors should have a means to dispute the accuracy of the transactions recorded in the statement within a stipulated period.** **(iii) When an investor signs up for paperless statements, such statements should also be in an easy-to-read and readily understandable format.** **b. If a legal or natural person who provides only investment advice to customers also holds client assets, the client statements should be prepared by and sent from the custodian for the assets and not from the investment adviser.**
Description	Indonesia has some regulations on statements of customer accounts, but they are not well developed in terms of the procedure or the time periods in which they should be delivered. *Paragraph (a)* The requirements of this Good Practice are only met to a limited extent. Article 27 of the FCP Regulation requires that a financial service provider must provide investors with their balance positions and transactions and other aspects of their account in a manner and means under agreement with the investor. (i) Broker-dealer statements must be sent out monthly. Rule VI.A.3 (2)(b)(4). (ii) Although there is currently no formal provision for a dispute system as contemplated by this Good Practice, broker-dealer customers can dispute the custodian's statement of the customer's sub-account and the type of evidence that can be used is provided in Rule VI.A.3 (2)(d). (iii) There is no provision in the regulations for this Good Practice, although there do not seem to be any complaints in this area. *Paragraph (b)* There is no provision in the regulations for the practice contemplated in this Good Practice, since it is not permitted in Indonesia.
Recommendation	Although the CPFL team did not hear of any complaints in this area, OJK may want to consider a regulation that is more specific as to content and timing of the periodic statements for customers of investment funds and broker-dealers and the

	procedure for disputing the statements.
Good Practice C.4	***Prompt Payment and Transfer of Funds*** **When an investor requests the payment of funds in his or her account, or the transfer of funds and assets to another securities intermediary or CIU, the payment or transfer should be made promptly.**
Description	Investment fund payments must be made in 7 days. Rule IV.B.1 (28). Otherwise, brokerage accounts are settled within several days although there is no rule on this.
Recommendation	OJK may wish to consider including a provision in its rules which specifies required transfer times for funds and assets when a broker-dealer account is closed or a transfer request is made.
Good Practice C.5	***Investor Records*** **a. A securities intermediary, investment adviser or CIU should maintain up-to-date investor records containing at least the following:** **(i) a copy of all documents required for investor identification and profile;** **(ii) the investor's contact details;** **(iii) all contract notices and periodic statements provided to the investor;** **(iv) details of advice, products and services provided to the investor;** **(v) details of all information provided to the investor in relation to the advice, products and services provided to the investor;** **(vi) all correspondence with the investor;** **(vii) all documents or applications completed or signed by the investor;** **(viii) copies of all original documents submitted by the investor in support of an application for the provision of advice, products or services;** **(ix) all other information concerning the investor which the securities intermediary or CIU is required to keep by law;** **(x) all other information which the securities intermediary or CIU obtains regarding the investor.** **b. Details of individual transactions should be retained for a reasonable number of years after the date of the transaction. All other records required under a. to j. above should be retained for a reasonable number of years from the date the relationship with the investor ends. Investor records should be complete and readily accessible.**
Description	Generally, account record keeping rules are adequate, but there are some gaps. *Paragraph (a)* (i) Rule Number V.D.3 (5)(c) provides for the investor identification data that a broker-dealer or asset manager must keep. (ii) Rule Number V.D.3 (5)(c) provides that addresses, phone numbers and other contact information be maintained for broker-dealer and asset manager customers. (iii) Rule Number V.D.3 (17) provides that all transaction confirmations be

	maintained. There is no requirement that statements be maintained. (iv) Rule X.F.2 (3) provides that an investment advisor must maintain all records related recommendations, including any changes. (v) Rule X.F.2 (2) provides that an investment advisor must maintain records relating to its recommendations. (vi) No requirement in the regulations but industry practice appears to cover this Good Practice. (vii) Rule X.F.2 (1) provides that an investment advisor must maintain all contracts with a client. Rule Number V.D.3 (5) requires that all contracts with customers and supporting documents be maintained. (viii) Rule Number V.D.3 (5) requires that all contracts with customers and supporting documents be maintained. (ix) No specific provision in the capital market law. (x) No specific provision, but industry practice appears to cover this Good Practice. *Paragraph (b)* Rule No. V.D.3 (13) provides that all records and documents must be retained for at least 5 years.
Recommendation	Although industry practice appears to cover the practice of keeping the records of customers by securities companies and advisors, OJK may want to consider amending the record keeping rules to specifically require that all communications of any nature or any other documents related to a customer must be maintained for the requisite 5 years.

SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **Investors of a securities intermediary, investment adviser or CIU have a right to expect that their financial activities will remain private and not subject to unwarranted private and governmental scrutiny. The law should require that securities intermediaries, investment advisers and CIUs take sufficient steps to protect the confidentiality and security of a customer's information against any anticipated threats or hazards to the security or integrity of such information, and against unauthorized access to, or use of, customer information.**
Description	Client confidentiality is mandated by the Capital Market Law. Article 35(b) of the Capital Market Law and Article 4(e) of Rule V.B.4 provides that broker-dealers, investment managers and investment advisors are prohibited from disclosing client identities and business without written consent, unless required by law. Article 31 of the FCP Regulation provides that financial service providers are prohibited from providing data or information of its customers to third parties. However there is no provision in the regulation requiring a financial service provider to establish IT systems for protection of the information. On the other

	hand, Article 15 of the Electronic Transactions Regulation provides that the electronic system operator must ensure the secrecy, integrity and availability of personal data.
Recommendation	The securities laws and regulations should provide for requirements for IT systems to ensure the privacy and confidentiality of information.
Good Practice D.2	***Sharing Customer's Information*** **Securities intermediaries and CIUs should:** **(i) inform an investor of third-party dealings in which they are required to share information regarding the investor's account, such as legal enquiries by a credit bureau, unless the law provides otherwise;** **(ii) explain how they use and share an investor's personal information;** **(iii) allow an investor to stop or "opt out" of certain information sharing, such as selling or sharing account or personal information to outside companies that are not affiliated with them, for the purpose of telemarketing or direct mail marketing, and inform the investor of this option.**
Description	The requirements of this Good Practice are only met to a very limited extent. (i) Article 31(2) of the FCP Regulation provides that information can only be divulged if it is required by law or regulation or if the customer gives consent. There is no requirement that the investor be informed of the various laws and regulations that can require disclosure. Article 15 of the Electronic Transactions Regulation also provides that information can only be divulged with a customer's consent. There is no provision regarding sharing of information within a financial group. (ii) There is no requirement of an explanation as to how they use information. (iii) There are no provisions for "opting out" since consent is required for such information sharing. There is no provision regarding sharing of information within a financial group.
Recommendation	The regulations of OJK should include a provision regarding sharing of information within a financial group and how personal information is used within a financial group. New requirements to fill the other gaps in this Good Practice should also be considered.
Good Practice D.3	***Permitted Disclosures*** **a. If there are to be any specific procedures and exceptions concerning the release of customer financial records to government authorities, these procedures and exceptions should be stated in the law.** **b. The law should provide for penalties for breach of investor confidentiality.**
Description	Permitted disclosures are not set forth in detail in the Capital Market Law or regulations. *Paragraph (a)* The FCP Regulation only states that information can be disclosed if required by law, but does not state which laws may require it or what procedures or exceptions may exist.

	Paragraph (b) The Capital Market Law, Article 102, provides for administrative sanctions again a person who has violated Section 35(b).
Recommendation	*Paragraph (a)* The exceptions to release of customer financial records to governmental authorities should be stated in the law. *Paragraph (b)* The law should provide for criminal sanctions for violations of the customer data privacy provisions.

SECTION E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Dispute Settlement*** **a. An internal avenue for claim and dispute resolution practices within a securities intermediary, investment adviser or CIU should be required by the securities supervisory agency.** **b. Securities intermediaries, investment advisers and CIUs should provide designated employees available to investors for inquiries and complaints.** **c. Securities intermediaries, investment advisers and CIUs should inform their investors of the internal procedures on dispute resolution.** **d. The securities supervisory agency should provide oversight on whether securities intermediaries, registered investment advisers and CIUs comply with their internal procedures on investor protection rules.**
Description	There are no current regulations for internal dispute settlement. The provisions in OJK law that will come into effect in August 2014, and the Consumer Law, to some extent cover this area. *Paragraph (a)* Article 32 (1) of FCP Regulation provides that financial service providers must have a complaints procedure in place. In addition, Articles 47-50 provide that a financial services provider must have a system of internal controls and supervision to maintain compliance with its internal policies, reporting requirements and consumer protection rules and regulations and principles of OJK and OJK law. *Paragraph (b)* Article 36 (1) of FCP Regulation requires that each financial service provider create an internal unit for customer complaints and Article 36(3) provides that specific employees must be designated to handle and redress customer

	complaints. *Paragraph (c)* Article 32(2) of FCP Regulation requires that financial service providers must provide customers with information regarding the complaints handling and redress mechanism. *Paragraph (d)* Article 34(1) of FCP Regulation provides that financial service companies shall provide reports to OJK on their complaints and how they were handled and OJK shall supervise the activities of the financial service providers.
Recommendation	OJK should give consideration to reviewing and revising the FCP Regulation on the basis of each of the issues raised in Good Practice E.1 of the Banking Sector Good Practice.
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **There should be an independent dispute resolution system for resolving disputes that investors have with their securities intermediaries, investment advisers and CIUs.** **a. A system should be in place to allow investors to seek third-party recourse, such as an ombudsman or arbitration court, in the event the complaint with their securities intermediary, investment adviser or CIU is not resolved to their satisfaction in accordance with internal procedure, and it should be made known to the public.** **b. The independent dispute resolution system should be impartial and independent from the appointing authority and the industry.** **c. The decisions of the independent dispute resolution system should be binding on the securities intermediaries and CIUs. The mechanisms to ensure the enforcement of these decisions should be established and publicized.**
Description	Currently, an inexpensive venue for the resolution of small, retail investor disputes in Indonesia does not exist. *Paragraph (a)* There is a little used independent arbitration mechanism, the Indonesian Capital Markets Arbitration Board (BAPMI) that can be used as an independent resolution mechanism for capital market related disputes. Many customer agreements now contain a provision that any disputes between the customer and broker-dealer should be submitted to BAPMI. Few investors have done this and BAPMI has handled only 6 cases since 2008 (2 involving the management of funds, 2 involving margin, 1 involving a dispute between an investment fund sales agent and an investment manager and 1 involving a mediation regarding an exchange event organizer). All of the disputes were resolved by April 2013. Article 29 of the OJK Law provides that OJK should establish instruments and mechanisms to handle customer complaints. Articles 40-46 of the FCP Regulation provide for a mechanism whereby an investor can bring a dispute to OJK for

	facilitation of the dispute, but it cannot issue a binding opinion resolving the dispute. OJK is currently in the process of requiring the existing arbitration boards, such as BAPMI, to register with OJK and provide free dispute resolution for smaller investors. OJK foresees that the disputes will be resolved in the arbitration boards and it will oversee the process. However, it is unclear how this process at the arbitration boards will work and how the arbitrations of small disputes will be funded. *Paragraph (b)* The Indonesian Capital Markets Arbitration Board has members from the industry, but the arbiters are supposed to be independent of them. *Paragraph (c)* If the parties submit their dispute to the Indonesian Capital Markets Arbitration Board for resolution, then the decision of the Board is binding. The facilitation by OJK could end in an Agreement which is binding, Article 46 of FCP Regulation, but if no agreement is reached, under Article 46(2) the complainant will need to take the matter to BAPMI or the courts for a binding decision.
Recommendation	See the recommendations in Good Practice E.1 of the Banking Sector Good Practice.

SECTION F	**GUARANTEE SCHEMES AND INSOLVENCY**
Good Practice F.1	***Investor Protection*** **a. There should be clear provisions in the law to ensure that the regulatory authority can take prompt corrective action on a timely basis in the event of distress at a securities intermediary, investment adviser or CIU.** **b. The law on the investors' guarantee fund, if there is one, should be clear on the funds and financial instruments that are covered under the law.** **c. There should be an effective mechanism in place for the pay-out of funds and transfer of financial instruments by the guarantee fund or insolvency trustee in a timely manner.** **d. The legal provisions on the insolvency of securities intermediaries, investment advisers and CIUs should provide for expeditious, cost-effective and equitable provisions to enable the timely payment of funds and transfer of financial instruments to investors by the insolvency trustee of a securities intermediary or CIU.**
Description	The procedures for winding up a capital market participant by a statutory manager appointed by OJK and for making payouts by the new Indonesia Securities Investor Protection Fund (SIPF) are still in the process of being developed, although it is understood that OJK plans to do this. *Paragraph (a)* The procedures for taking action in relation to a securities market participant are not sufficiently deveoped. Under OJK Law, OJK can appoint a statutory manager

	for a market participant if it deems it necessary. However, it is not clear how this provision will interact with the provisions of the bankruptcy law for the unwinding of an insolvent company. In addition, the procedures and powers of such a statutory manager have not been developed. *Paragraph (b)* A new SIPF has been created and is in the process of being established.[161] The SIPF is to be originally funded by the IDX, KPEI and KSEI. The funding will increase in stages over the next several years, including membership fees and fees from the custodian holding SIPF's assets. The terms of the fund are clear that initially only securities held in sub-accounts at the KSEI are covered by the SIPF. In 2016, assets held in a client account opened by a Custodian at a bank may also qualify for coverage. In the event of a default of a broker, SIPF will pay the injured customers. *Paragraph (c)* The processes and basis for compensating investors by SIPF in the event of the failure of a market participant are still being developed. *Paragraph (d)* The processes and basis for compensating investors by the statutory manager in the event of the failure of an investment fund due to fraud, if one is appointed, are still being developed. In the event of a voluntary wind-up of a fund or on order of OJK, the provisions of Regulation IV.B.2 provide that investors shall be paid their proportionate amount in the fund within 7 days from the order of OJK to liquidate or the occurrence of the event triggering the liquidation. The practicality of such a quick payout has yet to be tested.
Recommendation	The procedures and capacity of the Investor Protection Fund should be developed to provide for an adequate means of customer protection. In addition, there should be development of rules, procedures and capacity of the statutory manager and the bankruptcy trustee for capital market participants to eliminate conflicts between the two. Insolvency rules should also be developed that are specifically tailored to meet the characteristics and business activity of a market participant. Further, full and effective powers should be developed for the entity overseeing the insolvency of a company in order to allow it to fully protect investor assets, promptly return the assets to investors and resolve creditor claims.

SECTION G	**CONSUMER EMPOWERMENT**
Good Practice G.1	***Broadly based Financial Capability Program*** **a. A broadly based program of financial education and information**

[161] It is understood the Securities Investor Protection Fund commenced operations on 1 January 2014.

	should be developed to increase the financial capability of the population. **b. A range of organizations–including government, state agencies and non-governmental organizations–should be involved in developing and implementing the financial capability program.** **c. The government should appoint an institution such as the central bank or a financial regulator to lead and coordinate the development and implementation of the national financial capability program.**
Description	The Indonesian Stock Exchange has taken a lead role in developing and distributing investor education programs across the country. While it does not keep records on the reach or impact of its programs, IDX regularly holds a number of educational programs at the stock exchange, at regional locations and on college campuses. Additionally, IDX has developed comic books and workbooks for youth which address basic financial issues like saving and entrepreneurship as well as more advanced topics like investing. Beyond these more traditional programs, IDX performs outreach in more creative ways such as through the organization of an investor club, educational seminars for journalists and by providing specialized programs for women through a memorandum of understanding with the Ministry of Women. For additional discussion, see Banking Sector Good Practice G.1 and the separate Financial Capability Report in Annex I.
Recommendation	The Indonesian Stock Exchange should keep records of its many outreach efforts and conduct regular program evaluations. By doing this, IDX could better assess which programs are the most impactful and focus its time, energy and other resources on those programs. Information from program evaluations may suggest that the IDX should narrow the breadth of its investor education offerings in favor of programmatic depth and educational soundness. For additional recommendations, see Banking Sector Good Practice G.1 and the separate Financial Capability Report in Annex I.
Good Practice G.2	***Using a Range of Initiatives and Channels, including the Mass Media*** **a. A range of initiatives should be undertaken to improve people's financial capability.** **b. This should include encouraging the mass media to provide financial education, information and guidance.**
Description	*Paragraph (a)* See Good Practice G.1 above. *Paragraph (b)* IDX reports that it holds special programs to educate journalists on investing topics. The hope is that journalists will use this knowledge to simplify complex topics for readers and make investing more accessible to a broader base of consumers.

	For additional discussion, see Banking Sector Good Practice G.1 and the separate Financial Capability Report in Annex I.
Recommendation	IDX should enhance its offerings for citizens and for journalists with more on-line materials so that program participants can practice or refer back to what they have learned in a live session. For additional recommendations, see Banking Sector Good Practice G.1 and the separate Financial Capability Report in Annex I.
Good Practice G.3	***Unbiased Information for Investors*** **a. Financial regulators should provide, via the internet and printed publications, independent information on the key features, benefits and risks—and where practicable the costs— of the main types of financial products and services.** **b. Non-governmental organizations should be encouraged to provide consumer awareness programs to the public regarding financial products and services.**
Description	*Paragraph (a)* See Good Practice G.3 of the Banking Section. *Paragraph (b)* See Good Practice G.1 above.
Recommendation	Other organizations (government and non-government), in addition to IDX, should develop quality investor education programs if Indonesia wishes to grow its base of domestic investors and avoid consumers falling prey to investment fraud. For additional recommendations, see Banking Sector Good Practice G.1 and the separate Financial Capability Report in Annex I.
Good Practice G.4	***Measuring the Impact of Financial Capability Initiatives*** **a. The financial capability of consumers should be measured through a broad-based household survey that is repeated from time to time.** **b. The effectiveness of key financial capability initiatives should be evaluated.**
Description	*Paragraph (a)* For additional discussion see Banking Sector Good Practice G.4. *Paragraph (b)* See Good Practice G.1 above. The Indonesian Stock Exchange does not keep records on the attendance or effectiveness of its programs.
Recommendation	Government regulators should continue to survey consumers' level of financial capability on a regular basis and include questions about investing and capital markets. IDX should begin to evaluate the effectiveness of its investor education programs. For additional recommendations see Banking Sector Good Practice G.4 the Financial Capability Report in Annex I.

CONSUMER PROTECTION IN THE INSURANCE SECTOR

Overview

The insurance industry in Indonesia is small but growing. The sector's total gross premium income increased by 16.3% from IDR 153.1 trillion (representing 2.06% of the GDP) in 2011 to IDR 178.07 trillion (2.13% of GDP) in 2012. Within the last four years, the average annual growth for gross premium was around 18.5% (see Table 1).

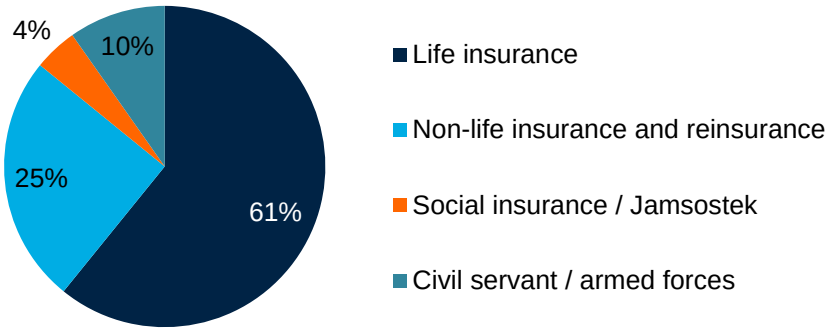
Table 16. GDP, Gross Premium and Assets Growth (2009-2012)

	2009		2010		2011		2012	
** In trillion IDR*	*Total**	*Growth*	*Total**	*Growth*	*Total**	*Growth*	*Total**	*Growth*
GDP	5,603.80	13.4%	6,422.90	14.4%	7,427.10	15.4%	8,241.90	11.0%
Gross Premium	106.45	17.9%	125.12	17.5%	153.13	22.4%	178.07	16.3%
– Life insurance	61.73	22.5%	75.54	22.4%	93.99	24.4%	108.33	15.2%
– Non-life and reinsurance	28.98	7.6%	32.05	10.6%	38.83%	21.2%	44.57	14.8%
– Social insurance / Jamsostek	5.10	17.6%	5.73	12.4%	6.75	17.8%	7.80	15.5%
– Civil servant / armed forces	10.63	22.7%	11.80	11.0%	13.54	14.8%	17.37	28.3%
Assets	320.89	31.7%	405.23	26.3%	481.75	18.9%	569.32	18.2%
– Life insurance	141.65	38.3%	188.46	33.0%	228.80	21.4%	269.25	17.7%
– Non-life insurance	38.13	15.0%	45.90	20.4%	54.67	19.1%	66.50	21.6%
– Reinsurance	2.03	25.3%	2.37	16.7%	3.21	35.4%	4.58	42.7%
– Social insurance / Jamsostek	87.49	31.3%	107.03	22.3%	121.93	13.9%	144.13	18.2%
– Civil servant / armed forces	51.59	29.7%	61.46	19.1%	73.14	19.0%	84.85	16.0%

Source: OJK (2013), Indonesian Insurance 2012

The insurance industry is dominated by the life insurance segment. Life insurance companies contributed to 61% of the sector's gross premium income, while the non-life and reinsurance segments represented 25% (see Figure 1).

Figure 1. Gross Premium Breakdown by Sector (2012)



Source: OJK (2013), Indonesian Insurance 2012

The market structure of the insurance industry is significantly diverse. As of the end of 2012, there were 398 companies operating in the insurance business in Indonesia (see Table 2), including:

- 140 insurance and reinsurance companies: 47 life insurance companies, 84 non-life insurance companies, 4 reinsurance companies, 2 companies administering social insurance and workers social security program, and 3 companies administering insurance for civil servants and armed forces/police.
- 258 insurance-related companies: 150 insurance brokers, 29 reinsurance brokers, 26 loss adjusters, 29 actuarial consultants, and 24 insurance agents.

Table 17. Insurance Market Structure (2009-2012)

	2009	2010	2011	2012
Registered Insurers	144	141	139	140
– Life Insurers	*46*	*45*	*45*	*47*
– General Insurers	*89*	*87*	*85*	*84*
– Professional Reinsurers	*4*	*4*	*4*	*4*
– Social Insurer and Jamsostek	*2*	*2*	*2*	*2*
– Civil Servant and Armed Forces Insurers	*3*	*3*	*3*	*3*
Insurance and Reinsurance Brokers	164	159	165	179
Loss Adjusters	28	27	27	26
Actuarial Consultants	29	28	29	29
Agent Companies	14	16	21	24

Source: OJK (2013), Indonesian Insurance 2012

Despite its diverse market structure, the insurance industry in Indonesia is highly concentrated. The life insurance market is highly concentrated with the top 10 insurers at year end 2012 representing 78.8% of total assets and 73.08% of premiums. The general insurance industry is also somewhat concentrated but less so with the top 10 general insurers representing 56.2% of total assets in 2012 and 48.42% of premiums (see Tables 3 and 4).

Table 18. Top 10 Insurance Companies by assets (2012)

Company		Total Assets (IDR million)	Market Share
Life Insurance		**260,273,763**	
1	PT Prudential Life Assurance	37,880,623	14.6%
2	PT Asuransi Jiwa Manulife Indonesia	30,614,309	11.8%
3	PT AIA Financial	25,523,318	9.8%
4	PT Asuransi Jiwa Sinar Mas MSIG	24,034,271	9.2%
5	Asuransi Jiwa Bersama Bumiputera 1912	23,469,657	9.0%
6	PT Asuransi Allianz Life Indonesia	19,616,142	7.5%
7	PT Axa Mandiri Financial Services	13,343,867	5.1%
8	PT Indolife Pensiontama	10,703,012	4.1%
9	PT Avrist Assurance	10,528,385	4.0%
10	PT Asuransi Jiwasraya (Persero)	9,296,588	3.6%
General Insurance and Reinsurance		**73,425,749**	
1	PT Panin Insurance Tbk.	6,463,787	8.8%
2	PT Asuransi Astra Buana	6,428,978	8.8%
3	PT Tugu Pratama Indonesia	5,227,366	7.1%
4	PT Asuransi Central Asia	5,045,709	6.9%
5	PT Asuransi Kredit Indonesia (Persero)	4,733,161	6.4%
6	PT Asuransi Sinar Mas	3,597,310	4.9%
7	PT Asuransi Jasa Indonesia (Persero)	3,597,134	4.9%
8	PT Asuransi Adira Dinamika	2,742,933	3.7%

9	PT Asuransi MSIG Indonesia	1,856,548	2.5%
10	PT Asuransi Wahana Tata	1,605,055	2.2%

Source: OJK (2013), Indonesian Insurance 2012

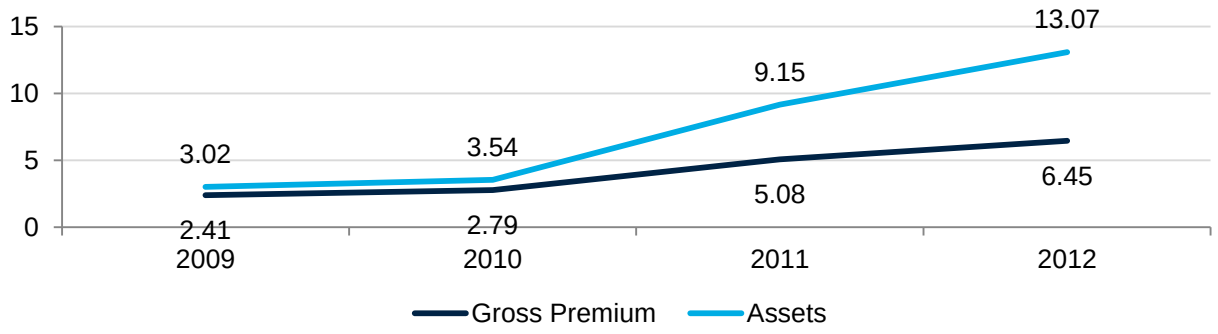
Table 4. Top 10 Insurance Companies by premium (2012)

Company		Premium (IDR million- rounded)	Market Share
Life Insurance		**104,317,000**	
1	PT Prudential Life Assurance	19,294,000	18.4%
2	PT Asuransi Jiwa Sinar Mas MSIG	10,542,000	10.1%
3	PT Asuransi Jiwa Manulife Indonesia	8,431,000	8.08%
4	PT Asuransi Allianz Life Indonesia	8,230,000	7.8%
5	Indolife Pensiontama	6,280,000	6.6%
6	PT Asuransi Jiwasraya (Persero)	5,712,000	5.47%
7	PT Axa Mandiri Financial Services	5,670,000	5.43%
8	PT Asuransi Jiwa Bersama Bumiputera 1912	5,500,000	5.2%
9	PT AIA Financial	5,098,000	4.8%
10	PT Avrist Assurance	1,259,000	1.2%
General Insurance and Reinsurance		**37,262,000**	
1	PT Asuransi Sinar Mas	3,445,000	9.2%
2	PT Asuransi Astra Buana	2,991,000	8.02%
3	PT Asuransi Jasa Indonesia (Persero)	2,939,000	7.88%
4	PT Asuransi Central Asia	2,014,000	5.4%
5	PT Asuransi Wahana Tata	1,699,000	4.5%
6	PT Asuransi Adira Dinamika	1,551,000	4.16%
7	PT Tugu Pratama Indonesia	1,501,000	4.02%
8	PT Asuransi MSIG Indonesia	1.162,000	3.1%
9	PT Asuransi Kredit Indonesia (Persero)	778,000	2.08%
10	PT Panin Insurance Tbk.	201,000	.054%

Source: Media Asuransi

There is a growing Sharia insurance market in Indonesia. Sharia (Takaful) insurance is a relatively new but growing market. As of December 2012, there was 45 sharia insurance and reinsurance businesses, including 5 sharia insurance companies, 37 conventional insurance companies with a sharia unit, and 3 conventional reinsurance companies with a sharia unit. While the gross premium income of the Sharia insurance market only represents 3.62% of the sector's total gross premium income, it reached IDR 6.45 trillion in 2012, representing an increase of 26.9% compared to 2011 (see Figure 2).

Figure 2. Sharia Insurance Assets and Gross Premium (2009-2012, in trillion IDR)



Comparison with Good Practices

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide for clear rules on consumer protection in all matters of insurance and there should be adequate institutional arrangements for implementation and enforcement of consumer protection rules.** **a. There should be specific provisions in the law, which create an effective regime for the protection of retail consumers of insurance.** **b. The rules should prioritize a role for the private sector, including voluntary consumer organizations and self-regulatory organizations.**
Description	Although, as of 1 January 2013, OJK obtained regulatory and supervisory responsibility for the insurance sector (including in relation to consumer protection) and there is a clear role envisaged for consumer protection NGOs, there are overlapping consumer protection regulators, laws and regulations and it is not clear to what extent consumer organizations actually carry out their role. Other regulators include the Ministry of Trade (MoT) and the National Consumer Protection Agency (NCPA) and a related concern is the lack of coordination between relevant regulatory bodies. *Paragraph (a)* OJK's responsibility for the financial services sector is provided for by Articles 5 and 55 of the OJK Law. Importantly, Article 5 provides that "*The Financial Services Authority shall have the functions to implement the integrated regulatory and supervisory system for the entire activities of the financial services sector*". Article 55 then deals with timing issues by providing that: (emphasis added) "(1) *As of December 31, 2012, the regulatory and supervisory functions, duties, and powers of financial services activities in the sectors of Capital Markets, Insurance, Pension Funds, Finance Institutions, and Other Financial Services Institutions shall pass from the Minister of Finance and the Capital Market and Financial Institution Supervisory Agency to the Financial Services Authority.* *(2) As of December 31, 2013, the regulatory and supervisory functions, duties, and powers of financial services activities in the Banking sector shall pass from Bank Indonesia to the Financial Services Authority."* OJK's objectives are expressly stated to include consumer protection: *"The Financial Services Authority is established with the objectives that the entire activities of the financial services sector:* *c). can protect the interests of Consumers and the public "*(Article 4 (c)). Pursuant to the abovementioned provisions, OJK took over responsibility for the insurance sector from the Insurance Bureau in the Ministry of Finance as from 1

	January 2013. Interviews conducted by the mission team suggest that this has not been as smooth a transition as could be desired as only around 30 of the 100 supervisory staff in the Insurance Bureau at the Ministry of Finance transferred to OJK (see Good Practice A.3). The current consumer protection laws and regulations relating to insurance are quite extensive and the intent seems to be that these laws will continue to apply to the extent not inconsistent with the OJK Law or the FCP Regulation. Article 70 of the OJK Law provides that: "*On this Law coming into effect:* *1) Law Number 2 of 1992 concerning Insurance Business (State Gazette of the Republic of Indonesia Number 13 of 1992, Supplement to State Gazette of the Republic of Indonesia Number 3467) and its ancillary regulations;* *…* *7) other laws and regulations in the financial services sector,* *are declared to remain valid to the extent not in contravention of and not yet replaced by this Law.*" Article 55 of the FCP Regulation further provides that: *"The implementation of the provisions governing the protection of consumers in the financial services sector shall remain valid as long as not contrary to Financial Services Authority regulations*." The term "*not contrary*" is not defined, and its meaning will not always be entirely clear. In particular it is not clear to what extent the FCP Regulation will prevail over the laws and regulations described below. At a minimum, however, it is understood that the provisions of a regulation cannot override the provisions of a law approved by Parliament, and there is doubt as to whether the general consumer protection provisions of the FCP Regulation could override sector specific regulations (such as the Good Corporate Governance Regulations). However, it was confirmed to the mission team by meetings with OJK that the intent is that the existing law and regulations should continue to apply except to the extent the umbrella provisions in the FCP Regulation (and the OJK Law) are clearly inconsistent and regardless of which regulatory agency was responsible for existing regulations (such as the Minister of Finance). This overlap and ambiguity in the consumer protection framework is nevertheless likely to be of concern to relevant financial institutions who have to consider how they can comply with all relevant laws and regulations and work out what differences in language between the FCP Regulation other laws and regulations means in practice. The primary laws and regulations currently relevant to consumer protection in the insurance industry are as follows (further details are in the relevant Good Practices below):

	Insurance-specific legislation • The Insurance Law has requirements for licensing (see also the Licensing Decree); capital; conducting a brokerage business and submission of documents to the Minister and also sets out the Minister's powers to deal with insurance companies.[162] The mission team was told there is a new insurance law presently in Parliament which is expected to become law in the near future. However a copy was not able to be provided to the mission team. • The Business Conduct Regulations provide for licensing requirements; ownership of insurance companies; capital and equity requirements; approval of new programs; adequacy of premiums; payment of premiums through brokers; the claims settlement process; the provision of information to the insured; insurance agents; branch offices; sanctions and require insurers to have a guarantee fund designed to protect policy holders (but there is not an overall industry guarantee fund) (see also the Business Conduct Decree discussed below)[163]; • The Business Conduct Decree contains further requirements in relation to new insurance programs and important requirements for the content of insurance policies including limitations on provisions such as those which restrict a consumer's right to bring legal action and clarity as to exclusionary provisions and limitations of liability; • The Licensing Decree contains further provisions concerning licensing requirements; organizational structure; Board of Directors; specialist technical staff (fellows and associates); administrative systems including training of technical staff; education and training; membership of an industry association; branch offices; agents and agency agreements; and marketing in cooperation with a bank. • The Fit and Proper Insurance Regulation provides for the "Fit and Proper" requirements for Directors and Commissioners of insurance companies. These requirements are based on competence and integrity. • The Administrative Sanctions Regulation provides for fines and other sanctions which may be imposed on insurance companies. • The Good Corporate Governance Regulation sets out Principles of Good Governance for, and provisions concerning the insurer's relationship with, "Stakeholders" which are defined to include policy holders, insured and those entitled to a benefit. This Regulation also contains provisions relating to governance arrangements involving the Board of Directors, the Board of Commissioners, the Sharia Supervisory Board and the Audit Committee and concerning agents, ethical behavior, investment governance arrangements; internal control rules and required disclosures to the regulator. There is also a requirement for insurers to undertake a self-assessment as to their compliance with the Good Corporate Governance Regulation. *FCP Regulation* The FCP Regulation, which was made by OJK on 6 August 2013, will commence on 7 August 2013 and provides umbrella principles for consumer protection in most parts of the financial sector, including the insurance sector. See Banking Sector Good Practice A.1 for details.

[162] No. 2 of 1992
[163] No. 73 of 1992 as amended by No. 63 of 1999 and No. 39 of 2008

	The provisions of the FCP Regulation are generally expressed in very broad terms and require clarification in terms of their application to insurance products (and other financial services). For example: • It is not clear how the information disclosure requirements would apply to insurance policies. Presumably there should be a requirement for disclosure of the risk covered, key policy terms and any exclusions, the amount of any excess on the policy, the premium payable and any fees and charges and commissions which are payable. These disclosures should also be made when an insurance policy (such as a credit life policy) is sold with a loan contract. However none of this detail is provided for. • The interaction between existing insurance specific laws and the FCP Regulation is not clear. For example, there are provisions on disclosure of information in both the FCP Regulation and the Business Conduct Regulation, provisions on forcing of products in the FCP Regulation and provisions on marketing of bank products in the Licensing Decree and provisions on internal controls in both the FCP Regulation and the Good Corporate Governance Regulation. <u>*Consumer Law*</u> As mentioned above, it is considered that the breadth of the definitions of "*consumer*"; "*entrepreneur*" and "*services*" in Article 1 of the Consumer Law support the view that the Law applies to all financial services (including insurance) and that the responsibilities of both MoT and the NCPA cover such services. Although the mission team was told that the inclusion of a reference to "*services*" in the Consumer Law was a last minute change that was made in Parliament and it is generally considered that the Law is poorly drafted,[164] there seems no doubt that any entity which provides financial services (including insurance services) must comply with the Consumer Law. In summary, the Consumer Law covers the subjects described in Banking Sector Good Practice A.1 (many of which overlap with the provisions of the FCP Regulation). • General rights and obligations of consumers and entrepreneurs (Articles 4-8); • Misleading and deceptive conduct (Articles 9-4); • Annoying consumers in the way that services (or goods) are offered (Article 15); • Breaking an agreement with a consumer (Article 16); • Advertising (Articles 17 and 24); • Standard clauses (Article 18); • Compensation for consumers (Articles 19 and 23); • The government's responsibility for consumer protection (Article 29) and the responsibility of the government, the public and consumer protection NGOs for supervision of consumer protection (Article 30); • The establishment of the NCPA (Articles 35-43 and see above); • Recognition of the role of consumer protection NGOs (Article 44 and see below); • Dispute settlement (Articles 45-48 and Good Practice E.2 below); and

[164] The mission team was told that the Consumer Law was drafted and passed by Parliament in less than 6 months to meet an IMF requirement for such legislation post the 1987 Asian crisis.

	• Establishment of the BPSK (Articles 49-59 and see Good Practice E.2); and • Administrative Sanctions (Articles 60-63). Further, the Ministry of Trade (MoT) and the National Consumer Protection Agency (NCPA) have functions which appear to overlap with those of OJK. Details are in Banking Sector Good Practice A.1. The mission team was told that a Bill has been drafted which will make it clear that the Consumer Law does not apply to financial services. However, the Bill has not yet been tabled in Parliament and it is understood this is not likely to occur for some time. *Paragraph (b)* *Insurance industry associations* The role of the private insurance sector is provided for by requirements for licensed insurers to be members of an industry association and by the requirement for insurers to undertake annual self-assessments which must be filed with OJK. In particular: • The Licensing Decree requires that all insurers be a member of an industry association with specified functions (Article 30); • The Licensing Decree also requires that fellows and associates of insurance companies be certified by the relevant industry association (see e.g. Article 12 re the qualifications of a non-life fellow); • Agents must be certified as being appropriately qualified by an insurance association (Article 67 (1)); • Article 66 of the Good Corporate Governance Regulation provides for insurance associations to have a role in relation to agents and their agreements with insurance companies (including in relation to the "*procedure and customs and manner of terminating the agency agreement*" (Article 66(5)); • Agents must be trained on a Code of Ethics set by the industry insurance association (Article 67(b)); and • The annual self- assessment as to compliance with the Good Corporate Governance Regulations must be undertaken in compliance with a checklist produced by the relevant industry association (Article 70 (b)). There are currently 4 active insurance associations in Indonesia. They include the Life Insurance Association of Indonesia (AAJI); the General Insurance Association of Indonesia (AAUI); the Association of Sharia Insurance Companies (AASI) and the Insurance Actuaries Association of Indonesia (PAI). *Consumer associations* Consumer associations are envisaged to have a quasi-supervisory role under the Consumer Law. Article 30 of the 1999 Law provides that (emphasis added): "*1) Supervision for the implementation of the consumers protection and application of the legal provisions shall be carried out by the government, public, and non-government consumer protection foundations.* *…* *3) Supervision by the public and nongovernmental consumer protection*

	foundations shall be carried out against the goods and/or services circulating in the market." Article 30(4) then requires that if supervision by the public and NGOs leads to a finding that there has been a violation of the law then the relevant Minister must "*take measures pursuant to the prevailing law*". Article 4(3) of the Consumer Law then goes on to provide the following role for consumer protection associations: "*to spread information in order to improve public awareness of their rights and obligations and cautions in consuming or using the goods and/or services;* *b. to give suggestions to the consumers who need their services;* *c. to cooperate with the related agencies to implement consumers protection;* *d. to assist the consumers in fighting their rights, including accommodating their complaints;* *e. to conduct joint supervision with the government and the public for the implementation of consumers' protection*". There is no equivalent to the abovementioned provisions in the FCP Regulation, which would appear to mean that it is intended to continue to apply. Unfortunately the mission team was not able to meet with any consumer association which had a specific focus on insurance matters and so could not provide an assessment as to how the above provision operates in practice.
Recommendation	There is a need to clarify the interaction between the FCP Regulation and the Consumer Law as well as other existing consumer protection laws and regulations applying to the insurance sector. Ideally, this would be achieved by enacting a new Financial Consumer Protection Law which covers in one law the principles of the FCP Regulation plus the more specific consumer protection aspects of existing law which it is thought should continue. However, it is appreciated that, at best, this is likely to be a long term objective. In the interim, the OJK proposal to issue Circulars which clarify the application of the FCP Regulation to the OJK regulated financial sector is helpful. It would also be helpful if, as mentioned above, the Consumer Law were amended to say that it no longer applies to financial services (including insurance services). The overlap between OJK, the MoT and NCPA functions should be clarified. The mission team was not able to meet with NCPA and so it is not entirely clear to what extent there is an overlap in practice with OJK's consumer protection functions. Nevertheless, ideally the position would be clarified. In the long term, the appropriateness of the joint supervisory role given to consumer organizations could be re-considered. However, this should not be undertaken until there has been a full analysis as to how this role has been used in practice and an assessment made of the appropriateness of the continued operation of the functions provided to consumer protection NGOs by the

	Consumer Law. Of course, this issue will not be a concern if the Consumer Law is amended to state that it no longer applies to financial services (including insurance services).
Good Practice A.2	***Contracts*** **There should be a specialized insurance contracts section in the general insurance or contracts law, or ideally a separate Insurance Contracts Act. This should specify the information exchange and disclosure requirements specific to the insurance sector, the basic rights and obligations of the insurer and the retail policyholder and allow for any asymmetries of negotiating power or access to information.**
Description	Although there is not a specialized insurance contracts section in the general law, there are limited provisions dealing with the issues mentioned in this Good Practice. In particular, under insurance specific legislation there are the following requirements: Under Article 4 of the Good Corporate Governance Regulations, insurers are required to comply with "Good Corporate Governance". This term is defined in Article 1(8) as follows: "*Good Corporate Governance is the structures and processes which is used and applied by [organ] Insurance Company to improve the achievement of business results and optimize corporate value for all stakeholders, especially the policyholder, the insured, participant, and / or the party entitled to benefit, in an accountable and based on the legislation and ethical values*." Article 2 then sets out the principles of Good Corporate Governance which, in summary, are: • Transparency in decision making, disclosure and provision of information; • Accountability so that performance can be transparent, fair, effective, and efficient; • Responsibility to comply with the law and ethical standards to achieve a healthy insurance business; • Independent and professional management of the insurer free from conflicts of interest; and • Equality and fairness in meeting stakeholder rights. Article 3 emphasizes that the aims of the Principles of Good Corporate Governance include to: • Optimize the value of the insurance company for stakeholders (including policy holders); • Manage the insurance company in an effective, efficient and transparent manner; • Carry out their business with "*high ethics*" and awareness of their social responsibility to stakeholders; • Realize "*healthier, reliable, trustworthy and competitive*" insurance companies; and • Increase the contribution of the insurance company to the national economy. Under Article 64 (1) of the Good Corporate Governance Regulation, an insurer also has an obligation, in summary, to protect the interests of policy holders, the insured and any party entitled to benefits under the policy. There follow examples

	of what this obligation means – they include (in summary): • Meeting obligations under the insurance policy; • Evaluating the needs of the policy holder, the insured and any participant; • Disclosing material and relevant information; • Generally performing their obligations with "integrity, competence and the utmost good faith". Article 65 of the Good Corporate Governance Regulation also contains a general obligation to respect stakeholders (which include policy holders) and to perform their obligations based on the law and any relevant agreement. As mentioned in Good Practice A.1, the existing insurance specific legislation will continue to apply as well as the FCP Regulation when it comes into force.
Recommendation	Although the current legislative framework relating to contracts of insurance does not give rise to immediate concern, in the longer term consideration might be given to enacting more comprehensive provisions relating to insurance contracts. Such provisions might provide for: • Make clear that parties to an insurance contract have a duty of the utmost good faith to each other; • Provisions relating to insurable interests in contracts; • The insured's duty of disclosure; • The effect of non-disclosures and misrepresentations by the insured; and • Unusual terms in insurance contracts. Given the long timelines for enacting legislation in Indonesia, consideration might be given to including provisions dealing with the above subjects in a Code of Conduct for the relevant sections of the insurance industry.
Good Practice A.3	***Codes of Conduct for Insurers*** **a. There should be a principles-based code of conduct for insurers that is devised in consultation with the insurance industry and with relevant consumer associations, and that is monitored and enforced by a statutory agency or an effective self-regulatory agency.** **b. If a principles-based code of conduct exists, insurers should publicize and disseminate it to the general public through appropriate means.** **c. The principles-based code should be augmented by voluntary codes for insurers on such matters specific to insurance products or channels.** **d. Every such voluntary code should likewise be publicized and disseminated.**
Description	This Good Practice is satisfied in respect of the conventional life insurance industry in Indonesia and in respect of the Codes of Ethics applied to agents in the life, general and Sharia insurance industries. There is not, however, a General Insurance Code of Practice. *Paragraph (a)*

	Important consumer protection issues are addressed by the voluntary Code of Conduct for the Indonesian Life Insurance Association (Life Insurance Code) and the Islamic Life Insurance Agency Code of Ethics (Sharia Code).[165] There is not however a General Insurance Code of Conduct, although the mission team was told one is under development. By way of background, it is to be noted that all insurers in Indonesia are required to be a member of an insurance association. Article 30 of the Licensing Regulation provides in this regard: *"1. An Insurance or Reinsurance Company shall be a member of Association of companies of the same kind.* *2. The association as stated in paragraph 1 hereof has the functions such as:* *a. setting up standard practices and code of ethics for marketing insurance programs to create sound marketing competition;* *b. coordinating the formulation of risk profile, mortality table and the like;* *c. coordinating efforts to optimize the capacity of national insurance retention;* *d. coordinating joint efforts towards the establishment of an insurance to deal with special risks;* *e. conducting education and training in agency; and* *f. implementing and determining agency certification.* *3. Activities of the Association as stated in paragraph 2 hereof shall be consulted with the Minister periodically."* The term "*Association*" is defined in Article 1(5) as "*Association is an association of Non-Life Insurance, Life Insurance or Reinsurance Companies*." It is of interest that Article 30 does not expressly or impliedly mention the need for an Association to encourage or require its members to take into account the interests of policy holders in their business conduct. Even the function which refers to standard practices and the code of ethics refers to them in the context of creating sound marketing competition. General insurers are covered by the General Insurance Association of Indonesia (AAUI). Their objectives are almost identical to those in Article 30 of the Licensing Regulation: *1. To apply standards of practice and ethics of conduct for insurance business towards creation of sound market competition;* *2. Coordinate the implementation of the establishment of risk profiles, policy standards and similar products;*

[165] There is also the Member Code of Ethics published by the Society of Actuaries of Indonesia, which is not strictly relevant for the purposes of this Good Practice.

	3. To optimize the national insurance retention capacity; *4. To coordinate joint actions to address special risks;* *5. To organize education and training in insurance;* *6. To issue general insurance agency certification.*[166] The Life Insurance Code is stated to be mandatory of all members of, and is monitored by, the Life Insurance Industry Association (AAJI). It is intended to apply to all life insurance companies and their "*agents*" (as defined in Chapter 2, Paragraphs 2 and 8), and deals with the following subjects: • The requirement for members to comply with the applicable legislation, including any KYC and AML/CFT provisions (Chapter 3, Paragraphs 1 and 2; Chapter 4, Paragraph 1); • The requirement for members to give correct, complete and accurate information to customers (Chapter 3, Paragraph 3), as well as to provide the "*best service*" (Chapter 3, Paragraph 4) and to educate them (Chapter 4, Paragraph 4); • The prohibition to do any "*Twisting*" (Chapter 3, Paragraphs 8 and 9). Twisting is defined as the "*act of a marketer that persuades and/or influences a policyholder to change the specifications of the existing policy or to change the existing policy with a new policy on another Life Insurance Company, and/or to buy a new policy by using the funds from the policy that is still active at other Life Insurance Company within six (6) months before and after the date of the new policy in the other Life Insurance Company is issued*" (Chapter 2, Paragraph 11); • The standards for staff and agent recruitment, training and certification (Chapter 3, Paragraphs 5, 6, and 7); • The information sharing arrangements with AAJI and amongst members (Chapter 3, Paragraphs 10 and 11); • The sanctions to be taken in the event of violation of the Code (Chapter 5). The Sharia Life Code is stated to be compulsory for all members of, and is monitored by, the Association of Sharia Insurance Companies (AASI). It appears to be intended to apply to all employees and agents (collectively "agents" – see Chapter II, Article 1 (iii) and deals with the following subjects: • The principles of Sharia insurance (Chapter 1, Articles 2 and 3); • Monitoring tools including requirements that all employees and marketers sign an acknowledgement that they have read the Code and that violations are reported to the Board of Ethics and AASI who may revoke the AASI accreditation. Agents are not mentioned but this may be an issue with the translation (Chapter 1, Article 4); • The principles of the Code which include avoidance of conflicts of interest and abuse of office; confidentiality of information; fairness and equal treatment and the obligation to conduct business with good faith and integrity (Chapter 1, Article 5); • Sets out the responsibilities of agents with respect to compliance with the law; good faith and loyalty; providing products that meet the needs of

[166] http://aaui.or.id/about/profile.aspx

	clients; the fiduciary/ trust nature of the agent / insurer relationship; privacy and confidentiality and the accuracy of data (Chapter 1I, Articles 2 - 4); • Describes criminal behavior the agent should be aware of e.g. fraud and misuse of money (Chapter II, Article 5); • The priority of the interests of the client (Chapter II, Article 6.2); • Prohibiting the giving of premium discounts as an inducement to buy a policy from the agent, as well as other business practices considered to be unethical (Chapter II, Article 6.3). This Code provides a straight-out prohibition but the mission team was told that elsewhere a discount of up to 25% is allowed); • The requirement to give true and complete information which is not misleading (Chapter II, Article 7); and • The requirement to undertake a "Know Your Customer" needs analysis (Chapter II, Article 8). *Paragraph (b)* The Life Insurance Code and the Sharia Code are disseminated to the public through the relevant industry associations. *Paragraph (c)* See paragraph (a). *Paragraph (d)* See paragraph (b).
Recommendation	AAUI should be encouraged by OJK to finalize their industry code of conduct for the conventional general insurance industry, which would be supervised by AAUI. Such a code could usefully cover matters such as the claims procedure, the matters relating to insurance contracts referred to in Good Practice A.2 and be overseen by a governance committee which includes consumer as well as industry representatives and which regularly reports to OJK. Insurers should be required to lodge annual reports with the governance committee as to the extent of their compliance with the Code. AAJI should also be encouraged to ensure that their Code is widely publicized and disseminated.
Good Practice A.4	***Other Institutional Arrangements*** **a. Prudential supervision and consumer protection can be placed in separate agencies or lodged in a single institution, but allocation of resources between prudential supervision and consumer protection should be adequate to enable the effective implementation of consumer protection rules.** **b. The judicial system should provide credibility to the enforcement of the rules on financial consumer protection.** **c. The media and consumer associations should play an active role in promoting consumer protection in the area of insurance.**
Description	Prudential and consumer protection supervision for the insurance industry are both conducted by OJK, with the same staff members performing the same

	functions. *Paragraph (a)* Although OJK has a strong policy focus on consumer protection, at present it does not separate its prudential and consumer protection (market conduct) supervisory arrangements, and there are concerns as to the adequacy of OJK resources to carry out the latter function. Individual staff members perform both supervisory functions and do not appear to have a particular focus on consumer protection issues. Such arrangements can in principle give rise to conflicts between supervising financial institutions and protecting the interests of their customers. Further, staff do not use, in any systematic way, many of the specific tools relevant to this area (such as mystery shopping, customer focus groups and surveys, review of advertising materials or a systematic analysis of customer complaints made to the various mediation services on offer). There are also concerns as to whether OJK is adequately resourced for the broad CPFL functions it has to carry out. The mission team was advised that the insurance supervision team has only 30 staff and are planning to hire another 20 -25 in the near future. This is in comparison to the approximately 100 supervisory staff that worked in the Ministry of Finance's Insurance Bureau (Insurance Bureau) prior to OJK assuming these functions on 1 January 2013. *Paragraph (b)* A broad range of parties may bring a consumer protection related case before a court under the Consumer Law. Specifically, a charge against an entrepreneur can be filed under Article 46 by a consumer, a group of consumers with a common interest (a class action), a consumer protection NGO whose articles of association provide for it to take such action or a government of related agency if the relevant issue has caused "*great material damages and/or many casualties*" (Article 46 (1) d). The mission team was not able to meet with a member of the judiciary but was advised in other meetings that it is very rare for consumer cases relevant to the insurance sector to be bought before the courts. In general, it is understood that neither consumers nor financial organizations trust the courts. The reasons include that the court processes are slow, expensive, and unpredictable and handled by low-paid judges. The mission team was also told there are cultural considerations which make consumers uncomfortable about bringing their disputes before a court. *Paragraph (c)* See Good Practice A.1 in relation to the role of consumer organizations.
Recommendation	*Paragraph (a)* There is a need to consider possible revisions to supervisory structures and reporting lines within OJK. Whilst appreciating that the structure of the Board of Commissioners has been established by the OJK Law, consideration should be

	given as to how the specialized supervisory arrangements for market conduct (and consumer protection) supervision might be best managed within OJK. It is worth noting that several countries have been evaluating their most appropriate institutional arrangements for financial consumer protection in recent years. According to the Global Survey on Financial Consumer Protection undertaken by the World Bank, the number of economies that have agencies with dedicated resources and staff in financial consumer protection increased from 46 in 2010 to 70 in 2013. Accordingly, 72% of agencies with responsibility for financial consumer protection had a dedicated team or unit in place to perform this function in 2013, as compared to 62% of economies in 2010. OJK does not have such a dedicated team. Special consideration should be given as to how market conduct supervision in OJK could be separated from prudential supervision, and be resourced with adequate tools, approaches and capacity. On the one hand, consumer protection and prudential supervision require different types of supervisory profiles, skills and approaches, with the latter focusing more on quantitative skills and analysis of an institution's financial soundness, and the former on qualitative skills and assessment of how an institution deals with consumers. On the other hand, having consumer protection and prudential responsibilities within the same unit may make it harder to resolve situations when conflicting objectives arise. For example, if the consequences of sanctioning a financial institution for noncompliance of consumer protection provisions would have an impact on the soundness (or perception of soundness) of a financial institution, or if a requirement for a financial institution to compensate customers would have an impact on prudential requirements, a supervisor may opt to avoid making a decision or even considering consumer protection issues in order to minimize prudential impact. Alternatively, when there is high political or public pressure to identify problems with consumers, the attention of supervisors may focus too much on consumer protection rather than prudential issues. *Paragraph (b)* See the recommendations in Good Practice E.2 concerning the importance of developing an effective alternative dispute resolution system in Indonesia. *Paragraph (c)* See Banking Sector Good Practice A.4 for relevant recommendations.
Good Practice A.5	***Bundling and Tying Clauses*** **Whenever an insurer contracts with a merchant or credit grantor (including banks and leasing companies) as a distribution channel for its contracts, no bundling (including enforcing adhesion to what is legally a single contract), tying or other exclusionary dealings should take place without the consumer being advised and able to opt out**
Description	Although there are laws in place relating to the bundling of insurance and bank products, and there will be further controls imposed by the FCP Regulation when

	it takes effect, there remain some ambiguities. Insurance bundling practices are common. For example, consumers who take out loans from banks are required to take out life insurance (this is apparently a BI requirement). Banks will also require that mortgaged property insurance be taken out where relevant. Whilst many banks have tied arrangements with insurers, they are required by BI to offer the consumer a choice of one of 3 insurers, one of which can be a bank related party. However it is understood that it is common practice for there to be limited observance of this requirement and it is not enforced. Further, there is no requirement to disclose commissions which are paid. The limited rules relating to bundling of products do not deal in detail with this practice. Article 18 of the FCP Regulation will allow bundling of products in a "*single package*" but forbids forcing consumers to buy products and/or services in a single package and requires that consumers be given choice. However it is not clear what is meant by a "*package*" in this context. For example, would the prohibition apply if an insurance product was sold separately from a loan but there was nevertheless a requirement to take out the insurance product? Further, it would be helpful if it was clear that the prohibition also applies where an insured is required to pay for an insurance policy as well as buy it in their own name. A further requirement could be for a rebate of the premium where a loan is paid out early and the insurance protects the mortgaged property. Finally, it is not clear how many potential insurers must be on the list presented to the consumer when there is a tying and bundling situation. There are also ambiguities in the interaction between Article 18 of the FCP Regulation and the provisions of the Licensing Decree relation to an insurer marketing in cooperation with a bank. The Licensing Decree provisions clearly allow an insurer to market in cooperation with a bank provided the approval of the Minister of Finance is obtained and the relevant bank employees are licensed and trained as agents (Articles 39 and 40). Article 18 relevantly provides: "*(1) Financial Services Providers can sell their products and/or services in a single package with the products and/or services (bundling).* *(2) In terms of the Financial Services Providers bundling products and/or services as referred to in paragraph (1):* *a. Financial Services Providers are forbidden to force consumers to buy products and/or services in a package, and* *b. Consumers can choose the providers of products and/or services in a package.* *(3) In the case of bundles of product and/or services offered consumers by choice, then the risks of choosing these options is the responsibility of the customer."*

Recommendation	It is recommended that a clear prohibition on insuring forcing practices be introduced, coupled with disclosure and rebate provisions. The 'insurance forcing' prohibition would apply to a requirement to acquire insurance from a particular supplier as a condition of providing a banking service (such as a loan) and to a requirement to pay for such insurance. However there could be an exception to such a prohibition in certain cases – for example, where the requirement is for insurance over mortgaged property or where insurance is required by law. Further, where there is a tied insurance contract, credit providers should be required to give a proportionate refund of the applicable premium if the consumer pays out a loan early. It is further recommended to introduce a requirement for disclosure of insurance commissions and premiums. Finally, it is recommended that there be a requirement for at least three insurers on the list presented to the consumer when there is a tying and bundling situation.

SECTION B	**DISCLOSURE & SALES PRACTICES**
Good Practice B.1	***Sales Practices*** **a. Insurers should be held responsible for product-related information provided to consumers by their agents (i.e. those intermediaries acting for the insurer).** **b. Consumers should be informed whether the intermediary selling them an insurance contract (known as a policy) is acting for them or for the insurer (i.e. in the latter case the intermediary has an agency agreement with the insurer).** **c. If the intermediary is a broker (i.e. acting on behalf of the consumer) then the consumer should be advised at the time of initial contact with the intermediary if a commission will be paid to the intermediary by the underwriting insurer. The consumer should have the right to require disclosure of the commission and other costs paid to an intermediary for long-term savings contracts. The consumer should always be advised of the amount of any commission and other expenses paid on any single premium investment contract.** **d. An intermediary should be prohibited from identically filling brokering and agency roles for a given general class of insurance (i.e. life and disability, health, general insurance, credit insurance).** **e. When a bank is the intermediary, the sales process should ensure that the consumer understands at all times that he or she is not purchasing a bank product or a product guaranteed by the bank.** **f. Sanctions, including meaningful fines and, in the case of intermediaries, loss of license, should apply for breach of any of the above provisions.**
Description	The requirements of this Good Practices are only met to a limited degree. *Paragraph (a)* This Good Practice is satisfied. Article 66(2) of the Good Corporate Governance Regulation provides that an insurance company takes "*full responsibility for the*

	consequences arising from insurance coverage by the related Insurance Agents". A similar provision is contained in Article 27(3) of Government Regulation No. 73 of 1992. *Paragraph (b)* There is not a specific requirement requiring disclosure of the status of an insurance agent. However the FCP Regulation, when it takes effect, will support this Good Practice given the following provisions: • A general requirement to provide information that is "*accurate, fair, clear and not misleading*" (Article 4(1)); and • The Article 20 requirement to disclose the name and logo of a financial services provider in any offer or sale and to state that they are registered by OJK. This requirement would appear to apply to agents of insurers, as well as the insurance companies themselves. *Paragraph (c)* There are not specific requirements relating to the disclosure of commissions. However see Good Practice B.5 concerning the requirements relating to the disclosure of information concerning the terms and conditions of a policy and related information. *Paragraph (d)* There does not appear to be a specific requirement relating to the simultaneous holding of positions as both an agent and broker. There is, however, a rule that an agent can only be an agent for a single insurance company (Article 27(1) of Government Regulation No. 73 of 1992). Further, under Article 38 92) of the Licensing Decree it is provided (in effect) that an insurer cannot hire an agent who was previously the agent of another insurer unless there has been a gap of at least 6 months between the two positions. *Paragraph (e)* There is not a specific provision in insurance laws requiring disclosure of the fact that an insurance product sold by a bank is not a product of the bank or guaranteed by the bank. See Paragraph (b). *Paragraph (f)* Whilst there are administrative sanctions provided for under the current law, it is not clear that they are adequate or enforced. For example, under Article 75 of the Good Corporate Governance Regulation there is provision for warnings, revocation of license and restrictions on business activities. However, there is no provision for fines and nothing which might allow OJK to require the provision of information or to examine officers of the insurance companies concerned.
Recommendation	Brokers should be required to disclose commissions which may be paid to them by insurers. This should include disclosure of either the amount of the

	commission or, if the amount is not ascertainable at the relevant time, of the method of calculation with clear examples of how the method of calculation might be applied in particular cases. The administrative sanctions and other penalties applying to a breach by an insurer of the provisions relevant to this Good Practice (and others) should be reviewed to assess their adequacy. OJK should, of course, also have the resources and powers to investigate any breaches and to enforce compliance whether through administrative sanctions or through referring cases for prosecution. In the long term a requirement should be introduced in relevant cases requiring disclosure of the fact that an insurance product sold by a bank is not a product of the bank or guaranteed by the bank.
Good Practice B.2	***Advertising and Sales Materials*** **a. Insurers should ensure their advertising and sales materials and procedures do not mislead customers. Regulatory limits should be placed on investment returns used in life insurance value projections.** **b. Insurers should be legally responsible for all statements made in marketing and sales materials they produce related to their products.** **c. All marketing and sales materials should be easily readable and understandable by the general public.**
Description	There are general provisions in place under law and the applicable Codes which largely satisfy this Good Practice but there are no limitations on the advertising of investment returns used in life insurance value projections. *Paragraph (a)* There are a number of provisions which in effect require insurers to ensure that their advertising and sales materials do not mislead consumers. They include: • The Consumer Law contains wide ranging prohibitions applicable to "*advertising agencies*" on offering, promoting or advertising services which do not have the features advertised or where the relevant advertisement etc. is misleading or incorrect in relation to the price or other features (Articles 9 - 11). The difficulty with these provisions is that it is not clear that financial service providers such as insurers would be considered to be "*advertising agencies*"; • The FCP Regulation provides that a financial services provider shall "*provide and/or convey information about products and/or services that is accurate, fair, clear and not misleading*" (Article 4) and shall not use marketing strategies that "*harm the consumers by taking advantage of consumers who do not have other options in making decisions*" (Article 17). The meaning of the words in quotes is somewhat ambiguous as it seems to imply that the prohibition can only apply where the only source of information available to the consumer is the advertising material in question. We think it unlikely that such a restrictive interpretation was intended. The issue may, of course, be one of translation; • Article 17 of Government Regulation No. 73 of 1992 concerning Insurance

	Business Conduct is to the effect that all advertisements must contain complete information and not be misleading; • The Competition Law contains provisions concerning misleading advertising, advertising practices which are prohibited and responsibility for advertising (Articles 10, 17 and 20); and • The underlying principle for sales and marketing under the Sharia Life Agents Code is stated to be that the client should not be "misled" (Chapter II, Article 6(1)); and • The Life Insurance Code requires life insurance companies and agents to "*correctly, completely, and accurately*" provide information to customers, without any "*twisting*" (Chapter 3, Paragraphs 3 and 8). *Paragraph (b)* Article 66(2) of the Good Corporate Governance Regulation is to the effect that the insurer is fully responsible for the acts of agents who market their products. However there is not a more general statement of responsibility for all sales and marketing materials. This seems to be something that is implicit rather than explicit. *Paragraph (c)* Article 7(1) of the FCP Regulation contains requirements for simple language for some documents, but does not specifically include marketing and sales materials in the list. The relevant parts of Article 7(1) requires financial services providers to "*use simple terms, phrases, and/or sentences in Indonesian language that are easily understood by consumers, in each one of these documents:* *a. Consumers' rights and obligations;* *b. Information to help consumers make decisions; and* *c. Requirements that can be legally binding on consumers."* It may be the case that paragraph (b) was intended to cover marketing and sales materials, but the position is not clear. A further ambiguity is whether the above requirements apply where a language other than Indonesian is used e.g. marketing materials which are produced in English.
Recommendation	Regulatory limits should be placed on investment returns used in life insurance value projections. This requirement should also apply to the projections used in sales materials for unit – linked products which are widely sold in Indonesia. The following provisions of the FCP Regulation could usefully be clarified: • Regulation 17 could be amended so as to provide a clear prohibition on misleading and deceptive conduct in relation to any sales and advertising materials. • Article 7(1) of the FCP Regulation would be amended so that it is clear that it also applies to marketing and sales materials. It should also be clear that the Article 7 requirements also apply where a language other than Indonesian is used for materials or information given to a consumer e.g. English. Pending any such changes, it is recommended that regulatory guidance be

	provided in an OJK Circular issued for the purposes of the relevant Articles.
Good Practice B.3	***Understanding Customers' Needs*** **The sales intermediary or officer should be required to obtain sufficient information about the consumer to ensure an appropriate product is offered. Formal fact finds should be specified for long-term savings and investment products and they should be retained and be available for inspection for a reasonable number of years.**
Description	The limited legal provisions relating to needs assessments in relation to insurance contracts do not include a positive obligation to conduct such an assessment, details of how the assessment should be conducted, any obligation to provide the insured with a copy of the assessment or any provision for the consequences of not complying with the requirements of the provision. There are, however, Know Your Customer requirements in the Sharia Life Agents Insurance Code. Article 64(2)(b) of the Insurance Good Corporate Governance Regulation is a general provision of specific relevance to the insurance industry. It requires an insurance companies, brokers and agents to "*evaluate the needs*" of the policyholder, the insured, or the participant in the policy. However, no guidance is provided as to how this should be done. Article 16 of the FCP Regulation also has limited provisions relating to carrying out a needs assessment. It provides that: *"Financial Services Providers must pay attention to the fit between the needs and the ability of consumers to use the products and/or services offered to them."* Article 8 of the Sharia Life Insurance Code contains provisions relating to Know Your Customer requirements which appear to apply to both employees and agents. These requirements include specifying the information that should be obtained from the client, an obligation to explain how the product works, a recommendation for annual updates of relevant client information and an obligation to ensure that the policy application form is completed by the client (Chapter II, Article 8). In contrast, the Life Insurance Code only mentions KYC in light of the requirement for life insurance companies and agents to "*uphold the application of applicable laws*" in this regard (Chapter 3, Paragraph 2).
Recommendation	The existing provisions relating to understanding a customer's needs should be considerably strengthened to deal with the abovementioned gaps. This might be achieved by OJK providing regulatory guidance as to its expectations as to how financial institutions might comply with Article 15.
Good Practice B.4	***Cooling-off Period*** **There should be a reasonable cooling-off period associated with any traditional investment or long-term life savings contract, after the policy information is delivered, to deal with possible high pressure selling and mis-selling.**
Description	There is no requirement for a cooling-off period for insurance contracts under

	Indonesian law. However the mission team was informed that if an acceptable cooling off period is not provided for in policy wording for a new product, then that product will not be approved by OJK (and by the Insurance Bureau at the Ministry of Finance in the past). The practice appears to be to in any event provide a cooling off period of at least 14 days for all types of products.
Recommendation	Although not an immediate priority, consideration might be given in the long term to requiring a cooling-off period of at least [14 days] for a traditional investment or long-term life policies. Consideration might also be given as to whether a cooling off period is applicable to other types of insurance products and as to whether any qualifications to the obligation are required (for example, to make it clear that for any unit linked insurance product the insured is responsible for any losses incurred in the cooling-off period).
Good Practice B.5	***Key Facts Statement*** **A Key Facts Statement should be attached to all sales and contractual documents, disclosing the key factors of the insurance product or service in large print.**
Description	Although there are disclosure requirements relating to insurance policies under Indonesian law, there is no requirement for a Key Facts Statement of the type contemplated by this Good Practice. There are specific requirements relating to the disclosure of material information material to the interests of policy holders. Article 64(2)(c) of the Good Corporate Governance Regulation provides in this regard that insurance companies, brokers and agents must disclose information which is" *material and relevant to the policyholder, the insured, participant, and / or those who are entitled to benefits*". There is not, however, any description of what this information might be. Further, under the new FCP Regulation there are provisions which require: • Consumers to be given, before they sign an agreement, a document containing the terms and conditions, including any costs, benefits and risks and details of service and complaints resolution procedures (Article 11). These requirements are not, however, product specific. For example, there is no requirement to clearly disclose the excess on an insurance contract or significant exclusions. • Financial services providers are also required to provide summaries of products and services (including costs, benefits and risks as well as terms and conditions) (Articles 8 and 10). • Financial services providers must also explain to consumers their rights and obligations (Article 9).
Recommendation	Consideration be given to developing a Key Facts Statement for the more common forms of insurance contracts (such as home building and contents insurance and motor vehicle insurance). The aim is to reduce consumer confusion regarding what is and is not included in insurance contracts and provide consumers with a mechanism to easily

	compare the key aspects of insurance contracts. Such a Key Facts Statement might be required to be in a particular font size, be printed in clear contrasting colors and contain information as to the monetary limit of coverage, the premium, risks covered, any excess, the main exclusions, any applicable cooling off period. Ideally it would be required to be provided whenever a consumer makes an enquiry about a particular insurance policy as well as to a consumer in advance of them taking up a particular policy. The Key Facts Statement could be provided in paper and electronically and should also be available on an insurers' website.
Good Practice B.6	***Professional Competence*** **a. Sales personnel and intermediaries selling and advising on insurance contracts should have sufficient qualifications, depending on the complexities of the products they sell.** **b. Educational requirements for intermediaries selling long-term savings and investment insurance products should be specified, or at least approved, by the regulator or supervisor.**
Description	There is a strong emphasis on the training of insurance agents under Indonesian law and the applicable Codes. The primary provisions relevant to this Good Practice include the following: • Article 67 of the Good Corporate Governance Regulation requires insurance agents to be trained "*with competence and high integrity*" and to comply with the Code of Ethics established by the relevant insurance association; • Article 27 of the Licensing Decree is to the effect that management of an insurer must be supported by education and training of its human resources; and • Bank officers marketing insurance must be appointed as agents and undergo training on the products to be marketed (Article 40 of the Licensing Decree). Insurers are also required to spend a minimum amount of their budget on training. Article 20 of the Licensing Regulation provides in this regard that : *"An Insurance or Reinsurance Company shall provide a budget for education and training program at least 5% (five per cent) of total manpower expenses, Directors and Commissioners, to improve the skill, knowledge and expertise in insurance of its employees"* (Emphasis added). The translation of the above provision is not clear, but the intent appears to be to require insurers to spend 5% of their "*manpower expenses*" in training employees (and possibly Directors and Intermediaries). However this requirement does not extend to intermediaries such as agents and bank employees who sell insurance products. It is understood from interviews conducted that the required training courses are conducted by the insurance industry associations. The Life Insurance Code requires life insurance companies to "*educate, edify, and develop [their] agents*", "*including, but not limited to, [providing] the necessary training*" (Chapter 3, Paragraph 5).

Recommendation	Re-make Article 20 of the Licensing Regulation so that the requirement to apply 5% of the manpower budget in training clearly extends to intermediaries such as agents and bank employees who sell insurance products.
Good Practice B.7	***Regulatory Status Disclosure*** **a. In all of its advertising, whether by print, television, radio or otherwise, an insurer should disclose: (i) that it is regulated, and (ii) the name and address of the regulator.** **b. All insurance intermediaries should be licensed and proof of licensing should be readily available to the general public, including through the internet.**
Description	There are requirements for regulatory status to be disclosed under the new FCP Regulation and for brokers to be registered, but the position is less clear with agents although an insurer is required to have an agreement with an insurance agent. *Paragraph (a)* Article 20 of the FCP Regulation relevantly requires that there be disclosure of the name and logo of a financial services provider in any offer or sale and a statement to the effect that the relevant provider is registered and supervised by OJK. This requirement would appear to apply to agents of insurers, as well as the insurance companies themselves. *Paragraph (b)* Insurance brokers are required to be licensed and their names are listed on the OJK website. However it appears that insurance agents are not required to be licensed. The licensing requirements for brokers are provided for by Article 48 of the Licensing Decree. There is not however a specific requirement in relation to the licensing of insurance agents although an insurer is required to have a written agreement with an agent (Article 66 (1) of the Good Corporate Governance Regulation).
Recommendation	The position in relation to the licensing of insurance agents needs to be clarified. Both agents and brokers should in any event be required to be listed on the OJK website.
Good Practice B.8	***Disclosure of Financial Situation*** **a. The regulator or supervisor should publish annual public reports on the development, health, strength and penetration of the insurance sector either as a special report or as part of the disclosure and accountability requirements under the law governing it.** **b. Insurers should be required to disclose their financial information to enable the general public to form an opinion with regards to the financial viability of the institution.** **c. If credible claims paying ability ratings are not available, the regulator or supervisor should periodically publish sufficient information on each insurer for an informed commentator or intermediary to form a view of the insurer's relative financial**

	strength.
Description	The requirements of this Good Practice are met to the extent of the requirement that insurers publish annual reports and the publication of statistics on the insurance industry by OJK. *Paragraph (a)* OJK publishes detailed statistics on insurance companies on its website. This includes information on their assets, gross and net claims, premiums and other information. There is not, however, a separate report of the type described though much of the relevant information may be ascertained from the information that is published. *Paragraph (b)* Insurance companies are required to prepare an annual report and to provide a copy to the Insurance Bureau (now OJK) under Article 62 of the Good Corporate Governance Regulation. The mission team also understands that there is a requirement that the annual reports must be published in a newspaper, but were not able to identify the relevant regulatory requirement. *Paragraph (c)* The only information that is published is as described in paragraph (b).
Recommendation	There are no recommendations in relation to this Good Practice.

SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Customer Account Handling*** **a. Customers should receive periodic statements of the value of their policy in the case of insurance savings and investment contracts. For traditional savings contracts, this should be provided at least yearly, however more frequent statements should be produced for investment-linked contracts.** **b. Customers should have a means to dispute the accuracy of the transactions recorded in the statement within a stipulated period.** **c. Insurers should be required to disclose the cash value of a traditional savings or investment contract upon demand and within a reasonable time. In addition, a table showing projected cash values should be provided at the time of delivery of the initial contract and at the time of any subsequent adjustments.** **d. Customers should be provided with renewal notices a reasonable number of days before the renewal date for non-life policies. If an insurer does not wish to renew a contract it should also provide a reasonable notice period.** **e. Claims should not be deniable or adjustable if non-disclosure is discovered at the time of the claim but is immaterial to the proximate cause of the claim. In such cases, the claim may be**

	adjusted for any premium shortfall or inability to recover reinsurance. **f. Insurers should have the right to cancel a policy at any time (other than after a claim has occurred – see above) if material non-disclosure can be established.**
Description	Although the provisions for this Good Practice appear to be met to some extent in practice, there are not enforceable rules to require compliance with any aspect of this Good Practice apart from a few limited exceptions. The exceptions include: • There are various dispute resolution schemes available to policy holders and others with an interest in an insurance policy (see Good Practice E); and • The mission team was told that it is industry practice to provide at least annual statements in relation to insurance savings and investment style policies such as unit-linked policies.
Recommendation	Detailed consideration should be given to mandating the requirements of this Good Practice. It is considered especially important that the Good Practices relating to statements, dispute resolution, renewals and the effect of non-disclosures be implemented.

SECTION D	**PRIVACY & DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **Customers have a right to expect that their financial transactions are kept confidential. Insurers should protect the confidentiality and security of personal data, against any anticipated threats, or hazards to the security or integrity of such information, and against unauthorized access.**
Description	There are not specific legislative provisions currently in place to satisfy this Good Practice, although the new FCP Regulation will to some extent meet its requirements. It is also to be noted that there is not a general data protection law in Indonesia. Under the new FCP Regulation, financial services providers (which would include insurers) are prohibited from providing data or information about consumers to third parties in any way unless the customer has consented or there is an applicable legislation (Article 31). The Sharia Life Insurance Code also contains various provisions concerning the confidentiality of customer information (see especially Article 4). However the Life Insurance Code does not contain anything specific in relation to the confidentiality of insureds' personal information.
Recommendation	AAJI should be encouraged to amend the Life Insurance Code to deal with the issue of confidentiality.

SECTON E	DISPUTE RESOLUTION MECHANISMS
Good Practice E.1	***Internal Dispute Settlement*** **a. Insurers should provide an internal avenue for claim and dispute resolution to policyholders.** **b. Insurers should designate employees to handle retail policyholder complaints.** **c. Insurers should inform their customers of the internal procedures on dispute resolution.** **d. The regulator or supervisor should investigate whether insurers comply with their internal procedures regarding consumer protection.**
Description	There are not currently specific requirements for the establishment of internal dispute settlement procedures for insurers. However the insurers met all said that they had internal procedures for dealing with complaints, but they varied as between insurers. However, there are general provisions in the Consumer Law relating to entrepreneurs obligations to deal with customer complaints. In this regard Article 19 requires entrepreneurs to compensate consumers for the damages or loss that they suffer as a result of consuming services. Further, once the new FCP Regulation comes into effect insurers will be required to have such systems in place. This is because financial services providers (which include insurers) will be required to have and implement mechanisms for consumer complaint resolution. In summary, the requirements are for procedures which: • Are notified to the consumer (Article 32 (1)); • Are free (Article 33); • Include the financial service provider reporting to OJK on complaints and the status of resolution approximately every 3 months (Article 34); • Require the complaint to be resolved within 20 days or, in specified cases, within an additional 20 days (Article 35); • Require a work unit to be established to handle and resolve complaints, with one person in each office to handle complaints. Further, if an employee handling the complaint was involved in the relevant transaction then the compliant has to be referred to another employee (Articles 36 and 37). Article 38 further requires a financial services provider to: • *Conduct an internal examination of the complaint competently, correctly, and objectively;* • *Ensure the correctness of the complaint; and* • *Submit a statement of apology and offer compensation (redress / remedy) or repair the product and/or service, if the consumer complained properly.*

Recommendation	Insurers should be required to inform their customers of the internal procedures on dispute resolution and OJK should ensure that it assesses compliance with the abovementioned provisions of the FCP Regulation as part of their supervision activities.
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **a. A system should be in place that allows consumers to seek affordable and efficient third-party recourse, which could be an ombudsman or tribunal, in the event the complaint with the insurer cannot be resolved to the consumer's satisfaction in accordance with internal procedures.** **b. The role of an ombudsman or equivalent institution *vis-à-vis* consumer disputes should be made known to the public.** **c. The ombudsman or equivalent institution should be impartial and act independently from the appointing authority and the industry.** **d. The decisions of the ombudsman or equivalent institution should be binding upon the insurers. The mechanisms to ensure the enforcement of these decisions should be established and publicized.**
Description	There appears to be an effective insurance industry mediation service in place but, once the FCP Regulation commences, there will be overlaps between that system and the Consumer Dispute Resolution Board system which is provided for by the general Consumer Law. *Paragraph (a)* The insurance industry is currently covered by an industry association dispute resolution scheme and the below mentioned Consumer Dispute Resolution Board system. Further as from 7 August 2014, OJK will provide a facilitation service under Articles 40 to 46 of the FCP Regulation. OJK also has advocacy powers to take measures against financial institutions to resolve complaints and to institute proceedings to reclaim property or to recover damages on behalf of consumers – and indeed financial institutions if it is the harmed party (Article 30 and "advocacy powers"). For completeness it is also noted that there exists in Indonesia a system for the mediation, consultation, negotiation, conciliation and expert opinion of disputes. This system is provided for under the terms of Law No. 30/1999 on Arbitration and Alternative Disputes Resolution and is administered by the Indonesian National Board of Arbitration (BANI). However it is understood that the procedures provided for by this Law are not used in relation to consumer disputes. <u>*Insurance industry mediation services*</u> The Life and General Insurance Associations provide a comprehensive mediation and adjudication service through BMAI (the Indonesian Insurance Mediation Board). This body was established in 2006 and provides services free of charge. However, the BMAI can only handle insurance disputes for claims of

	less than IDR750 million in the general insurance sector and claims of less than IDR500 million in the life insurance sector. Since its establishment in 2006, BMAI handled a total of 376 claims (218 in general insurance, and 158 in life insurance), including 32 in 2013.[167] *Consumer Dispute Settlement Board* The Consumer Law makes provision for the establishment of the Consumer Dispute Settlement Board (BPSK), with responsibilities for handling and settling the disputes between entrepreneurs and consumers (Article 1(11)). Article 48 requires the Government to establish such agencies in each Level II Administrative Region and to appoint between 3 and 5 representatives from government, consumers and entrepreneurs. The BPSK dispute resolution functions are extremely broad and they appear to have power to make binding decisions, as well as to impose administrative penalties (emphasis added): *a. to handle and settle consumer disputes through mediation or arbitration or conciliation,* *b. to provide consultation for consumer protection;* *c. to conduct supervision against the inclusion of standard clause;* *d. to report to the public investigators if there are any violations to the provisions of this law;* *e. to receive written or oral complaints from the consumers regarding the violations against the consumers' protection.* *f. to investigate and examine the consumers protection disputes;* *g. to summon the entrepreneurs who are accused to have violated against The consumers' protection;* *h. to summon and bring witnesses, witness experts and/or each and every one considered to have known that there has been violation against this law;* *i. to request assistance from the investigators to bring the entrepreneurs, witnesses, witness experts or each and every one intended by points g and h above who are not willing to fulfill the summon by the consumer dispute settlement agency;* *j. to obtain examine and/or evaluate the letters, documents or other evidence to be used for investigation and/or examination;* *k. to decide and determine if the consumer has suffered any damages or not;* *l. to notify the decision to the entrepreneurs who have violated against consumers' protection,* *m. to impose administrative sanctions against the entrepreneurs who have violated this law.* (Article 52). Article 45 makes it clear that consumer disputes can be settled in court or outside the courts through the "voluntary choice" of the parties. If attempts are

[167] http://bmai.or.id/index.php?option=com_content&view=article&id=166:rekapitulasi-sengketa-yang-diterima-bmai-sejak-berdirinya-hingga-desember-2013

	made to settle the dispute outside the courts then charges can only be filed in court if those efforts are declared unsuccessful by one of the parties. The result would appear to be that if a case is being heard by the CDSA then it cannot be bought before a court. Further details of the duties and authorities of the BPSK are provided in the BPSK Regulation. In particular, there is provision for (in summary): • Functions which are almost identical to those in the 1999 Consumer Law (Article 3); • Settlement by the BPSK to be a matter of choice (Article 4); • BPSK to act as a passive conciliator, an active mediator or an arbiter (Article 5); • BPSK to provide various forms of advisory consumer consultations (Article 8); • Monitoring of standard clauses by BPSK (Article 9); • BPSK to undertake research to detect violations of the 1999 Consumer Law (Articles 10 and 11) • BPSK to provide compensation for damage and / or loss of customers up to IDR 200 million as part of its power to issue administrative functions (Articles 12 and 14); • The application and procedures to be followed by consumers (Chapter III); • The BPSK decision making process, which involves the "Assembly", consisting of an odd number of members and at least three (3) persons representing the government, consumers and the businesses, with a requirement for a member to be educated and knowledgeable in the field of law (Article 18 and Chapter IV); • Evidence (Chapter V); • Witnesses (Chapter VI); • Conciliation, mediation and arbitration proceedings (Chapter VII); • The "*verdict*" by BPSK (Chapter VIII). The results of conciliation and mediation proceedings are set out in a written agreement signed by the parties as well as being reflected in a "decision" signed by the BPSK Assembly and the Chairman and the results of an arbitration are set out in a written decision which is also signed by the BPSK Assembly and signed by the Chairman (Article 37); and • Importantly, a decision of the BPSK is a binding one which has legal force and can be enforced by a District Court (Article 42). <u>*OJK functions in relation to complaint resolution*</u> OJK clearly has complaint resolution functions. Article 29 of the OJK Law provides in this regard that: *The Financial Services Authority shall handle Consumer complaints that include:* • *prepare the appropriate instruments to handle complaints from Consumers harmed by providers in the Financial Services Institutions;* • *create the mechanism of complaints from Consumers harmed by providers in the Financial Services Institutions; and* • *facilitate to resolve complaints from Consumers harmed by providers in the Financial Services Institutions in accordance with the laws and regulations in the Financial services sector.*

	Further, the "*consumer protection principles*" set out in Article 2 of the FCP Regulation include "*complaint handling and resolution of consumer disputes in a simple, fast, and affordable manner*". Article 30 also gives OJK power to take action against financial institutions to resolve complaints from consumers. Chapter III of the FCP Regulation has provisions for the settlement of consumer disputes which are quite different from those in the 1999 Consumer Law and the BPSK Regulation. In summary, the FCP Regulation contains provisions to the effect that: • If a consumer cannot agree with their financial institution as to how to settle a compliant, they can seek to settle the dispute through "*alternative dispute resolution institutions*", submit an application to OJK to facilitate the settlement of the complaint or take the issue to the courts (Article 29); • Both consumers and the public can also submit complaints about violations of the law to OJK (Article 40); • Consumers who suffer losses outside the field of insurance can submit complaints where the financial loss is up to IDR 500 million and, for general insurance claims, the cap is IDR 750 million (it is not clear however what the cap is for life insurance claims or for claims involving insurance support services such as those involving agents and brokers) (Article 40(a)) ; • Another threshold requirement is that the financial services provider has made efforts to resolve the complaint but has been unable to do so within an OJK specified deadline (Article 40(c)). This should perhaps be rephrased so that the requirement is that the consumer must first have sought to have the complaint resolved by the financial services provider; • The complaint must be filed no more than 60 days from the date of the proposed settlement offered by the financial services provider (Article 40(g)). However it is not clear what the position is if no such settlement is offered; • The complaint resolution process to be followed by OJK appears to be a facilitation process rather than the BPSK conciliation, mediation or arbitration process (Articles 42-46); • The facilitation process is required to be conducted within 30 days, although this period may be extended by another 30 days by agreement (Article 45). The differences between the provisions dealing with resolution of consumer complaints in the Consumer Law and those in the BPSK Regulation are of concern because it is not entirely clear which prevails. Under Article 55 of the FCP Regulation, there is a provision to the effect that existing consumer protection *shall remain valid as long as not contrary to Financial Services Authority regulations* (see Good Practice A.1 above). On one view the existing BPSK regulations are contrary to the provisions in the FCP Regulation and accordingly no longer apply. This view would also be consistent with the complaint resolution functions of OJK. However, the position could be clearer. Other concerns about the operation of OJK's new complaint resolution process include the following issues: • OJK is unlikely to be seen as independent. This is because it will be acting

	as both the supervisor of the relevant institution and the facilitator in a consumer dispute; • OJK does not have power to make binding decisions. This seems to be the case given the reference to any agreed outcome being documented in a Deed of Agreement and any disagreement being documented in OJK's minutes of the proceedings (Article 46(1)); • The facilitation process cannot be initiated unless both parties agree (Articles 44 and 46). It may be queried whether this is appropriate as it would mean that a consumer would not be able to have the matter heard by OJK unless the financial institution agreed; • The facilitator selection process is not clear. There are no details of the process for selecting facilitators, or specified requirements for their skills, experience, qualifications and independence; • The procedures to be followed by OJK or a facilitator in resolving complaints are not clear. For example, it is not clear what complaint investigative powers can be exercised by OJK or a facilitator, whether consumers can be represented by lawyers, whether witnesses can be called, what processes will be followed by a facilitator in hearing complaints or what are the required time lines for making a decision; • It would be helpful to have clarity as to whether consumers will have to pay fees. Ideally they would not have to do so; and • There is no provision for OJK to collect, analyze or report on compliant statistics. *ASEAN Committee on Consumer Protection* For completeness it is noted that Indonesia is a participant in the ASEAN Committee on Consumer Protection. The Committee provides an avenue for consumers of any services or products to complain and seek compensation for loss (http://aseanconsumer.org/). Another option for consumers would also be to file a claim in the local or District court (although it is understood this option is little used). *New rules concerning industry association ADR schemes* The abovementioned patchwork of industry schemes and associations is a concern given the current proposal to have industry associations providing ADR services for consumers of financial services. This proposal is provided for in OJK's draft ADR Regulation. In summary, under the draft regulation, there are requirements for ADR Bodies to be registered with OJK, to provide mediation, adjudication and arbitration services, to apply specified principles of accessibility, independence, fairness, efficiency and effectiveness and to report every 6 months to OJK. ADR Bodies for the banking, finance, underwriting, mortgage sectors are required to be formed by 31 December 2015. Any breach of the Regulation by ADR Bodies and/ or "parties" may be subject to administrative sanctions including a warning, payment of money and revocation of a registration. Although OJK's focus on the establishment of an external dispute resolution process is to be welcomed, there are some aspects of the abovementioned proposal are of concern. These include whether OJK has the required functions

	and powers to implement and enforce the proposed new regulation; the fact that OJK cannot order payment to a consumer if a financial institution breaches a decision of an ADR Body and uncertainty, given industry feedback, as to whether all relevant industry associations can be formed where they do not currently exist and, in all cases, have an ADR system developed and registered by the deadline of 31 December 2015. A further concern is the potential for lack of consistency in procedures and decisions amongst the various ADR Bodies, as well as the lack of any requirement for consumer representatives on ADR boards (which could assist in ensuring independence). It is also not clear how the ADR Bodies will be funded, especially as ideally consumers should not have to pay a fee.[168] *Paragraph (b)* There is a need for a public awareness campaign as to OJK's new complaint resolution functions. This is especially important given the possibility for confusion between the respective roles of BAMI, OJK and the BPSK. *Paragraph (c)* OJK's and BPSK's independence from industry seems clear and in that sense either body would seem to have the required level of independence from industry. However it is not clear whether a facilitator appointed by OJK will themselves be independent. *Paragraph (d)* See paragraph (a) above.
Recommendation	See the recommendations in Banking Sector Good Practice E.1. These recommendations are relevant to the insurance industry, whilst noting that the need for reform is less urgent than in relation to other parts of the financial sector, given the existence of BAMI.

SECTION F	**GUARANTEE SCHEMES AND INSOLVENCY**
Good Practice F.1	***Guarantee Schemes and Insolvency*** **a. With the exception of schemes covering mandatory insurance (and possibly long-term insurance), insolvency guarantee schemes are not to be encouraged for insurance because of the opaque nature of the industry and the scope for moral hazard. Strong governance and prudential supervision are better alternatives.** **b. Nominal defendant arrangements should be in place for mandatory insurances such as motor third party liability insurance to cover situations where there is no insured guilty party.**

[168] The making of OJK Regulation No.1/POJK.07/2014 concerning Alternative Dispute Resolution Institutions in the Financial Services Sector provides more clarity around these issues, but Circular had not been made at the time of the CPFL Review. .

	c. Assets covering life insurance mathematical reserves and investment contract policy liabilities should be segregated or at the very least earmarked, and long-term policyholders should have preferential access to such assets in the event of a winding-up.
Description	Although there is not at present an insolvency guarantee scheme, it is also understood that a draft Insurance Law is being prepared which will provide for one. There are no nominal defendant arrangements in place and no requirement for the segregation of assets or priority on a winding up as contemplated by this Good Practice. *Paragraph (a)* As noted above, it is understood that there is a proposal for an insolvency guarantee scheme in a new Insurance Law which is being prepared. However the mission team was not able to obtain a copy of the draft law and so cannot comment on the provisions of the law or how it will interact with the existing provisions of current law such as the Good Corporate Governance Regulations or the Insurance Business Conduct Regulations and the related law. For completeness it is noted that the Insurance Business Conduct Regulations requires that an insurer have a guarantee fund of at least 20% of their minimum paid up capital, which fund is stated to be constituted as an "*ultimate guarantee in line with protecting the interest of the policyholders*". The fund can only be placed in a time deposit with a public bank or used to purchase bonds or securities issued by the Government (Article 7). *Paragraph (b)* There is no provision for nominal defendant arrangements in Indonesia. *Paragraph (c)* There is no provision of the type contemplated although there are requirements for insurers to have their own guarantee fund. See paragraph (a) for details.
Recommendation	Consideration should be given to introducing nominal defendant arrangements as contemplated by this Good Practice. Other aspects of this Good Practice should be reviewed in light of the new Insurance Law when it becomes available.

SECTION G	**CONSUMER EMPOWERMENT**
Good Practice G.1	***Broadly based Financial Capability Program*** **a. A broadly based program of financial education and information should be developed to increase the financial capability of the population.**

	b. A range of organizations–including government, state agencies and non-governmental organizations–should be involved in developing and implementing the financial capability program. **c. The government should appoint an institution such as the central bank or a financial regulator to lead and coordinate the development and implementation of the national financial capability program.**
Description	*Paragraph (a)* For additional discussion, see Good Practice G.1 of the Banking Section. *Paragraph (b)* The insurance industry has contributed some important programs to the national effort to educate Indonesian consumers about insurance. Allianz has fielded programs for both youth and adults (particularly women) on basic financial skills like saving, managing debt and insuring against risk. Working with the NGO Prestasi Junior, Prudential employees volunteer to offer a program to disadvantaged youth which teaches students about needs and wants, work, money and how financial transactions happen. The insurer, AXA, focuses on middle and high school students with its programs, using its employees to teach young people lessons on budgeting, risk, insurance and investments. The entire Indonesian insurance industry cooperates to support the "Insurance Goes to Campus" program which sponsors lectures on university campuses given by insurance industry executives. The lectures cover basic insurance principles, financial planning, insurance sales, risk management, as well as roles and functions within a life insurance company. *Paragraph (c)* For additional discussion see Banking Sector Good Practice G.1 and the Financial Capability Report.
Recommendation	See recommendations in Banking Sector Good Practice G.1 and the Financial Capability Report.
Good Practice G.2	***Unbiased Information for Consumers*** **a. Consumers, especially the most vulnerable, should have access to sufficient resources to enable them to understand financial products and services available to them.** **b. Financial regulators should provide, via the internet and printed publications, independent information on the key features, benefits and risks—and where practicable the costs–of the main types of financial products and services.** **c. Non-governmental organizations should be encouraged to provide consumer awareness programs to the public regarding financial products and services.**
Description	See Good Practice G.1. For additional discussion see Banking Sector Good Practice G.1 and the Financial Capability Report in Annex I.

Recommendation	See recommendations in Banking Sector Good Practice G.1 and the Financial Capability Report in Annex I.
Good Practice G.3	***Measuring the Impact of Financial Capability Initiatives*** **a. Policymakers, industry and advocates should understand the financial capability of various market segments, particularly those most vulnerable to abuse.** **b. The financial capability of consumers should be measured through a broad-based household survey that is repeated from time to time.** **c. The effectiveness of key financial capability initiatives should be evaluated.**
Description	*Paragraphs (a) and (b)* For additional discussion, see Good Practice G.3 of the Banking Section. *Paragraph (c)* While a few insurer-sponsored programs are subject to light program evaluation, this practice is still the exception rather than the rule. Instead insurance companies typically rely on input measures (i.e. number of sessions given, attendees, and books distributed) rather than output measures (i.e. changes in participants' knowledge, attitude and behavior regarding insurance). For additional discussion, see Good Practice G.3 of the Banking Section and the Financial Capability Report in Annex I.
Recommendation	See recommendations in Good Practice G.3 of the Banking Section and the Financial Capability Report in Annex I.

CONSUMER PROTECTION IN THE NON-BANK CREDIT SECTOR

Overview

The non-bank credit sector is composed of multiple categories of non-bank credit institutions (NBCIs) regulated by OJK or the Ministry of Cooperatives and SMEs. There are 202 ***multi-finance companies*** whose assets amount to IDR 342 trillion (about 4% of GDP) as of December 2012. They are authorized to offer 4 types of credit facilities: consumer finance, leasing, credit cards and factoring. There is only one ***pawnshop*** (state-owned), with 4,631 branches as of June 2013 (including 634 sharia units) and assets representing about 0.4% of GDP. It is authorized to offer pawning, consumer based finance and sharia financing, as well as gold trading and payment/remittances services. Both are currently regulated and supervised by OJK. Also, there are 108,066 ***savings and loan cooperatives*** and several ***savings and loans units*** within multi-purpose cooperatives (which may also have productive, service and consumer units). However, under the Cooperatives Law (approved in 2012), these units have to spin-off as independent savings and loan cooperatives. These institutions are currently regulated by the Ministry of Cooperatives and SMEs and supervised by this Ministry (in cases where cooperatives operate nationally) or by the provincial and district authorities (cooperatives that operate locally).

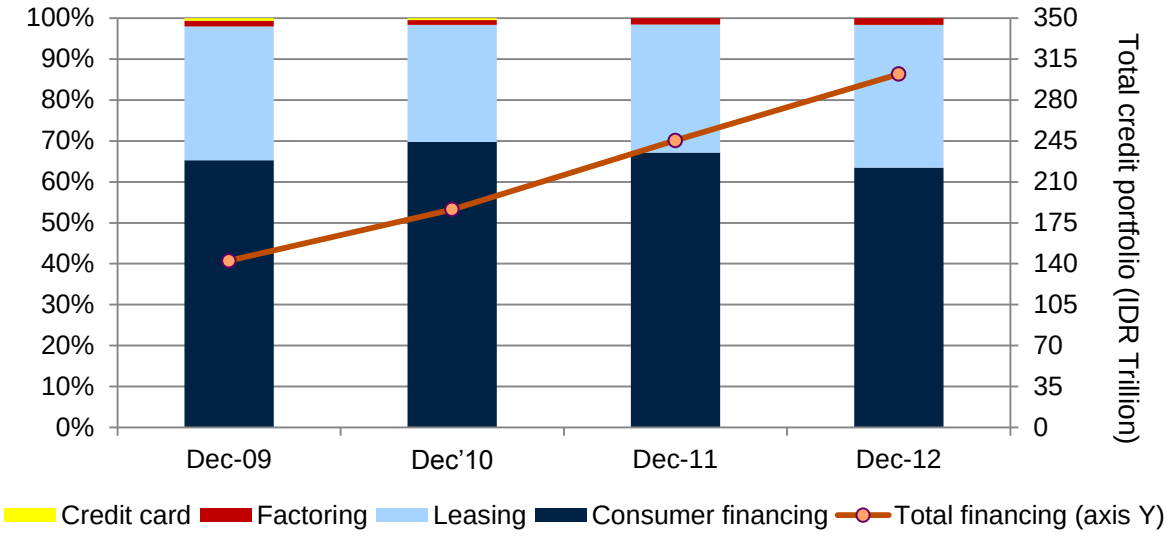
In addition, there are multiple types of non-bank credit providers that are either regulated by provincial authorities or not regulated at all. They include several types of community-based institutions or ***village credit providers*** in different provinces. According to the Banking Law, these institutions are prohibited from collecting deposits; however some types of provincial institutions either are authorized to take deposits within a traditional village (e.g. LPDs in Bali) or have received authorization from the Ministry of Finance to receive savings (e.g. BKKs in Central Java). The most important category of village credit provider is the LPD, established in 1985 as a system following traditional customary law in villages of Bali. As of December 2012, there are 1,351 LPDs regulated by the provincial governor and subject to delegated supervision of the Bali regional development bank. There are also ***savings and loan Sharia institutions*** (BMTs), which offer different types of financing agreements, savings and term deposits, and shares. The largest BMT industry association, *Asbindo* (Association of Indonesian BMTs), has 5,500 members, but the total number of BMTs currently operating in Indonesia is unknown (BMT Center, the second most important BMT industry association has about 140 members). Although many BMTs are registered as cooperatives (and thus subject to the cooperative regulatory and supervisory framework described in the previous paragraph), most BMTs seem to be operating outside of the scope of regulators. Additionally, there are non-regulated self-help groups and non-government organizations providing local financial facilities, in many cases as distribution channels for government programs (such as the about 15,425 UPKs or management units operating in 2012, which implement the National Program for Community Empowerment[169]). The number of these credit providers is also unknown.

The multi-finance segment has been constantly increasing in the past four years, driven by consumer financing activities. The total credit of the multi-finance segment has increased 112% from 2009 to 2012. 62% of this increase corresponds to the consumer finance portfolio. Leasing operations have also more than doubled in the same period, slightly increasing their

[169] USAID, Financial Inclusion in Indonesia, July 2013

participation in the multi-finance credit portfolio from 33% to 35%. The multi-finance segment shows signs of competition. In 2011, 56% of the industry assets were concentrated in 11 companies with assets above IDR 5 trillion, and 33% corresponded to 76 companies with assets between IDR 1 trillion and IDR 5 trillion.[170]

Figure 3. Evolution and Composition of the Multi-finance Credit Portfolio



Source: LK-Bapepam, Financial Stability Reviews

There are currently three different types of institutional arrangements, each one with different approaches. OJK regulates and supervises the multi-finance companies and the state-owned pawnshop; the Ministry of Cooperatives and SMEs regulates the cooperative sector and delegates supervision of cooperatives with local outreach to the provincial and district government authorities; the provincial government authorities regulate the small village credit providers, with delegated supervision carried out by the regional development banks. There are no formal coordination mechanisms between these three different types of regulators/supervisors.

Institutional arrangements are expected to change once the Cooperatives Law and the Microfinance Institutions Law are fully implemented, but there is still some uncertainty about the responsibilities for supervision of microfinance institutions that operate as cooperatives. In the context of the Cooperatives Law enacted in 2012, the Ministry of Cooperatives and SMEs is setting up the Monitoring Institution for Savings and Loan Cooperatives (the deadline for implementation of this law is October 2014). At the same time, the Microfinance Institutions Law enacted in 2013 requires all institutions specialized in providing financial services targeted to the poor and low-income communities to be licensed by OJK as microfinance institutions (with exception of village credit institutions recognized by customary law such as the LPDs). According to the Microfinance Institutions Law, the training, supervision and regulation of microfinance institutions is the responsibility of OJK, which can delegate its supervisory function to local government authorities or other appointed parties. The deadline for implementation of this law is January 2015, i.e. three months after the deadline for

[170] LK-Bapepam, Annual Report Finance Companies, 2011

implementing the Cooperatives Law. It is not entirely clear at this moment how both laws will be implemented in the case of cooperative microfinance institutions (for example, whether the Monitoring Institution for Savings and Loan Cooperatives – and not the provincial authorities – will supervise the new microfinance institutions constituted as cooperatives; or who will regulate BMTs operating as cooperatives).

In any case, the provincial authorities are still expected to play a key role in the supervision and regulation of non-bank credit institutions. Once the transitional period of the new Microfinance Institutions Law is over, provincial authorities will still fulfill the role of delegated supervisors for microfinance institutions, as well as supervising and regulating village credit providers (which are excluded from the application of the Microfinance Institutions Law).

In addition, the Ministry of Trade plays a role as enforcer of the consumer protection law and as authorizer of third-party dealers for the sale (or rent) of automobiles and motorcycles. The Ministry of Trade is the supervisor and enforcer of the general consumer protection law, which is particularly applicable to those segments not regulated by OJK (e.g. cooperatives and village credit providers) where no specific financial consumer protection legal or regulatory provisions are in place. In addition, in the multi-finance segment third party dealers are the main providers of pre-sale information about financing facilities of multi-finance companies to consumers.

There are active industry associations in two non-bank credit segments, with the oldest being the multi-finance segment. The ***Indonesian Association of Multi-Finance Companies (APPI)*** represents 150 multi-finance companies (out of 202 companies operating in this segment). It was initially formed as a leasing association (ALI) in 1982 in Jakarta. Along with the growth of the market and the expansion of financing activities for these types of companies, in July 2000 the association changed its name to APPI, and soon after, in December 2000, the association of factoring companies also joined APPI. APPI offers different services to its members on a voluntary basis, including training, lobbying and dissemination of information (including information on bad debtors).

There are two associations of Islamic microfinance institutions. ***Asbindo (Association of Indonesian BMTs)*** was conceptualized in 2005 as an industry representative body, but it only became fully operative in 2011 when it started running Apex BMT as its business implementing body and as a self-regulatory organization. Apex BMT has several functions including these: i) providing an integrated IT system that connects all member BMTs, along with IT support and assistance; ii) providing liquidity facilities to members; iii) managing a guarantee scheme for transactional deposits (up until IDR 25 million); iv) administering an industry clearing/settlement and payment system; v) developing rating systems; vi) undertaking management training and capacity building activities to support members in every step of their business, as well as members' clients; vi) monitoring and evaluating activities of members. Asbindo has about 500 members out of approximately 5,500 BMTs that operate in Indonesia. The ***BMT Center*** is another association of BMTs, also formed in 2005, and currently with about 140 members. Its functions include: i) self-regulatory activities and coordination with regulatory agencies regarding development of standards for the industry; ii) capacity building for both BMTs and debtors; iii) advocacy and consultation among members; iv) rating of BMTs; v) monitoring and supervision of BMTs; vi) wholesaler for BMT members; vii) operations center to provide information required by members including a debtors database.

Finally, some provinces and regencies have developed *associations of village credit providers.* In some cases they have developed thanks to the encouragement of local

authorities. However, these associations seem to operate locally and with no major coordination or cooperation with similar institutions in other locations.

There are about 200 consumer organizations active in Indonesia, and some cover financial sector issues. ***Indonesian Consumer Protection Organization (YLPK)*** is a non-profit, public, non-governmental organization created in 1973, which focuses on consumer education and awareness, complaints handling, and consumer testing and research. YLPK has a license issued by the Ministry of Justice and Human Rights to operate as a foundation, and a license from the local government authority to operate as a consumer organization. YLPK has been relatively active in the financial sector, for example advocating for increased protection of personal data (including by surveying financial institutions to find out whether they have data privacy policies), limits in telemarketing practices, and raising concerns on unfair contract provisions (e.g. concerning towing fees being charged to consumers after repossessing the goods, contract provisions indicating that the consumer agrees to any future changes in the terms and conditions of a financial product). YLPK receives consumer complaints and usually tries to help resolve them through mediation, but it can also advise the consumer to go to the Consumer Dispute Settlement Board – and assist the consumer in that process or even represent consumers in class actions.

Table 19. Landscape of Microfinance Providers

	Regulator	Supervisor *Current /future **	Market conduct authority	Number of providers	Types of products offered
Banks					
Commercial banks	BI / OJK	BI / OJK	MoT / OJK	120	
Rural banks (BPRs)	BI / OJK	BI / OJK	MoT / OJK	1,837	Loans, savings and term deposits
Village credit institutions (BKDs)	BI / OJK	Bank BRI	MoT / OJK	5,345	Compulsory savings, non-collateral small loans
- Village banks (BDs)	BI / OJK	Bank BRI	MoT / OJK		
- Rural credit institutions (LDs)	BI / OJK	Bank BRI	MoT / OJK		
Formal non-bank credit institutions					
Multi-finance companies	OJK	OJK	MoT / OJK	202	Consumer finance, leasing, factoring, credit cards
State-owned pawnshop	OJK	OJK	MoT / OJK	1 (4,933 branches)	Pawning, consumer finance, sharia financing, gold trading, payments
Savings and loan cooperatives	MC	MC & local govt.	MoT / MC	108,066	Time and savings deposits and loans to members
Savings and loan units of multipurpose cooperatives	MC	MC & local govt. / None	MoT / None	92,142	[Units have until 2015 to spin off and transform into savings

					and loan cooperative]
Village credit providers (LDKPs)				>5,000	
- Rural credit boards (of Bali) (LPDs)	Prov. govt.	Regional banks	MoT	1,351	Loans, compulsory savings, villagers' deposits
- Other village credit providers based on customary law	Prov. govt.	Regional banks	MoT		Loans, compulsory savings
- Other credit providers (including district credit bodies or BKKs)	Prov. govt. / i) OJK; ii) MC	Regional banks / i) OJK & prov. gov't; ii) MC	MoT / OJK or MoT		Unsecured loans, compulsory savings, deposits
Non-formal non-bank credit providers					
Sharia microfinance institutions (BMTs)	None	None / OJK or MC	MoT / OJK or MoT	~5,500	Financing, savings and term deposits
Self-help groups			MoT	>15,000	Small financing arrangements

** Future refers to institutional arrangements once the OJK law, the cooperatives law and the microfinance institutions law are fully implemented*

Comparison with Good Practices

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide clear consumer protection rules in the area of non-bank credit institutions, and there should be adequate institutional arrangements to ensure the thorough, objective, timely and fair implementation and enforcement of all such rules, as well as of sanctions that effectively deter violations of these rules.** **a. There should be specific statutory provisions, which create an effective regime for the protection of consumers of non-bank credit institutions.** **b. There should be a government authority responsible for implementing, overseeing and enforcing consumer protection in the area of non-bank credit institutions.** **c. The supervisory authority for non-bank credit institutions should have a register which lists the names of non-bank credit institutions.** **d. There should be coordination and cooperation among the various institutions mandated to implement, oversee and enforce consumer protection and financial sector regulation and supervision.** **e. The law should provide for, or at least not prohibit, a role for the private sector, including voluntary consumer associations and self-regulatory organizations, in respect of consumer protection in the area of non-bank credit institutions.**
Description	There are multiple institutions with different roles in regulating or supervising consumer protection in the NBCI sector, with overlapping and unclear jurisdictions, and limited coordination mechanisms. Similarly, the legal and regulatory framework is not consistent and lacks important provisions to adequately protect NBCI consumers. Industry associations and consumer organizations play a very limited role, especially due to capacity constraints. *Paragraph (a)* Despite the existence of some legal and regulatory provisions applicable to segments of non-bank credit institutions, the overall legal framework does not provide a clear and effective regime for the protection of consumers of non-bank credit institutions. At a more general level, although the Law on Consumer Protection (Consumer Law) does not include any explicit article dealing with financial services, its overall scope refers to all types of goods and services (which by default include financial services). Some important consumer protection provisions included in this law relate to the prohibition of misleading advertising (Chapter IV) and unfair standard contract clauses (Chapter V), dispute resolution (Chapter X), and consumer protection supervision (Chapter XII). However, these provisions seem more oriented to transactions related to goods and services other than financial services. The Law on the Ban of Monopolistic Practices and Unfair Business Competition (Competition Law) also

	includes some provisions relevant for the protection of consumers of non-bank credit institutions, especially those referring to price fixing (Chapter III, Part Two), closed contracts (Chapter III, Part Nine) and market controlling (Chapter IV, Part III). In terms of specific financial sector laws and regulations, the multi-finance and pawnshop segments will be governed by the comprehensive OJK Regulation on Financial Consumer Protection (FCP Regulation) when it comes into force in August 2014, as well as upcoming Circulars containing applicable guidelines. This Regulation provides a solid consumer protection framework, covering key elements such as consumer disclosure, business practices, complaints handling and dispute resolution, confidentiality, supervision and sanctions. However, the financial cooperatives and small village credit providers are outside the scope of this regulation, and their sectoral legal and regulatory frameworks do not include specific consumer protection provisions. It is also important to mention that, although many BMTs are registered as cooperatives and therefore need to comply with the Cooperatives Law, the vast majority of BMTs seem to be operating outside of the scope of regulators, and with no specific legal framework.[171] OJK has also recently issued the Microfinance Institutions Law (MFI Law), which would cover specialized financial institutions established to provide business and community development services (with the exception of customary-law-based village credit institutions). This law includes a brief consumer protection section (Chapter VIII), which requires microfinance institutions to provide key information to the public on terms and conditions of financial products, as well as information about the MFI's management and the potential risks of the MFI's operations with other parties. The MFI Law also gives OJK the authority: to provide information and education to the community about the microfinance sector, to ask microfinance institutions to cease their activities if they are harmful to communities, to set up a complaints handling service, and to undertake other actions as necessary in accordance with this law. This law comes into force in January 2015. *Paragraph (b)* In the non-bank credit sector, there are currently multiple institutions that have a role in implementing, overseeing and enforcing consumer protection, in many cases with overlapping and unclear jurisdictions. OJK regulates and supervises the multi-finance companies and the state-owned pawnshop. Among its multiple functions, the OJK Law of 2011 explicitly

[171] At a more general level, BMTs should follow the Islamic Law under the Code of Commercial Law for the establishment of membership rules, as well as the Law on Management of Zakat when carrying out treasury activities (Ahmad Juwaini, Mursida Rambe, Nana Mintarti and Rury Febrianto, "BMT (Baitulmaal wa Tamwil) Islamic Micro Financial Services for the Poor", ISO/Copolco Workshop, Bali 2010).

	recognizes OJK's financial consumer protection role. Article 4, for example, states that one of OJK's objectives is to "*protect the interests of Consumers and the public*", whereas Chapter VI deals with OJK's powers to adopt measures that ensure consumer and public protection. Despite OJK's clear responsibility for consumer protection in the multi-finance and pawnshop segments, its authority over other non-bank credit institutions such as savings and loan cooperatives, is not entirely clear yet, as will be explained in more detail below. The Ministry of Cooperatives and SMEs (MC) is currently responsible for regulation and supervision of the cooperative sector (including some BMTs that are registered as cooperatives). According to the Regulation on Activities of Savings and Loans Cooperatives, MC is in charge of carrying out supervision and providing guidance to such institutions, and to set principles for healthy and prudential cooperative development. In more practical terms, the Regulation on Guidance for Supervision of Savings and Loans Cooperatives indicates that the responsibility for supervision of cooperatives at a central level is the MC, and that at the province, regency and city level, such responsibility is delegated to staff in the local government authorities (Article 25). However, the institutional arrangements in the cooperative sector are expected to change soon. The 2012 Cooperatives Law requires that the existing savings and loans units of multipurpose cooperatives be transformed into separate independent savings and loans cooperatives, and prohibits any other type of cooperative from offering savings or loans products. The Cooperatives Law also requires savings and loans cooperatives to offer products and services only to members. Additionally, the Law indicates that the MCs' Monitoring Institution for Savings and Loans Cooperatives will be in charge of supervising and regulating the cooperatives that provide financial services. The scope of powers of the Monitoring Institution is still being developed, but the authorities have indicated the importance of including elements of consumer protection, in addition to the Ministry's existing responsibilities for financial supervision. The deadline for implementation of this Law is October 2014. In January 2013, OJK issued the MFI Law. This Law requires all institutions specialized in providing financial services targeted to the poor and low-income communities to be licensed by OJK as microfinance institutions by January 2014 (with the exception of village credit institutions recognized by customary law such as the LPDs). The law explicitly mentions that this requirement applies to credit cooperatives, local government-owned microfinance institutions and BMTs; and that OJK shall work together with the Ministry of Cooperatives and SMEs and the Ministry of Interior to conduct an inventory of MFIs that are not licensed as MFIs by the set deadline. According to the Law, the training, supervision and regulation of microfinance institutions are the responsibility of OJK, which can delegate its supervisory function to local government authorities or other appointed parties. The deadline for implementation of this law is January 2015, i.e. three months after the deadline for implementing the Cooperatives Law. It is not entirely clear at this moment how both laws will be implemented in the case of cooperative microfinance institutions and who will be in charge of supervising them (for example, whether the Monitoring Institution for Savings and Loan

	Cooperatives – and not the provincial authorities – will supervise the new microfinance institutions constituted as cooperatives; or who will regulate and supervise BMTs operating as cooperatives; or whether supervision of savings and loan cooperatives will be carried out by both OJK and by the MC, with each one looking at different elements of the business). In any case, the provincial authorities are still expected to play a key role in the supervision and regulation of non-bank credit institutions. Once the transitional period of the new Microfinance Institutions Law is over, provincial authorities will still fulfill the role of delegated supervisors for microfinance institutions, as well as supervising and regulating village credit providers (which are excluded from application of the MFI Law). The Ministry of Trade also plays a role in consumer protection for the non-bank credit sector. On the one hand, it clearly plays a role in the authorization of third-party dealers for the sale (or renting) of automobiles and motorcycles—and third party dealers are the main providers of initial information about financing facilities of multi-finance companies to consumers. On the other hand, the Ministry is the enforcer of the Consumer Law (Article 30), which in the current context is certainly applicable to the cooperative and village credit provider segments, as well as the BMTs (where no consumer protection provisions are included in their sector legal and regulatory framework). In the case of other nonbank credit sectors, there is no legal provision that indicates how the FCP Regulation and the Consumer Law interact or whether the existence of a financial regulator with consumer protection functions has an effect on the applicability of the Consumer Law. Therefore, the Ministry of Trade theoretically still has a role in enforcing the Consumer Law in the OJK regulated financial sector (at least enforcing those provisions that do not contradict the FCP Regulation). Additionally, the Consumer Dispute Settlement Board (BPSK) created by the Consumer Law also plays an important enforcement role in the context of that law. In addition to its disputes handing and resolution function, the law authorizes the BPSK to conduct supervision regarding the inclusion of standard clauses, to report to public investigators if there are violations to provisions of this law, to impose administrative sanctions against entrepreneurs who have violated this law (Article 52). Additionally, the National Consumer Protection Agency was set up under the Consumer Law as a separate entity charged with providing suggestions and considerations to the government in the framework of developing consumer protection in Indonesia (Article 33). In order to carry out such mandate, the Agency is authorized: • To provide suggestions and recommendations to the government regarding consumer protection policies;

	• To conduct surveys and studies on the consumer protection legal framework • To conduct surveys on consumer's safety • To encourage the development of consumer NGOs • To disseminate information in the media on consumer protection and promote awareness of consumer rights • To receive complaints regarding consumer protection from consumers, consumer NGOs or entrepreneurs • To conduct surveys on consumer needs. *Paragraph (c)* There is no source to obtain a list of all the NBCIs operating in Indonesia. This is true for the multi-finance segment regulated by OJK, as well as the cooperative and village credit segments, where the authorities do not have available lists of institutions under their supervision. In the BMT segment, it is even more difficult to obtain information of the number of BMTs operating in the market due to the absence of a supervisory body. It is worth noting that in the cooperatives sector, the Cooperatives Law (Article 25) indicates that the MC should have a General Register of Cooperatives that is open to the public. The Register should include at least the general information of the cooperative (name, domicile, business activities, setup date, and name of members of supervisory board), number and date of amendments to the Articles of Association and of the deed of dissolution notified to the MC, name and address of the Notary that prepared the deed to operate as a cooperative. However, this Register is not easily accessible or available online. *Paragraph (d)* In general, there are no cooperation mechanisms (e.g., memorandum of understanding) between the different authorities with a role in consumer protection and financial regulation and supervision for the NBCI sector. One good first step towards increased formal cooperation has been taken in the MFI Law. The Law mentions the need for cooperation among OJK, the MC, and the Ministry of Interior, both to carry out training of MFIs (Article 28) and to conduct the inventory of MFIs that do not comply with the law in the first year (Article 40). In theory, the Consumer Law also recognizes the importance of cooperation and states that the Minister of Trade and the related technical ministers shall coordinate the implementation of consumer protection (Article 29). However, no coordination mechanisms have been developed in the financial sector, most likely due to the lack of clarity of how this Law applies to the financial sector. *Paragraph (e) – Industry associations* The Cooperatives Law provides for a role for an industry association. The Law recognizes the importance of creating an Indonesian Cooperative Board that will represent the interests and aspirations of the cooperative segment and act as a mechanism for empowering its members (Article 115). Among other roles, the

	Board is expected to increase awareness of cooperatives; represent and act as spokesperson of the cooperative movement; supervise and enforce the application of cooperative values; establish communications, forums and networks of cooperation in the cooperative segment; etc. (Article 117). Although the Board's operational costs are expected to be funded by member dues, grants, non-binding donations and assistance, the government will also contribute with state funding (Articles 118, 119). There is limited mention of the role of an industry association in the current legal/regulatory framework for other segments of non-bank credit institutions. In the multi-finance segment there are discussions underway to issue a new multi-finance law that would include provisions to strengthen the role of the industry association, including in relation to consumer protection issues. The current association, APPI, represents three quarters of the number of companies operating in the segment, and has carried out training, lobbying and exchanging information within the industry. Nonetheless, it is still weak in terms of resources and capacity to represent effectively the industry and carry out activities that promote better industry standards, especially in the area of responsible finance / consumer protection. In addition, in the segment of Islamic microfinance (or BMTs), although there is no clear legal framework, there are at least two industry associations that aim to strengthen the sector, promote industry standards, training and regulation. In the village credit providers segment, there is no provision on this matter at a provincial level, but at a regional level. Specifically, the Badung Regency LPDs Regulation explicitly allows for LPDs to form a cooperation agency or industry association (BKSLPD) that would have the duties of: coordinating the development of the LPD market; facilitating and mediating in the LPD market; coordinating resolution of problems between LPDs and technical trustees or advisors; holding regular meetings of members; carrying out technical supervision (Articles 20 and 25). The BKSLPD seems to be the only major village credit association that has been set up although with limited capacity and outreach. *Paragraph (e) – Consumer associations* The Consumer Protection Implementation Regulation recognizes the importance of registered consumer NGOs in the implementation of consumer protection legislation, and the role of the Minister of Trade in fostering their development. Article 7 allows for consumer NGOs to undertake supervisory activities in the area of consumer protection for goods and services (which could include financial services). These supervisory activities are required to be conducted through research, testing or surveys, and include aspects such as the disclosure of information about risks, advertising, testing of services that do not meet the elements of safety and comfort of consumers (all such elements could be applicable to the non-bank credit sector).

	Through Article 5 the Ministry of Trade is given the responsibility of coordinating with other technical ministers the development of capacity building activities (including training, education and coaching) for consumer NGOs, as well as the development of consumer protection informational materials and sanctions frameworks to support the activities of consumer NGOs. Other activities that registered consumer NGOs may undertake (according to the NGOs Regulation) include: disseminating information to increase awareness of consumer rights and obligations; providing advice to consumers; working with related agencies in an effort to improve consumer protection and education; helping consumers fight for their rights individually or in groups, including by receiving consumer complaints and helping government supervise consumer protection. It is worth noting that the Government registers and recognizes an NGO as a "*qualified consumer NGO"* if it is enrolled in a district or city Government, and engages in the field of consumer protection as specified in its charter (Article 2 of the NGOs Regulation). The Government may also cancel the registration of a consumer NGO if it no longer carries out consumer protection activities, or if it violates provisions of the Consumer Law and its implementing regulations.
Recommendation	For the multi-finance and pawnshop segments, it is important that the interaction between the FCP Regulation and the Consumer Law be clarified. This could be done through the issuance of a new financial consumer protection law in the long term, which incorporates in a single document the principles of the FCP Regulation and the Law provisions that are considered relevant and applicable to the financial sector. In the meantime, it is important to make such clarification in the Circulars under preparation for the multi-finance segment and for other non-bank financial institutions (which include the pawnshop segment). Consideration could also be given to amending the Consumer Law to recognize the role of OJK and other financial regulators in regulating and supervising consumer protection regarding their regulated institutions. OJK should also develop a Circular on consumer protection for microfinance institutions. This would provide further guidance to microfinance institutions on the implementation of Chapter VIII of the MFI Law once it is effective, and on its interaction with the Consumer Law. In order to have a common legal consumer protection framework for all types of financial products and providers, specific consumer protection regulations should also be developed for financial cooperatives, village credit providers, BMTs, and third-party auto or motor dealers. These regulations should take into account the basic consumer protection provisions included in OJK regulations and circulars, to avoid regulatory arbitrage and create a similar basic protection level for all NBCI customers. At the same time, the regulators should adopt a proportionate

	approach that considers the compliance costs for small financial providers. To ensure adequate implementation, oversight and enforcement of consumer protection in the multi-finance and pawnshop segments, OJK should develop guidelines for consumer protection supervision and market monitoring. These guidelines should help staff identify consumer protection risks through off-site mechanisms, and develop a methodology that could be clearly transmitted to, and understood by, staff working in OJK's consumer protection unit and in other units. Given the multiplicity of institutional arrangements in the non-bank credit sector, efforts should also be undertaken to develop similar approaches to consumer protection supervision for similar credit providers. In particular, guidelines should be developed for provincial authorities to carry out delegated market conduct supervision of savings and loan cooperatives (currently) and microfinance institutions (following on responsibilities under the MFI Law starting in 2015); and for regional banks to undertake market conduct supervision of village credit providers. Ideally the approach adopted would, to the extent practical, reflect that which applies to banks so as to avoid regulatory arbitrage between the different types of institutions. These recommendations could be considered as part of OJK's ongoing development of strategies and training programs for the non-bank credit sector. Regarding the cooperative segment, it is important that the regulation defining the scope of powers of the Monitoring Institution for Savings and Loans Cooperatives explicitly clarifies its role in consumer protection. It is especially important that this is done vis-à-vis the cooperative microfinance institutions that will be established under the MFI Law. Each financial regulatory authority should publish a list with all the institutions it regulates, in a section of its website that is clearly identifiable by the consumer. All regulators could also usefully publish the list of regulated entities in their annual reports or have the register available in their premises, for those consumers who may not have access to the internet. Inter-institutional coordination in the field of financial consumer protection should be strengthened. Once the Monitoring Institution for Savings and Loan Cooperatives is established, it will be important to develop a coordination mechanism with OJK regarding the implementation of consumer protection and financial supervision of savings and loan cooperatives. Similarly, coordination should be strengthened between OJK and the Ministry of Trade. Consideration should be given to the signing of a Memorandum of Understanding, which may cover several topics such as: sharing information about the segments of auto and motorcycle dealers and of multi-finance companies; developing guidelines for the monitoring of dealers' business practices regarding potential recipients of

	consumer finance; sharing information on complaints or investigations related to the financing of auto or motorcycle purchase. Given that the Ministry of Trade still bears responsibility for monitoring compliance with the Consumer Law by entities outside the remit of OJK or MC (such as third-party auto dealers, small village providers, private moneylenders), it would be important to develop a multi-stakeholder coordination mechanisms that allows for exchange of experiences and coordination of approaches between all the different institutions that have a role in financial consumer protection. In the case of third-party dealers, coordination should be established with the Ministry of Trade This could be done, for example, in order to improve disclosure of comparative information provided by dealers to potential consumers, standardize o calculation of interest rates and the real cost of credit and to include provisions on the selling of bundled insurance products.
Good Practice A.2	***Code of Conduct for Non-Bank Credit Institutions*** **a. There should be a principles-based code of conduct for non-bank credit institutions that is devised in consultation with the non-bank credit industry and with relevant consumer associations, and that is monitored by a statutory agency or an effective self-regulatory agency.** **b. If a principles-based code of conduct exists, it should be publicized and disseminated to the general public.** **c. The principles-based code should be augmented by voluntary codes on matters specific to the industry (credit unions, credit cooperatives, other non-bank credit institutions).** **d. Every such voluntary code should likewise be publicized and disseminated.**
Description	There are no industry-based codes of conduct in place for the multi-finance, savings and credit cooperatives, village credit or BMT segments. In the non-bank credit sector, there are only two segments with active industry associations—the Indonesian Association of Multi-finance Companies (APPI), the Association of Indonesian BMTs (Asbindo) and the BMT Center. However, the associations have not developed codes of conduct. The mission team was advised that a draft multi-finance company law would require all multi-finance companies to be a member of the relevant industry association, as a measure to strengthen the association and encourage it to develop its own ADR scheme, and Code of Conduct. However a copy of the draft law was not made available to the mission team. Additionally, there is no active association of financial cooperatives or association for small village credit providers. The FCP Regulation requires financial providers to abide by their institutional code of ethics when they deal with consumers (Article 30). In practice, generally individual multi-finance companies and cooperatives have their internal codes of conduct. However these codes are only for internal use. They are usually taught during the induction and training processes, but after that they are not widely disseminated. Thus, consumers are not aware of the code that the officers need to comply with when interacting with them, and do not have an avenue to complain against a financial institution's officer for violation of the code of

	conduct. Pegadaian, the only pawnshop operating in Indonesia, has done a good job developing a detailed code of conduct, approved by an internal regulation. The Code is printed and distributed to its employees, who must also sign a commitment of allegiance to the code and to report any violations against it. The Code includes ten chapters on topics like fair working opportunities, safety at workplace, giving and accepting prizes, intellectual property, etc. Chapters 7 and 8 are of particular relevance for consumer protection: • Chapter 8 concerns the principle of information sharing and maintenance of confidentiality, and refers to the obligation of the company and its employees to provide information that is correct, accurate and timely, according to the law; and to maintain and protect any document, data and information that is confidential from usage outside of the pawnshop's needs; • Chapter 7.4 concerns relationships with debtors or customers, and refers to the company's and employees' obligations to respect the rights of customers, to provide them with high-quality services, to follow standards of services and operations, to always work professionally, and to listen, accept and seek solution to customer complaints; and • Chapter 7.6 concerns relationships with the community, and covers the company's commitment to join and participate in community empowerment activities, and promote social responsibility.
Recommendation	In order to strengthen the role of non-bank credit industry associations in financial consumer protection, OJK and the MC should develop guidance on the principles and minimum content of industry Codes of Conduct, preferably in a coordinated manner. They could also require or suggest industry associations to share their draft Codes with the authorities for comments. Guidance should also be provided on the mechanisms to publicize and disseminate the industry Code among employees of financial institutions and consumers, and to monitor compliance of the code by the association's members. OJK and MC should share such guidelines with the BMT self-regulatory organizations, as well as with the provincial government authorities, so that similar guidelines could be developed in the BMT and village credit segments. Similarly, the Ministry of Trade should require the application of similar guidelines for the development of codes of conduct in the auto /motor dealers industry.
Good Practice A.3	***Other Institutional Arrangements*** **a. Whether non-bank credit institutions are supervised by a financial supervisory agency, the allocation of resources between financial supervision and consumer protection should be adequate to enable their effective implementation.** **b. The judicial system should ensure that the ultimate resolution of any dispute regarding a consumer protection matter with a non-bank credit institution is affordable, timely and professionally delivered.** **c. The supervisory authority for non-bank credit institutions should encourage media and consumer associations to play an active role in promoting consumer protection regarding non-bank credit institutions.**
Description	The financial regulators have limited capacity to carry out prudential and financial supervision, let alone consumer protection. Similar constraints exist in consumer

	NGOs, whereas courts are generally distrusted. *Paragraph (a)* OJK is the prudential/financial and market conduct supervisor for the *multi-finance and pawnshop* segments (and for the microfinance institutions segment starting in 2015). However, currently OJK's resources and capacity to assume its consumer protection role are quite limited. Even though there is a Consumer Protection and Education Division within OJK's Policy Department Directorate, this division only has around 6 staff members and focuses on developing the overall consumer protection policy, legal and regulatory framework, as well as receiving consumer complaints. The consumer protection supervisory role is currently the responsibility of the line or sector departments. In practical terms, this means that the same department and staff that conduct regular prudential supervision are also responsible for consumer protection supervision. These arrangements may create situations where consumer protection is under-supervised or relegated to second priority within the supervisory work, or where a consumer protection recommendation is quickly overlooked or dismissed due to its potential effects on prudential indicators of a company. Furthermore, the number of staff currently working on prudential supervision is already low for the number of institutions they need to cover. This situation will be aggravated when OJK starts supervising microfinance institutions. These limitations in terms of human resources make the implementation of consumer protection an even more challenging task to assume. In addition, currently there are no guidelines yet on how staff should conduct consumer protection supervision. Such guidelines are particularly important given that the profile and expertise of the current sector supervisors fit the requirements for a prudential supervisor (for example, with more emphasis on quantitative than qualitative skills) and not necessarily those for consumer protection, and given that it is not uncommon for prudential supervisors to not know about what consumer protection entails or to not consider the importance of consumer protection for financial stability. In the *cooperative* segment, the MC is planning to undertake a consumer protection supervisory role through its Monitoring Institution for Savings and Loans Cooperatives, and to staff such institution with appropriate resources for all its responsibilities. The exact mechanisms for conducting monitoring in remote areas are still being developed, but it is expected that the system of delegated supervision will continue to be used. The MC has already issued detailed Guidelines for Supervision of Savings and Loans Cooperatives and Guidelines for Supervision of Islamic Financial Cooperatives, which are required to be applied by the MC and local government authorities. Both focus on financial and prudential supervision, and include just a few provisions related to consumer protection issues (e.g. affordability assessments, confidentiality, consumer training). These guidelines would have to be either amended or replaced by new ones that reflect the role of the new Monitoring Institution. In either case, it would be important to clearly define the legal responsibilities of the institutions involved in consumer protection supervision (including clarification of the roles of the Ministry of Trade and OJK), and to add a new section focused on consumer

	protection. *Paragraph (b)* According to Article 45 of the Consumer Law, consumers who have suffered damages may file charges against the entrepreneurs through a court under the jurisdiction of the General Court or through an alternative dispute resolution body. The settlement of the dispute may be conducted in a court of outside the court based on the voluntary choice of the parties to the dispute. However, if dispute resolution efforts have been carried out outside the court, charges can only filed in the court if such efforts are declared unsuccessful by one or both parties in dispute. Additionally, according to Article 56, in cases where consumers have presented complaints to the BPSK, the parties may submit an appeal to the District Court (which is the lowest hierarchy in the General Court system) at the latest within 14 working days after receiving the notification of such decision. In general, it is understood that neither consumers nor financial organizations trust the courts. The reasons cited include that the court processes are slow, expensive and unpredictable and are handled by low-paid judges. *Paragraph (c)* The *Guidelines for Standards of Operational Management of Savings and Loans Cooperatives* recognizes the importance of developing promotional policies in order to introduce, or improve awareness of, the activities of savings and loans cooperatives. The Guidelines indicate that these cooperatives may use different types of media for promotional purposes, including electronic media (TV, radio), printed media (e.g. newspapers, magazines, brochures, leaflets) and community services. Some consumers have asked YLKI or other formal consumer associations for help, and they have contacted financial institutions to correct wrongdoing. OJK and the Ministry of Trade have been receptive to the actions of YLKI and similar consumer associations, for example by participating in consumer awareness campaigns or events (e.g. a campaign carried out last year encouraging consumers to present complaints regarding credit cards). YLKI has also shared with OJK information about the complaints they receive regarding business practices and contract terms of multi-finance companies. Annually YLKI also organizes a press conference to disseminate the main activities they undertook during the year, and share information about the main types of complaints they receive. The financial supervisors and the financial industry recognize the important role of consumer organizations. This role can include promoting consumer awareness, informing clients about their rights and obligations, providing advice to consumers, and even working as facilitators or mediators for the resolution of complaints.

	However, it is also worth noting that some recent abusive practices at the NGO level raise concerns. The mission team was advised of a surge of informal associations that claim they represent consumers, more specifically multi-finance customers. These NGOs aim to take possession of the car or motorcycle that was subject of the financial agreement and then exert pressure against a multi-finance company to obtain money and settle the debt. Reportedly, some of these associations have carried out vandalistic protests inside premises of multi-finance companies and have been promoting an inadequate payment culture even by contacting customers soon after they have their contracts approved by a multi-finance company.
Recommendation	OJK should strengthen its resources and processes for supervision of consumer protection issues in the NBCI sector. The relevant unit should be responsible for proposing specific guidelines or regulations in areas such as disclosure of information to consumers, business-to-consumer practices, complaints handling and disputes resolution, customer account handling, debt collection, and data protection. The unit should also prepare manuals for offsite and onsite supervision of consumer protection; participate in offsite and onsite supervision (eventually developing a risk-based conduct-of-business supervision methodology); prepare consumer protection supervision reports; propose corrective measures, sanctions or fines; require and analyze reports from supervised institutions on consumer protection issues, including reports on complaints. In order to prevent or minimize conflicts of interests, the consumer protection unit would ideally be located outside the prudential supervision department and report to a different Commission member. The consumer protection unit should at a minimum prepare a report discussing and analyzing key consumer protection issues, to be included in OJK's Annual Report. There should also be clarification of the consumer protection supervisory role of MC's Monitoring Institution for Savings and Loans Cooperatives Financial regulators, in association with the industry associations, should develop capacity building and training programs for judges of the District Courts in charge of dealing with financial consumer complaints. Information on the financial sector cases dealt with by the District Courts should be shared with the financial regulators. Financial regulators should develop a mechanism to receive inputs or comments from consumer organizations before they issue policies, laws or regulations dealing with consumer protection issues. Once these instruments are finalized, financial regulators should inform consumer organizations about the changes in the financial consumer protection framework, so that they can understand those changes and transmit correct information to consumers, especially low-income consumers. It will also be important for financial regulators to be informed of the number and types of complaints against financial institutions that the consumer associations receive.

	Consideration could be given to developing a consumer awareness campaign on the risks of dealing with non-regulated consumer organizations that may just take advantage of consumers in need and undermine the consumers' payments culture.
Good Practice A.4	***Registration of Non-Bank Credit Institutions*** **All financial institutions that extend any type of credit to households should be registered with a financial supervisory authority.**
Description	According to the Ministry of Finance Regulation on Finance Companies, all multi-finance companies must secure a business license as financing company from the Minister prior to commencing business (Article 8). Although this responsibility has been transferred to OJK as per the OJK Law of 2011, the licensing requirements are still the same. The licensing application must include (or attach): • the deed of establishment of the company; • data about executive directors and board members, including identification documents, statements that provide some assurance of their fitness and properness (e.g. statements as to credit worthiness, the lack of a criminal record and as to the lack of a bankruptcy history); and evidence of operational experience in the banking or multi-finance sector for at least 2 years; • data about shareholders or members; • information about their operational system and procedures, organizational structure and personnel; • a copy of evidence of the settlement of paid-up capital in the form of a time deposit at a commercial bank; • their action plan for the first two years; • evidence of operational readiness; • a joint business agreement between foreigner and Indonesian parties in the case of joint venture; • operational guidelines for application of KYC principles. The licensing authority (now OJK) must approve or reject the application in not more than 60 days after receiving all documents. The Cooperatives Law indicates that a cooperative needs to submit in writing its application for a cooperative deed to the MC (Article 10) and then obtain authorization from the MC to operate as a legal entity (Article 13). The application basically comprises the cooperative's Articles of Association, and basic information of: the founding individual (full name, place and date of birth, residence and occupation) or founding cooperative in the case of secondary cooperative (name, domicile, full address and number and date of authorization of cooperatives); and the Board of Trustees (name, date and place of birth, residence and occupation of trustees). The Articles of Association must contain the name and domicile of the cooperative; membership area; objectives, business activities, type of

	cooperative; provisions on capital; procedures for appointment, dismissal and replacement of supervisors and administrators; rights and obligations of Members, Trustees and Board; provisions on membership requirements and member meetings, use of surplus in operational results, dissolution, sanctions and member dependents. It is worth noting that the word "cooperative" cannot be used by an entity that is not established in accordance with this Law (Article 17). In addition, savings and loans cooperatives are required to include in their application: i) work plan for at least the first three years, ii) administration and bookkeeping arrangements, iii) names and bios of key staff, and iv) list of working facilities (Article 3 of Regulation on Cooperatives' Activities). Village credit providers are currently outside the remit of financial regulators. A group of them correspond to traditional institutions based on customary law and recognized by local authorities. A second group consists mostly of local government-based microfinance institutions. With the entry into force of the MFI Law, village credit providers that are not based on customary law will have to obtain a microfinance institution license from OJK. To obtain such a license, the microfinance institution must at least comply with requirements on organizational structure and management, capital, ownership and feasibility of their work plan. A BMT only needs to receive authorization from the Ministry of Home Affairs to start operations, according to the Letter of the Minister of Home Affairs No. 538/PKK/IV/1997 issued on 14 April 1997 regarding the Legal Status of Sharia Financial Institutions. It is estimated that only about 10% of the existing BMTs are also registered with the Ministry of Cooperatives and SMEs. The MFI Law seems to imply that BMTs will have to be licensed by OJK as microfinance institution to operate as such.
Recommendation	Consideration should be given to providing the soon-to-be-established MC's Monitoring Institution for Savings and Loans Cooperatives a specific role in the review of applications to operate as savings and loans cooperative and to including some minimum fit and proper requirements for cooperative founders (e.g. not being involved in fraudulent activities or criminal offences, or participation in any previously bankrupt institutions). OJK and MC should clarify who will be responsible for registering BMTs in the context of the entry into force of the Cooperatives Law and the MFI Law. In any case, either law should explicitly state that BMTs must be registered in order to offer financial products and services. Alternatively (but less ideally), this clarification could be included in a specialized BMT law, along with provisions on periodic reports on the situation of the BMTs that should be submitted to the relevant authority. Regarding village credit providers, it is also important that financial regulators have a clear idea of the size of the segment in terms of assets, members, outreach, of the different types of village providers. Consequently, even though the MFI Law explicitly excludes traditional village credit providers from its

	application, consideration could be given to require OJK to maintain a register of such providers, with the support of provincial authorities.

SECTION B	DISCLOSURE AND SALES PRACTICES
Good Practice B.1	***Information on Customers*** **a. When making a recommendation to a consumer, a non-bank credit institution should request sufficient information from the consumer to enable the institution to render an appropriate product or service to that consumer. If the consumer takes up a product or service, such information should be recorded and filed.** **b. The extent of information the non-bank credit institution gathers regarding a consumer should:** **(i) be commensurate with the nature and complexity of the product or service either being proposed to or sought by the consumer; and** **(ii) enable the institution to provide a professional service to the consumer in accordance with that consumer's capacity.**
Description	The detailed regulations on customer information gathering focus only on aspects of financial integrity, and are applicable to multi-finance companies. ***Paragraph (a)*** Regarding the *multi-finance and pawnshop segments,* the FCP Regulation mentions that financial providers have the right to obtain, in good faith, accurate, honest, clear and not misleading information and/or documents about customers. For multi-finance companies, the Minister of Finance Regulation on Know Your Customer Principles for Non-Bank Financial Institutions (Regulation on KYC for NBFIs) and its complementary Bapepam-LK Regulation on Guidelines for the Implementation of KYC Principles for Finance Companies (Regulation on KYC for Finance Companies) addresses part of this Good Practice, from the perspective of financial integrity. Article 7 of Regulation on KYC for NBFIs requires multi-finance companies, before they issue a consumer contract agreement, to request information on: the prospective customer's background and identity, the intent and purpose of the required financing facility, the financial profile of the prospective customer, as well as other information that would help with the identification of the profile of prospective customers, including previous obligations with the multi-finance company. *Paragraph (b)* The Regulations on KYC for NBFIs and on KYC for Finance Companies allow for the application of simplified customer due diligence procedures for low-risk transactions. In the case of multi-finance companies, the relevant low-risk

	transactions comprise financing of motor vehicles, electronic equipment and household appliances whose value does not exceed IDR 50 million[172]. In such cases, the only information that a multi-finance company is required to ask a prospective individual customer from the perspective of AML/CFT risks would be: full name, number of identity document (with evidence), residential address listed in the identity document, current residential address including telephone number, place and date of birth. For other customers that do not represent high financial integrity risk, the required information also includes evidence of employment, income and source of funds, intended use of funds, name and bank account number of prospective customers, if any, and other documents that allow the multi-finance company to be able to know the profile of prospective customers.
Recommendation	NBCI regulators should include specific provisions in the regulatory framework for NBCIs that incorporate the requirement for financial officers to obtain sufficient information from consumers that allow them to offer an appropriate product or service. Although the AML/CFT requirements cover some of the basic information needed, this Good Practice goes beyond this KYC requirements and deals with the requirement to understand the needs of a customer before offering him/her a product. This specific issue should be included in the regulations for all types of NBCIs. Consideration should also be given to including this requirement in guidelines for third-party auto dealers.
Good Practice B.2	***Affordability*** **a. When a non-bank credit institution makes a recommendation regarding a product or service to a consumer, the product or service it offers to that consumer should be in line with the need of the consumer.** **b. Sufficient information on the product or service should be provided to the consumer to enable him or her to select the most suitable and affordable product or service.** **c. When a non-bank credit institution offers a new credit product or service that significantly increases the amount of debt assumed by the consumer, the consumer's credit worthiness should be properly assessed.**
Description	The multi-finance companies and pawnshops are the only NBCIs required to consider the customer's needs and affordability when recommending a product or service. There are difficulties across the NBCI sector in undertaking a creditworthiness assessment, given the absence of a comprehensive credit reporting system. *Paragraph (a)* Regarding the multi-finance and pawnshop segments, Article 16 of the FCP

[172] Also considered as low-risk transactions are those where the customer is a public sector company.

	Regulation requires financial providers to pay attention to the suitability of the products and/or services offered to consumers vis-à-vis their needs and capabilities. *Paragraph (b)* In relation to this Good Practice, Article 10 of the FCP Regulation requires multi-finance companies and pawnshops (and the other OJK-regulated institutions) to inform customers on the cost of any product and/or service that is offered by the provider. This information is relevant and useful, but not enough for consumers to make a fully informed choice on the most suitable product for them. *Paragraph (c)* Article 10 of the FCP Regulation addresses part of this Good Practice, by prohibiting financial providers (e.g. multi-finance and pawnshops) from providing automatic facilities that result in additional costs to the consumer without having the explicit consent of the consumer. Indirectly related to this Good Practice are two regulations on down-payment requirements for automotive and motorcycle financing issued in June 2012. The Ministry of Finance regulation set higher minimum down payments for multi-finance loans: 20% for financing of motorcycles and productive cars, and 25% for non-productive cars; whereas the Bank Indonesia (BI) Regulation set the limits of down payments for bank loans at 25% for motorcycles, 20% for productive cars and 30% for non-productive cars. These measures were a reaction to some initial signs that consumer credits for the purchase of cars and motorcycles were granted with little attention to the real payment capacity of borrowers, who started to show signs of over-indebtedness. Still, the regulatory framework for multi-finance companies does not explicitly require that financial providers carry out a creditworthiness assessment of the client. In the cooperative segment, Article 93 of the Cooperatives Law requires savings and loans cooperatives to apply prudence when engaging with a client; more specifically, these cooperatives are required to assess the consumer's financial capacity and ability to repay the loan in accordance with the contract's conditions, and not to grant loans that may harm the interests of the cooperatives and its members. Similarly, the Regulation on Savings and Loans Cooperative Activities requires savings and loan cooperatives and savings and loans units to adhere to principles of sound lending and assess the consumer's financial capacity and repayment ability. Both of the above legislative instruments recognize the authority of the cooperative's members meeting to set a maximum loan limit for individual members. In addition, the Guidelines for Standards of Operational Management of Savings and Loans Cooperatives have some provisions regarding affordability. For example, Article 19 indicates that one of the requirements for prospective borrowers is not to have outstanding debts with the cooperative or with other parties; Article 21 indicates that the amount of consumer loans may be up to 3

	times the value of savings and not more than 30% of the prospective borrower's income; whereas Article 23 states that the provision of collateral is not an absolute requirement for the granting of a loan, but that attention must be paid to the ability of the prospective borrower to pay back the loan. Similar provisions are included in the Guidelines for Supervision of Islamic Financial Cooperatives. The aforementioned Guidelines for Standards of Operational Management of Savings and Loans Cooperatives also include guidelines on Standards for Analysis of Loans, and emphasize the need to undertake two types of analysis to have confidence that the loan given will be paid back by the borrower: • Qualitative analysis or analysis of willingness to pay, which includes evaluation of the borrower's character and commitment to the cooperative's obligations; • Quantitative analysis or analysis of the ability to pay, which includes evaluation of sources of funds to meet obligations, as well as living expenses. Regarding this Good Practice, the existence of a comprehensive credit reporting system would help financial institutions to carry out an adequate creditworthiness assessment. Currently there is only one credit registry operating in Indonesia, the Biro Informasi Kredit (BIK) at BI (also known as the Debtor Information System). According to the BI Regulation on the Debtor Information System, a multi-finance company or pawnshop may become a reporting entity within the BIK (Article 4) – whereas commercial banks, nonbank credit card providers and large rural banks must become reporting entities. Still, even if a multi-finance company or pawnshop decides to report to the BIK, it may or may not request debtor information before it grants credit to a customer. Currently, however only a handful of NBCIs participate in the BIK. Incidental information indicates that the requirements set by BI, especially IT requirements and some customer data field requirements, have been hard to meet by NBCIs. As an alternative to the BIK, some industry associations have developed informal mechanisms to share information about debtors. APPI has promoted the exchange of information about borrowers' exposure amongst multi-finance companies. Some of these companies, concerned with multiple borrowings by their existing or potential clients, routinely exchange information about borrowers on a voluntary basis. Currently, Asbindo is collecting data from its BMT members and working on a beta version of a debtor database. Although it is good that the industry has tried to come up with solutions to overcome the limited credit history information available in Indonesia, these initiatives have several weaknesses. For example, the lack of information of the total exposure of a borrower in the financial sector, a lack of clarity as to the procedures on how to correct wrong data, and the absence of confidentiality and privacy rules. Also, the voluntary nature of this data exchange greatly limits its effectiveness. This situation highlights the need to have an operative and comprehensive credit reporting system in Indonesia.

Recommendation	Savings and loans cooperatives, and village providers, should be required by regulation to provide a consumer with an offer of a financial product or service that is in line with the needs of the consumer. Also, all NBCIs should be required by their respective regulators to offer the consumer sufficient information for him/her to select the most suitable and affordable product or service; and to adequately assess the consumer's creditworthiness when offering a new credit product. OJK should also encourage all its regulated entities to participate in the BIK. Also, OJK should coordinate with BI about ways to mitigate the technical issues and complexities that seem to currently exist in the BIK and that are discouraging NBCIs to participate in the system.
Good Practice B.3	***Cooling-off Period*** **a. Unless explicitly waived by the consumer in writing, a non-bank credit institution should provide the consumer a cooling-off period of a reasonable number of days immediately following the signing of an agreement between the institution and the consumer.** **b. On his or her written notice to the non-bank credit institution during the cooling- off period, the consumer should be permitted to cancel or treat the agreement as null and void without penalty to the consumer of any kind.**
Description	There is no explicit cooling-off period provision in the legal or regulatory framework for NBCIs in Indonesia. Article 7 of the Consumer Law states that entrepreneurs are obliged "*to provide the opportunity to the consumers to test and or/try on certain goods and/or services, and to provide warranty and/or guarantee on the produced and/or traded goods*". This provision could be interpreted as a cooling-off period that would allow consumers to "*test or try*" financial products, but this interpretation is not self-evident. In terms of business practices, some NBCIs do allow some type of cooling-off period, but the extent of period varies from institution to institution. Other NBCIs do not offer such a period, and some indicate that this would not be a useful provision due to the rush that consumers show in terms of needing quick disbursement of funds rather than asking for time to reflect on the contract.
Recommendation	The financial regulators should require NBCIs to provide consumers with a cooling-off period that is reasonable, taking into account the term of the product (e.g. a cooling-off period of 5 days for 1-month credits). Additionally, NBCI debtors should ideally always have the right to prepay any credit provided, subject to the payment of reasonable administrative fees and reasonable finance costs in the case of fixed rate loans.
Good Practice B.4	***Bundling and Tying Clauses*** **a. As much as possible, non-bank credit institutions should avoid the use of tying clauses in contracts that restrict the choice of consumers.** **b. In particular, whenever a borrower is required by a non-bank credit institution to purchase any product, including an insurance policy, as a pre-condition for receiving a loan, the borrower should be free to choose the provider of the product and this information should be made known to the borrower.**

	c. Also, whenever a non-bank credit institution contracts with a merchant as a distribution channel for its credit contracts, no exclusionary dealings should be permitted.
Description	*Paragraphs (a) and (b)* *Multi-finance and Pawnshop Segments* Tying refers to the sale of two or more products or services together as a single product and refusal of the seller to separate the products and sell each of them separately (or allow the buyer to buy one of them from another seller). This practice is addressed by Article 18(2) of the FCP Regulation, which prohibits a financial provider from compelling a consumer to purchase other product(s) or service(s) being offered as part of a package bundled to the original product or service requested by the consumer. As mentioned above, the FCP Regulation will come into force in August 2014. Bundling refers to the sale of two or more products or services together as a package when the products can also be purchased separately. This practice is allowed by the FCP Regulation (Article 18), which states that if a financial provider sells a product or service together with another product or service in a single package, the consumer is free to choose other provider of the bundled product or service. Despite what appears to be a proposed prohibition of tying practices, they are not uncommon in the auto and motor finance market. Generally consumers who take out loans from multi-finance companies are required to purchase life insurance—and consumers often do not receive full information of the commissions that they will have to pay for that matter. Furthermore, in some cases the consumer is not given the option to choose the insurer (which in some cases belongs to the same group as the multi-finance company), while the insurance product is a requisite to obtain credit. *Non-bank Credit Institutions* *The Competition Law* includes a general provision on closed contracts that addresses elements of this Good Practice. Article 15 prohibits entrepreneurs from "*making any contract with other parties that imposes terms by which the parties receiving certain goods and/or services must be willing to purchase goods and/or other services from the supplier company*." This provision would in theory prohibit tying clauses which "*impose*" on the consumer the obligation to purchase another financial product offered by a financial institution in addition to the product initially requested by the consumer. *Paragraph (c)* This Good Practice is not explicitly covered in the legal/regulatory framework of Indonesia, and this may explain the presence of tying practices in the auto and motor finance market. In this market, third-party auto dealers play the role of providing the first level of information about financing arrangements to consumers. The multi-finance companies would offer bundled or tied products for consumers, but the dealer would theoretically give the consumer the option to choose the best financing option among different companies' offers. Given that

	the multi-finance companies eventually will disburse the funds directly to the dealer, they may consider that the responsibility of giving consumers the right to choose relies on the dealers, not on them. It is worth noting, however, that there are multi-finance companies that offer multiple insurance options to consumers or may even accept a policy that the consumer requests. On the other hand, there seem to be multiple practices of exclusionary dealings especially in the cases where the multi-finance company and/or the insurer and/or the dealer have some type of close business relationship, including belonging to the same group.
Recommendation	Given the current tying practices in the multi-finance sector, especially in terms of the forced requirement to buy an insurance product for auto or motor loans, even from a single provider, it is recommended that a specific provision on this topic be included in the financial consumer protection guidelines for the sector or in the FCP Regulation. Tying practices regarding credit insurance requirements seem to also be occurring in the financial cooperatives sector, although to a lesser extent. Concurrently, MC should also include an explicit provision on tying practices especially regarding insurance requirements in an MC regulation or guideline. The aforementioned provisions on tying practices should prohibit the financial institution to require the purchase of non-related or non-essential products or services as a condition of providing a financial product or service. In those cases where the Indonesian market conditions make it inevitable to require insurance as a mechanism to guarantee certain types of credit, this exception needs to be clearly mentioned in the tying provisions. At the same time, the tying provision should always require that the NBCIs give consumers the right to choose the provider of any additional product, and to provide consumers with a list of at least three providers if the NBCI wants to recommend a specific provider (e.g. an insurer). Additionally, the tying provisions should indicate that the NBCIs need to give a proportionate refund of the applicable premium if the consumer pays out a loan early. Consideration should also be given to issuing rules for third-party auto dealers regarding disclosure of information of full financing arrangements, including multiple options for credit providers and insurance policies that may be available for the consumer. For this purpose, the Ministry of Trade would coordinate with OJK.
Good Practice B.5	***Key Facts Statement*** **a. Non-bank credit institutions should have a Key Facts Statement for each type of account, loan or other products or services.** **b. The Key Facts Statement should be written in plain language, summarizing in a page or two the key terms and conditions of the specific financial product or service, and allowing consumers the possibility of easily comparing products offered by different institutions.**
Description	The current legal and regulatory framework for financial consumer protection does not include any specific requirement about the minimum information that should be disclosed to consumers about the different types of financial products, or any specific requirement to provide a short form Key Facts Statement that

	highlights the most important information and features of a product. However there are important legal principles on disclosure reflected in the Indonesian law. At a general level, the Consumer Law recognizes the consumer's right "*to obtain correct, clear end honest information on the condition and warranty of the goods and/or services*". Article 4 of the FCP Regulation also has a general requirement for financial providers to "*provide and/or convey information about products and/or services that is accurate, fair, clear and not misleading*". More specifically, Article 7 indicates that financial providers shall use simple terms, phrases and/or sentences in Indonesian language that are easily understood by consumers, when providing information to help consumers make decisions. Moreover, Article 8 could be interpreted as laying the grounds for the development of Key Facts Statements since it requires financial service providers to provide a written summary of information on products and/or services, including their benefits, risks and costs as well as their terms and conditions. Additionally, the MFI Law includes a general provision on disclosure that indicates that microfinance institutions should provide information on the "*terms and conditions that need to be known by depositors and borrowers*" (Article 24). However, It is worth noting that some NBCIs already offer some type of Key Facts Statement that summarizes the key terms and conditions of the contract in one or two pages and in simple terms.
Recommendation	NBCIs should be required to provide consumers with standardized "Key Facts Statements" that summarize in plain language the key terms and conditions of specific contract agreements and that allow comparison of offers by different providers. To ensure comparability, the standardized 1-2 page Key Facts Statements should be consistent for all types of institutions that provide the same financial product (e.g. general purpose consumer loans by banks, multi-finance companies, and savings and loans cooperatives). The Key Facts Statement could thus be progressively developed for different types of basic financial products. For example, Key Facts Statement for auto or motor loans could be developed first by OJK, in close collaboration with the multi-finance association (and any other NBCI representative which may have already developed a key fact statement) and the banking association, and with inputs from consumer associations. Other Key Facts Statement could be developed later or in parallel (for example, for basic saving accounts or general purpose consumer loans). The Key Facts Statement for a consumer loan could include this information: i) the total amount of the credit; ii) the amounts of monthly payments; iii) the term of the credit; iv) the total amount of payments to be made; v) the first payment due date; vi) all fees, including prepayment and overdue penalty fees, taxes, and any other charges that could be incurred; vii) the real cost of credit in monetary terms; viii) an indicator of the effective annual rate of charges (see Good Practice B.6 below); ix) if the loan is indexed in foreign currency, a clear indication of the exchange rate to be used to calculate disbursements and repayments; x) any collateral that is required to maintain the credit; xi) if the credit is used to finance a product, the cash price of the product without financing charges; xii) warnings on key risks assumed by the consumer, such as foreign currency risk, risk of

	having negative information in the credit bureau, risk of losing a home or other collateral; xiii) mechanisms for recourse available to the consumer in the event of a complaint. It would also be helpful to undertake consumer testing of Key Facts Statements. This would be in order to make sure that their content is easily understood by consumers and that the format covers all key information needed by them. The format of a Key Facts Statement should be available on the website and in the premises of the financial institutions, preferably filled in with information of a typical consumer loan. This would allow consumers to become familiar with the terms and start comparing information early in the decision process. It is also important that key facts statements be available in the language most spoken in the location where the financial product or service is offered. Key Facts Statements for different products have been developed in numerous countries. This includes Australia, Philippines, New Zealand, South Africa, the EU, USA, Ghana, Mexico, among other countries. In addition to the Key Facts Statement, OJK, MC, provincial authorities and industry associations should consider collaborating in the development of a standardized format for the payment schedule of basic credit products. It is, however, important that any disclosure format requirement be proportionate in the sense of reflecting the risks of the relevant activity, the literacy level of the relevant consumers and do not impose costs which outweigh the benefits. For example, the requirements imposed on small financial institutions such as village credit providers should be a simplified version of those applicable to customers of commercial banks. If the financial product is very simple, a standardized, simple and clear payment schedule may be the only disclosure format that is needed.
Good Practice B.6	***Advertising and Sales Materials*** **a. Non-bank credit institutions should ensure that their advertising and sales materials and procedures do not mislead customers.** **b. All advertising and sales materials should be easily readable and understandable by the general public.** **c. Non-bank credit institutions should be legally responsible for all statements made in advertising and sales materials (i.e. be subject to the penalties under the law for making any false or misleading statements).**
Description	*Paragraph (a)* There are a number of provisions which in effect require insurers to ensure that their advertising and sales materials do not mislead consumers. The Consumer Law contains wide ranging prohibitions applicable to "*advertising agencies*" on offering, promoting or advertising services which do not have the features advertised or where the relevant advertisement etc. is misleading or incorrect in relation to the price or other features (Articles 9-11). The difficulty with these provisions is that it is not clear that financial service providers such as insurers would be considered to be "*advertising agencies*". The Competition Law includes several provisions on advertising practices. For

	example, Article 10 prohibits entrepreneurs from offering, promoting, advertising, or providing incorrect or misleading statements regarding: • the price or rate of certain goods and/or services (e.g. the interest rate of a consumer loan); • the use of goods and/or services (e.g. misleading information on what a consumer loan can actually finance); • the condition, warranty, guarantee, rights or compensation on certain goods and/or services (e.g. right to choose the provider of a credit insurance product); • the discount or attractive prizes offered (e.g. the use of teaser interest rates to catch the attention of potential borrowers); • the danger of using the goods and/ or services (e.g. the risk of purchasing a car through an auto loan and then having the car repossessed by the credit provider if loan installments are not paid on time). Article 17 also mentions specific advertising practices that are prohibited, some of which could be clearly applicable to the financial sector: • deceiving consumers on the quality, quantity, use and prices of goods and/or rates of the services and the punctuality of receiving the goods and/or services; • deceiving the guarantee on certain goods and/or services • providing incorrect, wrong or inaccurate information on goods and/or services; • not providing information on the risks of using goods and/or services, • exploiting an incident and/or someone without the permission from the authorized officials or the approval of the person concerned; • violating the ethics and/or legal provisions on advertising. The FCP Regulation also provides that a financial services provider shall "*provide and/or convey information about products and/or services that is accurate, fair, clear and not misleading*" (Article 4) and shall not use marketing strategies that "*harm the consumers by taking advantage of consumers who do not have other options in making decisions*" (Article 17). The meaning of the words in quotes is somewhat ambiguous as it seems to imply that the prohibition can only apply where the only source of information available to the consumer is the advertising material in question. We think it unlikely that such a restrictive interpretation was intended. The issue may, of course, be one of translation; Apart from these important general provisions on advertising practices, there are no specific provisions related to advertising sales or materials in the current legal and regulatory framework for consumer protection in the NBCI sector. For example, there is no requirement for NBCIs to properly disclose information on interest rates and cost of credit in their advertising and marketing materials. *Paragraph (b)* There are no specific provisions dealing with this Good Practice. *Paragraph (c)* Article 20 of the Competition Law indicates that "*entrepreneurs in the advertising business are responsible for the advertisement they produce and all the*

	consequences caused by the advertisement." At the same time, however, the ***multi-finance companies and pawnshop*** are deemed responsible to the consumer for actions taken by third parties who act for the benefit of the business of these providers (Article 30 of the FCP Regulation). In terms of business practices, there are indications that advertising information is not clear and in many cases is misleading, disclosing very low interest rates that do not include commissions and fees which, once factored in, make the cost of credit rate much higher in actual terms.
Recommendation	OJK and the MC should issue regulations dealing with advertising and marketing materials in the NBCI sector, following this specific Good Practice. These regulations could start by applying key concepts included in the Competition Law (e.g., unfair, misleading and false advertising) to the particularities of the NBCI sector. The regulations should also provide that every time NBCIs include any information on interest rates in their advertisements and marketing materials, they must also prominently disclose the effective interest rate (if this is not the advertised interest rate). The financial regulators should define the method of calculation of interest rates (including whether the declining balance or flat method is used) to secure basic comparability of product offers. Consideration should also be given to including a requirement for disclosure of a total cost of credit interest rate which shows as a single rate the applicable interest rate and mandatory fees (such as a loan application fee) and charges (such as for a credit- life insurance premium). This information should also be included in the terms and conditions disclosed to a customer. It would also be useful for the financial regulators to strengthen coordination with the Competition Commission, in order to analyze the status of advertising practices in the financial sector, including in the segment of auto and motor financing.
Good Practice B.7	***General Practices*** **Specific rules on disclosure and sales practices should be included in the non-bank credit institutions' code of conduct and monitored by the relevant supervisory authority.**
Description	As mentioned above, no industry codes of conduct have been developed. However, as mentioned in Good Practice A.2, the existing Code of Conduct for the state-owned pawnshop obliges employees to provide information that is correct, accurate and timely, according to the law. The Code also includes a chapter on conflicts of interest that obliges employees to refuse any prizes, payments, benefits or discounts from customers, vendors or partners; and to not give any present, bribe or prize to others with the objective of influence another party to do something. An important disclosure requirement included in the FCP Regulation is that financial providers must include in any offer or sale of products and/or service a statement saying that it is registered and supervised by OJK (Article 20). In terms of current potentially harmful disclosure and sales practices, it is worth noting the existence of aggressive distant sales practices. Consumer representatives have indicated their concern on the surge of telemarketing

	practices, which offer financial products over the phone. Apparently it is becoming easier to obtain the telephone information of individuals and some financial institutions are aggressively trying to sell quickly approved, short-term loans and credit cards over the telephone. Although these practices are not yet that common in the NBCI sector due to the nature of products that are being currently offered, these practices could be quite harmful for low-income and poorly informed consumers. The FCP Regulation does include a provision on this topic, which prohibits multi-finance companies, pawnshops and other providers from offering products and/or services to consumers and/or the community through means of private communication without consumer consent (Article 19). However, in practical terms consumers would be just requested to sign their consent as part of the contract without being completely aware of what the consent is about. On a more basic level, it is also worth to note that several multi-finance companies and other NBCIs do not automatically give a consumer a copy of the contract they have signed with the NBCI. In many cases they will provide a copy of the contract for free if the consumer asks for it, but would not offer it automatically.
Recommendation	As guidelines are developed under the FCP Regulation, it will be important to include key principles on disclosure and sales practices. These principles should cover fair treatment, free choice, transparency and disclosure of information (including disclosure of requirements to obtain a financial product or to become a cooperative member), as well as on the responsible use of telemarketing and limits on the sharing and use of customer personal data. The guidelines should also stress the importance of disclosing the authority that regulates the NBCI, as well as the industry association the NBCI belongs to. These provisions should also be reflected in any code of conduct which is developed. All NBCIs should be required to give one free copy of the signed contract to the customer. This should be a basic requirement enshrined in either a law or a regulation, in addition to the code of conduct. Once deposit insurance schemes for savings and loans cooperatives, BMTs, microfinance institutions, village credit providers are constituted, NBCIs should be required to provide clear information to consumers about their scheme. For example, consumers should understand the amount and type of deposit that is covered, the procedures that would have to be followed to use the insurance and the contact information for the scheme's administrator. The industry associations and regulators should also indicate the list of the NBCIs that are covered by deposit insurance.
Good Practice B.8	***Disclosure of Financial Situation*** **a. The relevant supervisory authority should publish annual public reports on the development, health, strength and penetration of the non-bank credit institutions, either as a special report or as part of the disclosure and accountability requirements under the law that governs these.** **b. Non-bank credit institutions should be required to disclose their financial information to enable the general public to form an opinion**

	regarding the financial viability of the institution.
Description	*Paragraph (a)* There is very scarce public information available on the state of the different NBCI segments. OJK's annual report includes a brief section on recent treds and developments of the *multi-finance* segment, summarized in a couple of pages. However, the last comprehensive document with information of the multi-finance segment was published in 2011 by the previous supervisory authority. There is no information at all on the number of multi-finance companies, how many offer what type of products, their level of penetration, the types of clients, or statistical series on key financial indicators to show the strength of the sector. In the case of cooperatives, the MC publishes biannual statistical information of the number of cooperatives, number of members, number of managers and of employees, per province. Additional information such as the amount of capital and size of business is included at the end of the year. However, there is no specific information on the activities undertaken by savings and loan cooperatives (the information of all types of cooperatives is presented in a consolidated manner). There is also no information on financial indicators for the segment *Paragraph (b)* Multi-finance companies are required to publish a summarized version of their audited annual balance sheet and statement of profit and lossess in one daily newspaper with wide circulation, no later than four months after the end of the accounting year (Article 33 of Minister of Finance Regulation on Finance Companies). The pawnshop is required to publish its balance sheet and profit and loss statement in a daily newspaper (Article 53 of Pawnshop Regulation), but there is no specific requirement in terms of how many days after the end of the year. Microfinance institutions are required by their sector law (Article 30) to publish financial statements, but there is no specific details on how, and when this information will have to be published.
Recommendation	OJK and MC should prepare detailed reports on the development, health, strength and penetration of the multi-finance and financial cooperatives segments respectively, including a time series of relevant financial indicators. Once microfinance institutions and BMTs are fully regulated, similar reports should be published about them. It would also be important for provincial authorities to publish at least basic information on the state of the village credit providers. Requirements for the publication of financial statements of multi-finance companies, pawnshop and microfinance institutions should be improved. In particular, there should be clear deadlines for publication, and online publication should also be required for multi-finance companies and large NBCIs which have an operating institutional website.

SECTION C	CUSTOMER ACCOUNT HANDLING AND MAINTENANCE
Good Practice C.1	***Statements*** **a. Unless a non-bank credit institution receives a customer's prior signed authorization to the contrary, the non-bank credit institution should issue, and provide the customer with, a monthly statement regarding every account the non-bank credit institution operates for the customer.** **b. Each such statement should: (i) set out all transactions concerning the account during the period covered by the statement; and (ii) provide details of the interest rate(s) applied to the account during the period covered by the statement.** **c. Each credit card statement should set out the minimum payment required and the total interest cost that will accrue, if the cardholder makes only the required minimum payment.** **d. Each mortgage or other loan account statement should clearly indicate the amount paid during the period covered by the statement, the total outstanding amount still owing, the allocation of payment to the principal and interest and, if applicable, the up-to-date accrual of taxes paid.** **e. A non-bank credit institution should notify a customer of long periods of inactivity of any account of the customer and provide reasonable final notice in writing to the customer if the funds are to be transferred to the government.** **f. When a customer signs up for paperless statements, such statements should be in an easy-to-read and readily understandable format.**
Description	The requirements of this Good Practice are met to a limited extent through the FCP Regulation and relevant Guidelines. However there are gaps in the requirements. *Paragraph (a)* For the multi-finance and pawnshop segments, the FCP Regulation requires financial providers to provide a consumer with a statement on the balance and transactions concerning the deposits, funds, assets, or obligations of a consumer, accurately, timely and in a manner and means in accordance with the agreement with the consumer (Article 27). However, there is no specific reference to the periodicity of this statement. For savings and loans cooperatives, the Guidelines for Standards of Operational Management indicate that these cooperatives must notify the borrower about the status of a loan, in terms of the balance of the principal and the interests paid; and that a warning letter shall be sent immediately after a borrower is late in the payment of an installment. However, the regulation is not specific in terms of the periodicity or form of the notification of the status of a loan. *Paragraph (e)* The Guidelines for Supervision of Islamic Financial Cooperatives indicate that deposits that are inactive for at least one year or another period determined by the board must be closed automatically (Chapter III B).

	Other paragraphs There is no provision in the FCP Regulation or elsewhere related to the other elements of this Good Practice. NBCIs usually do not provide customers with regular statements of accounts. Industry practice is to provide customers with a payments schedule or a passbook that would be used to keep track of their payments. However, borrowers may pay their monthly installment without presenting their payments schedule and are not given any sort of document that informs the customer on how the balance or interest of the credit was reduced. NBCIs would provide a free copy of the schedule to the consumer if he/she requests it.
Recommendation	NBCI regulators should require NBCIs to provide simple periodic statements of account to their customers. These statements might not need to be submitted to the client's mailing address if there is not an available address, but at a minimum they should be available to the client on the payment due date in the premises of the NBCI – and shown to the client when he/she pays the monthly-owed amount. NBCI regulators should establish the period of inactivity of a customer account, after which the customer should be given a final written notice indicating that the funds are to be transferred to the government, in accordance with applicable law. MC should amend the provision in the Guidelines for Supervision of Islamic Financial Cooperatives accordingly, in order to add the requirement to notify the customer instead of closing the inactive account automatically. Further, statements should also be able to be provided electronically with the consent of the customer. NBCI regulators should also require that, when a customer signs up for paperless statements, such statements should be in an easy-to-read and readily understandable format.
Good Practice C.2	***Notification of Changes in Interest Rates and Non-Interest Charges*** **a. A customer of a non-bank credit institution should be notified in writing by the non-bank credit institution of any change in:** **(i) the interest rate to be paid or charged on any account of the customer as soon as possible; and** **(ii) a non-interest charge on any account of the customer a reasonable period in advance of the effective date of the change.** **b. If the revised terms are not acceptable to the customer, he or she should have the right to exit the contract without penalty, provided such right is exercised within a reasonable period.** **c. The non-bank credit institution should inform the customer of the foregoing right whenever a notice of change under paragraph a. is made by the institution.**
Description	This Good Practice is not satisfied in respect of cooperatives regulated by MC and there is no requirement to inform customers of their right to exit a contract as contemplated by paragraph (b).

	Paragraph (a) According to Article 12 of the FCP Regulation, the multi-finance and pawnshop segments must notify the consumer no later than 30 business days before any change in benefits, costs, risks, or terms and conditions set forth in the financial product/service contract agreement is effective. *Paragraph (b)* Article 12 of the FCP Regulation also indicates that if the multi-finance or pawnshop consumer does not agree with the changes to the financial products and/or services (within 30 business days), he/she has the right to terminate the products and/or services contract at no cost. This Article also specifies that where a consumer has been given reasonable time to accept or reject changes and fails to do so, a financial provider may consider that the consumer gave his/her consent. *Paragraph (c)* Although the FCP Regulation recognizes the multi-finance or pawnshop consumer's right to not accept the changes made by the multi-finance company and pawnshop, the Regulation does not require a financial provider to explicitly inform the consumer of their right to exit the contract. There is no consumer protection provision applicable to savings and loans cooperatives regarding notification of changes in interest rates and non-interest charges.
Recommendation	OJK should modify Article 12 of the FCP Regulation to include a requirement for financial providers to explicitly inform the consumer of their right to exit the contract. In any event, as a general rule borrowers should always have the right to prepay their credit contract (see Good Practice B.3). MC should also incorporate this Good Practice in its regulations for savings and loan cooperatives and Islamic financial cooperatives.
Good Practice C.3	***Customer Records*** **a. A non-bank credit institution should maintain up-to-date records in respect of each customer of the non-bank credit institution that contain the following:** **(i) a copy of all documents required to identify the customer and provide the customer's profile;** **(ii) the customer's address, telephone number and all other customer contact details;** **(iii) any information or document in connection with the customer that has been prepared in compliance with any statute, regulation or code of conduct;** **(iv) details of all products and services provided by the non-bank credit institution to the customer;**

	(v) a copy of all correspondence from the customer to the non-bank credit institution and vice-versa and details of any other information provided to the customer in relation to any product or service offered or provided to the customer; **(vi) all documents and applications of the non-bank credit institution completed, signed and submitted to the non-bank credit institution by the customer;** **(vii) a copy of all original documents submitted by the customer in support of an application by the customer for the provision of a product or service by the non-bank credit institution; and** **(viii) any other relevant information concerning the customer.** **b. A law or regulation should provide the minimum permissible period for retaining all such records and, throughout this period, the customer should be provided ready free access to all such records.**
Description	The requirements of this Good Practice are met to a limited extent by the anti-money laundering KYC requirements. The Regulations on KYC for NBFIs and on KYC for Finance Companies indicate that multi-finance companies are required to administer and store customer records from the perspective of financial integrity, for at least 5 years after the contract agreement expires. Such records include documentation and data related to the customer's identity in the case of low-risk transaction customers (e.g. proofs of full name, identity number, addresses and telephone number) and related to the customer's financial profile in case of normal risk customers (e.g. employment, income, sources of funds, bank account). The Guidelines for Supervision of Islamic Financial Cooperatives include a detailed chapter on Documentation and Administration, which indicates that every credit facility provided must be properly documented. Required documentation includes collateral documents, contract agreement and annexes, applicant's documents, credit application form, documents from cooperatives officer containing the analysis of the credit proposal and the proposed financing. The Guidelines also indicate that certain documents must be checked and their validity confirmed, such as certificates of ownership, deeds of sale, certificates of deposits, guarantor's letter, etc. The Guidelines do not indicate the minimum permissible retention period for all such documents.
Recommendation	OJK should require multi-finance companies, pawnshop and microfinance institutions to maintain customer records with all the documents indicated in this Good Practice. These requirements should not be restricted to the documents related to customer's identity and customer's financial profile currently required under the KYC regulations. MC should require savings and loans cooperatives to have similar customer record requirements to those set up for Islamic financial cooperatives. For both types of cooperatives, MC should indicate the minimum period for retaining all customer records (which could be 5 years to make them consistent with existing financial integrity requirements), and allow customers to have free access to

	such records. Provincial authorities should also require village credit providers to maintain specific customer records for a specific period time (preferably 5 years).
Good Practice C.5	***Debt Recovery*** **a. All non-bank credit institutions, agents of non-bank credit institutions and third parties should be prohibited from employing any abusive debt collection practice against any customer of the non-bank credit institution, including the use of any false statement, any unfair practice or the giving of false credit information to others.** **b. The type of debt that can be collected on behalf of a non-bank credit institution, the person who can collect any such debt and the manner in which that debt can be collected should be indicated to the customer of the non-bank credit institution when the credit agreement giving rise to the debt is entered into between the non-bank credit institution and the customer.** **c. A debt collector should not contact any third party about a non-bank credit institution customer's debt without informing that party of the debt collector's right to do so and the type of information that the debt collector is seeking.** **d. Where sale or transfer of debt without borrower consent is allowed by law, the borrower should be:** **(i) notified of the sale or transfer within a reasonable number of days;** **(ii) informed that the borrower remains obligated on the debt; and** **(iii) provided with information as to where to make payment, as well as the purchaser's or transferee's contact information.**
Description	There is no specific legal or regulatory provision regarding debt collection practices by NBCIs. Currently debt recovery is undertaken mostly by special departments within NBCIs, although some NBCIs also subcontract these services to third parties. In either case, there are no codes of conduct that deal with the ethical behavior of staff when dealing with clients, including regarding debt collection. Further, in general, no disclosure appears to be made by NBCIs in the contract agreement regarding the type of debt that can be collected on behalf of an NBCI, the person who can collect any such debt and the manner in which that debt can be collected. It is worth noting that the Guidelines for the Supervision of Islamic Financial Cooperatives allows for these institutions to use third-party services to collect debt, under the condition that the personnel in the debt collector be capable, credible and trustworthy and understand the principles of sharia financing.
Recommendation	The financial regulators should issue regulations covering this Good Practice, applicable to NBCIs.

SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information***

	a. The financial transactions of any customer of a non-bank credit institution should be kept confidential by the institution. **b. The law should require non-bank credit institutions to ensure that they protect the confidentiality and security of personal data of their customers against any anticipated threats or hazards to the security or integrity of such information, and against unauthorized access.**
Description	Confidentiality and security requirements for NBCIs are fragmented and incomplete. According to Article 31 of the FCP Regulation, multi-finance companies and pawnshops are prohibited from disclosing customer data or information to third parties in any manner, except in cases where the consumer gives written consent and when disclosure is required by laws or regulations. According to Article 21 of the MFI Law, Board members, directors, managers, employees and affiliates of microfinance institutions shall store client information and keep it confidential. At the same time, the law indicates specific exemptions to this confidentiality provision: taxation, judiciary interest in criminal cases, judiciary interest in civil cases and other cases specified in an OJK regulation. OJK is tasked with issuing specific provisions on the procedure for sharing that information. There are no provisions on confidentiality and security for cooperatives or village credit providers. At a more general level, the Law on Information and Electronic Transactions indicates that "*unless provided otherwise by Rules, use of any information through electronic media that involved personal data of a Person must be made with the consent of the Person concerned*" (Article 26). Further, its implementing Regulation on the Operation of Electronic Systems and Transactions established that an electronic system operator is obliged to ensure: • the "*secrecy, integrity and availability*" of personal data; • that the "*acquisition, use, and utilization*" of personal data is based on the consent of the personal data owner, unless otherwise indicated by law or regulation; • that the use or sharing of personal data is based on the consent of the data subject and in accordance with the purpose of acquisition, which was disclosed to personal data owner at the time of data acquisition. As mentioned earlier, industry practices seem to show that personal contact information is easily being shared with and by financial institutions, and is being used for telemarketing purposes among others.
Recommendation	MC and provincial authorities should enact provisions for the protection of confidentiality, security and privacy of personal data, as indicated in this Good Practice. OJK should also expand the current confidentiality provisions of the FCP Regulation and the MFI Law. The aim should be to ensure that the relevant NBCIs keep all client transactions confidential, and develop adequate mechanisms to protect customer personal data against unauthorized access and security threats or hazards.

Good Practice D.2	***Credit Reporting*** **i. Credit reporting should be subject to appropriate oversight, with sufficient enforcement authority.** **ii. The credit reporting system should have accurate, timely and sufficient data. The system should also maintain rigorous standards of security and reliability.** **iii. The overall legal and regulatory framework for the credit reporting system should be: (i) clear, predictable, non-discriminatory, proportionate and supportive of consumer rights; and (ii) supported by effective judicial or extrajudicial dispute resolution mechanisms.** **iv. Proportionate and supportive consumer rights should include the right of the consumer** **(i) to consent to information-sharing based upon the knowledge of the institution's information-sharing practices;** **(ii) to access his or her credit report free of charge (at least once a year), subject to proper identification;** **(iii) to know about adverse action in credit decisions or less-than-optimal conditions/prices due to credit report information;** **(iv) to be informed about all inquiries within a period of time, such as six months;** **(v) to correct factually incorrect information or to have it deleted and to mark (flag) information that is in dispute;** **(vi) to reasonable retention periods of credit history; and** **(vii) to have information kept confidential and with sufficient security measures in place to prevent unauthorized access, misuse of data, or loss or destruction of data.** **v. The credit registers, regulator and associations of non-bank credit institutions should undertake campaigns to inform and educate the public on the rights of consumers in the above respects, as well as the consequences of a negative personal credit history.**
Description	See separate report on Credit Reporting. The comments below relate specifically to NBCIs. *Paragraph (a)* See separate report on Credit Reporting. *Paragraph (b)* Although participation in BIK is voluntary for NBCIs, only a handful of NBCIs actually participate in BIK, as indicated in Good Practice B.2. Incidental information indicates that the requirements set by BI, especially IT requirements and some customer data field requirements, have been hard to meet by NBCIs. Additionally, NBCIs are concerned about potential penalties they may face for not being able to submit all needed information on time, and there also seems to be some lack of understanding about the scope and coverage of BIK and that NBCIs are authorized to join BIK. As an alternative to BIK, the multi-finance industry association has developed an

	informal mechanism to share information of debtors, or black lists of debtors. In addition, it has developed a list of debtors whose debt has been written off by multi-finance companies, as a way to comply with a tax code requirement to publish this specific information. These arrangements have been an industry reaction to the lack of an official credit database. However, they seem to be contributing to the general perception that customer confidentiality and security of information is not well protected. Additionally, consumers are not informed that their information would be shared with other financial institutions in the context of such informal credit bureaus. Asbindo is also starting to develop a credit database of all its members, which is expected to work in parallel to other credit reporting databases. Thus, the current situation does not allow financial providers to have a full picture of the total direct and indirect credit exposure of a potential borrower. *Paragraphs (c) and (d)* See separate report on Credit Reporting. *Paragraph (e)* BI consumer awareness campaigns on credit reporting have not been programmatic and have mostly targeted banking rather than NBCI consumers. They are aimed at explaining the benefits of a credit reporting system, or the rights of consumers regarding the existing credit registry, or the consequences of a negative personal credit history.
Recommendation	There is urgent need to have at least one credit register with information from NBCIs, so that there is a formal mechanism to exchange credit information of borrowers, which would follow appropriate confidentiality, privacy and security requirements. This could be done through the fine-tuning of the requirements to participate in BIK, so that NBCIs are encouraged to do so; or through the development of a comprehensive legal framework for private credit bureaus, which includes protection of confidentiality and privacy of information, and ensures that basic rights of consumers are well protected (and not only those already covered by the Credit Bureau Regulation). BI and OJK should organize workshops for BMTs and other NBCIs that are currently interested in setting up their own sector credit history databases for low-income consumers. These institutions would benefit from learning more about the existing legal framework for credit reporting and data protection, and from international experiences in the setup of private (including microfinance) credit bureaus. See also the separate report on Credit Reporting.

SECTION E	**DISPUTE RESOLUTION MECHANISMS**

Good Practice E.1	***Internal Complaints Procedure*** **Complaint resolution procedures should be included in the non-bank credit institutions' code of conduct and monitored by the supervisory authority.**
Description	There are not currently specific requirements for the internal dispute resolution procedures to be followed by any NBCI, other than the general provisions that exist in the Consumer Law. Further, the FCP Regulation, which will come into effect in August 2014, contains requirements in this regard. See Banking Sector Good Practice E.1 for details of the Consumer Law and FCP Regulation requirements. Some multi-finance companies already include in contract agreements and summary sheets the toll-free phone number a consumer may call to raise a complaint, and have developed internal procedures for complaints handling and in few cases also complaints data analysis. However, many others do not have clear procedures, let alone provide contact information regarding a complaints handling contact person or unit.
Recommendation	See the recommendations in Banking Sector Good Practice E.1. Consideration should also be given to establishing complaints handling procedures for village credit providers and cooperatives. Such procedures should take into account community practices of complaints handling and clearly identify the hierarchical levels which exist for dispute resolution in such communities, whilst also promoting the development of ADR mechanisms at the secondary cooperative level.
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **a. A system should be in place that allows consumers to seek affordable and efficient third-party recourse, such as an ombudsman, in the event the complaint with the non-bank credit institution is not resolved to the consumer's satisfaction in accordance with internal procedures.** **b. The role of an ombudsman or equivalent institution in dealing with consumer disputes should be made known to the public.** **c. The ombudsman or equivalent institution should be impartial and act independently from the appointing authority, the industry and the parties to the dispute.** **d. The decisions of the ombudsman or equivalent institution should be binding upon non-bank credit institutions. The mechanisms to ensure the enforcement of these decisions should be established and publicized.**
Description	The current statutory systems for the formal resolution of disputes with NBCIs are fragmented and overlapping. Apart from recourse to his or her local or District court, a consumer with an unresolved complaint concerning an NBCI product or service can only access the Consumer Dispute Resolution Board.[173]

[173] Operating under Regulation No. 350 of 2001 issued by the Ministry of Trade and Industry

	And, as of August 7, 2014, OJK will also be providing a service to facilitate the resolution of outstanding consumer complaints under the FCP Regulation.[174] OJK also has advocacy powers to take measures against financial institutions to resolve complaints and to institute proceedings to reclaim property or to recover damages on behalf of a consumer, as well as a financial institution if it is the harmed party.[175] In addition, Indonesia is a participant in the ASEAN Committee on Consumer Protection that provides an avenue for consumers of any service or product to complain and seek compensation for loss.[176] See Insurance Sector Good Practice E.2 for a full description of the abovementioned provisions. Non-bank credit consumers currently seek recourse through different mechanisms, but seem to prefer traditional customary **mediation**. In the cooperative and village credit segments, the most common way to solve disputes seem to be through *musyawarah mufakat*, which means 'dialogue to reach consensus', and is based on an amicable private negotiation process that aims to maintain a good relation among two disputing parties. Parties may refer the dispute to a third party, such as a religious or village leader or a senior community person, who would solve problem through mediation or conciliation. Regarding Islamic financial cooperatives, it is also important to notice that the supervisory guidelines recognize the role of the Sharia Arbitration Board in the resolution of disputes where no agreement has been reached by consensus between the two parties.
Recommendation	See the recommendations in Banking Sector Good Practice E.1. Consumers of financial cooperatives and village credit providers who are not regulated by OJK should also have a clear ADR scheme available to them. MC could either encourage the formation of a cooperative-based ADR scheme within secondary cooperatives, or set up a unit to deal with consumer complaints. Customers of village credit providers should be able to go to the BPSK to seek appropriate recourse. In any case, MC and BPSK should coordinate with OJK so that all these institutions set up similar dispute resolution procedures. At the same, all these ADR schemes should follow key ADR principles (as explained in more detail in Volume I of this Diagnostic Review). Furthermore, financial regulators should clearly define key principles as well as specific procedures and standards that industry associations must follow when setting up industry-based ADR schemes. These would ensure not only the standardization of procedures for financial consumers, but also that a minimum quality standard and level of protection is provided to all types of consumers, independently of what type of financial provider they have had problems with.

[174] See FCP Regulation, Articles 40 to 46
[175] See OJK Law, Article 30
[176] See http://aseanconsumer.org/

SECTION F	CONSUMER EMPOWERMENT
Good Practice F.1	***Broadly based Financial Capability Program*** **a. A broadly based program of financial education and information should be developed to increase the financial capability of the population.** **b. A range of organizations–including government, state agencies and non-governmental organizations–should be involved in developing and implementing the financial capability program.** **c. The government should appoint an institution such as the central bank or a financial regulator to lead and coordinate the development and implementation of the national financial capability program.**
Description	See discussion in Good Practice G.1 of the Banking Section and the Financial Capability Report in Annex I.
Recommendation	See recommendations in Good Practice G1 of the Banking Section and the Financial Capability Report in Annex I.
Good Practice F.2	***Using a Range of Initiatives and Channels, including the Mass Media*** **a. A range of initiatives should be undertaken by the relevant authority to improve the financial capability of the population, and especially from low-income communities.** **b. The mass media should be encouraged by the relevant authority to provide financial education, information and guidance to the public, including on non-bank credit institutions and the products and services they offer.** **c. The government should provide appropriate incentives and encourage collaboration between governmental agencies, the supervisory authority for non-bank credit institutions, the associations of non-bank credit institutions and consumer associations in the provision of financial education, information and guidance to consumers.**
Description	See discussion in Good Practice G.2 of the Banking Section and the Financial Capability Report in Annex I.
Recommendation	See recommendations in Good Practice G.2 of the Banking Section and the Financial Capability Report in Annex I.
Good Practice F.3	***Unbiased Information for Consumers*** **a. Consumers, especially the most vulnerable, should have access to sufficient resources to enable them to understand financial products and services available to them.** **b. Supervisory authorities and consumer associations should provide, via the internet and printed publications, independent information on the key features, benefits and risks – and, where practicable, the costs – of the main types of financial products and services, including those offered by non-bank credit institutions.** **c. The relevant authority should adopt policies that encourage non-government organizations to provide consumer awareness programs to the public regarding financial products and services,**

	including those offered by non-bank credit institutions.
Description	See discussion in Good Practice G.3 of the Banking Section and the Financial Capability Report in Annex I.
Recommendation	See recommendations in Good Practice G.3 of the Banking Section and the Financial Capability Report in Annex I.
Good Practice F.4	***Consulting Consumers and the Financial Services Industry*** **The relevant authority should consult consumer associations and associations of non-bank credit institutions to help the authority develop financial capability programs that meet the needs and expectations of financial consumers, especially those served by non-bank credit institutions.**
Description	See discussion in Good Practice G.4 of the Banking Section and the Financial Capability Report in Annex I.
Recommendation	See recommendations in Good Practice G.4 of the Banking Section and the Financial Capability Report in Annex I.
Good Practice F.5	***Using a Range of Initiatives and Channels, including the Mass Media*** **a. Policymakers, industry and consumer advocates should understand the financial capability of various market segments, particularly those most vulnerable to abuse.** **b. The financial capability of consumers should be measured, amongst other things, by broadly based household surveys that are repeated from time to time.** **c. The effectiveness of key financial capability initiatives should be evaluated by the relevant authority from time to time.**
Description	See discussion in Good Practice G.2 of the Banking Section and the Financial Capability Report in Annex I.
Recommendation	See discussion in Good Practice G.2 of the Banking Section and the Financial Capability Report in Annex I.

CONSUMER PROTECTION IN THE PRIVATE PENSIONS SECTOR

Overview

The pension system consists mainly of social security schemes. Three main funds are run – Jamsostek covering private sector workers, Taspen for public servants and ASBRI for the military and police. A relatively generous severance pay system also exists.

Problems with the social security schemes relate to coverage, with only 12% of the population having any formal pension provision (due to the large informal sector and high non-compliance rates). The fragmented schemes are also expensive and inefficiently run, delivering only limited (mostly lump sum) pensions benefits.

In order to address these issues, the government announced a major reform of the social security system with the passing of the SJSN Law in 2004. This law requires universal social security coverage for all Indonesians (the government will provide contributions for low-income workers). The subsequent passing of the BPJS Law in 2011 decrees that Jamsostek will be transformed into a trust fund which will deliver a life-long and lump sum pension. The pension related reforms are scheduled for introduction from mid-2015.

Pensions provided by these social security funds are not consumer products in the strictest sense. Membership of the schemes is mandatory and individuals do not have any choice of provider or investment product. Hence these schemes will not be the focus of this review. That said, consumer protection issues are still important in that individuals' contribute to the schemes and the assets need to be managed in a secure and efficient fashion.

Though the details of the new scheme have yet to be decided, in theory the reformed BPJS should provide greater protection to members. This will be via various means:

- There will be greater surveillance of the scheme as it will be supervised by the financial sector supervisor, OJK, and a tripartite (government, employers, employees) oversight trustee board (the DJSN);
- The investment of the fund will be more transparent, with returns based on market rates and all investment income going to members (rather than paying a dividend to the government);
- Individuals members will join the BPJS (via individual ID records), rather than via their employers, and the governement will have greater powers to force compliance from employers who do not pay their contributions.

Protection issues will also be important as social security is rolled out to the population as a whole, including the informal sector. Secure, low cost, efficient systems for collecting their contributions and making pension payments will be key to making the reforms a success.

The subject of the diagnostic review in this report is the voluntary, private pension funds which are also on offer in Indonesia. These take two main forms. Employer pension funds (DPPK) are run by sponsoring companies, on either a defined benefit (DB) or, increasingly, on a defined contribution (DC) basis. As of 2012, there were 244 DPPK funds operating in the country, covering 1.4 million workers. In addition, 25 financial institutions offer DC pension plans (DPLK) either on a group basis to companies which do not wish to run their own in-house occupation fund (almost 1 million members), or in some cases directly to individuals (700,000 members).

Though the voluntary private pension funds currently represent only around 3.3 million people, or 1% of the population (5% of the workforce) and assets under management constitute only 2% of GDP (IDR 141 trillion), these schemes should become more important in future. The reformed social security system will only be able to provide limited, subsistence benefits (at least if it is to be fiscally sustainable) and severance pay is likely to be reformed. There is accordingly a need to ensure that the private pension fund schemes are run in the interests of their members and that the consumers of these pension products are well protected.

Specific consumer protection issues need to be raised for employer-sponsored schemes. These issues center on whether employees have proper representation on governing boards, how information on the scheme is disclosed to them and whether the scheme is properly funded.

More classic consumer protection issues apply to DPLK funds (the growing segment of the market). This is particularly the case where members have a choice of investment product and, for retail DPLK schemes, where issues concerning the selling of products come into play. Currently the distribution of these products is via insurance and banking channels (and their consumer protection measures therefore apply). However, if direct retail selling of pensions increases in future, specific pension-related provisions may need to be applied.

Comparison with Good Practices

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should recognize and provide for clear rules on consumer protection in the area of private pensions and there should be adequate supporting institutional arrangements:** **a. There should be specific provisions in the law, which create an effective regime for the protection of consumers who deal directly with pension management companies and members/ affiliates of occupational plans.** **b. There should be a general consumer protection agency or a specialized agency, responsible for the implementation, oversight and enforcement of pension consumer protection, as well as data collection and analysis (including inquiries, complaints and disputes).** ***c.* The law should provide, or at least not prohibit, a role for the private sector, including voluntary consumer organizations and self-regulatory organizations, in respect of consumer protection regarding private pensions.**
Description	Consumer protection is provided in general financial sector legislation rather than in pension specific regulations. Governance requirements for pension funds are extensive but could be strengthened. *Paragraph (a)* The Consumer Law offers protection to pension sector participants. As discussed in relation to other sections of this report,[177] it is considered that the breadth of the definitions of "*consumer*"; "*entrepreneur*" and "*services*" in Article 1 of the Consumer Law support the view that the Law applies to all financial services (including pensions) and that the responsibilities of both MoT and the NCPA cover such services. The new Financial Services Consumer Protection Regulation No. 1 2013 (FCP Regulation), which will come into force in August 2014, will explicitly covers pension funds. OJK has held seminars to explain the new regulation to industry participants, though it is not clear if the implication of the requirements outlined have been fully understood. OJK is currently drafting circulars for all sectors, including pensions, to provide further guidance on implementation issues. Though broadly following the spirit of these new regulations, the management of the occupational plans and the financial institutions providing pensions will have to improve in several respects to comply fully. For example, Article 7 (1) b.

[177] See Insurance Sector Diagnostic

	requires such organizations to help consumers "*make an informed decision*" – yet where DPLK funds do offer choice of investment funds; it appears that this may only extend to providing a selected list of investment products. Likewise Article 14 requires them to "*provide Consumers and/or the public with education to promote financial literacy*." Certainly on the part of financial institutions, new campaigns on pensions would have to be launched. Many would also not comply with the stipulation in Article 49 to "*maintain and apply written policies and procedures for the Consumer protection."* In addition to such consumer protection legislation, the main mechanism for ensuring the protection of members of pension funds is via the fiduciary duty of sponsors and providers to manage the funds in their interest. This is clearly stated in Article 51 of the Pension Law: *"The Pension Fund must be managed with keeping in mind the interests of the participants and other parties that are entitled to a pension benefit as stipulated in the Regulations of the Pension Fund."* This is reiterated in Article 17 of the DPPK Regulation:*"The Board shall manage the pension funds by giving priority to the interests of participants and others who are entitled to pension benefits."* The key institution for ensuring that a pension fund is run in the interest of members is the governing body (supervisory board), which includes representation of employees or the pension fund members. The regulatory authorities in Indonesia have clearly given pension fund governance a great deal of thought and attention, including the publishing of the Guidelines for Pension Fund Governance in 2006.[178] As the pension supervisory authority, OJK also focuses on the role played by supervisory boards as part of their risk-based approach to supervision. Article 12 (1) of the Pension Law requires that a supervisory board be established for employer sponsored DPPK pension funds, with a balanced number of representatives from the plan sponsor and the members (actives and retirees). MoF regulation No. 513 of 2002 (Article 3) requires the supervisory board members to pass a fit and proper test ("*good character and morals*", never convicted of a financial-related criminal offense, etc.) and have "*knowledge in the field of pension funds*" (Article 3 (1) e.), with Article 6 explaining that this should be "*the decision of the Director General of Financial Institutions."* OJK is currently developing regulation on 'fit and proper' requirements.

[178] These are based on the principles of independence, transparency, accountability and fairness.

	However, there are no specific qualifications or training requirements for supervisory boards. It is therefore unclear how effective they are. By way of contrast, there are requirements for the management of the pension funds.[179] For DPLK funds, the board of the sponsoring financial institution acts as the board of the pension fund (Pension Law Article 43). The members are the same as the members of the bank or insurance company's own board.[180] This means that, in effect, there is no independent oversight of the pension fund so as to ensure that it is run in the interests of members rather than the commercial interests of the plan sponsor. It is understood that stricter qualifications for supervisory board members and independent boards for DPLK funds are part of the proposed amendments to the Pension Law which are currently before parliament.[181] The mission team was not provided with a copy of the draft law. *Paragraph (b)* OKJ and the Consumer Protection Agency (NCPA) and the Ministry of Trade (MoT) cover the whole financial sector, including pensions. The roles of these institutions, and potentially overlapping functions, are discussed elsewhere in the report (see especially the Banking Sector Report). *Paragraph (c)* The two pension fund associations (ADPI and ADKL) play a role in educating pension fund members and sponsoring companies on pension issues in general. The ADPI also offers a mediation mechanism. See Good Practice E for details.
Recommendation	If and when the retail pension market develops, the general financial sector consumer protection legislation and regulation will need to be reviewed to see if more detailed guidance is required specifically for pension products. Practices around information disclosure and sales appear to be adequate at present, but more detailed regulatory guidance (e.g. around disclosure of information, contracts, marketing and sales material, training of agents and data protection etc.) will likely be required if and when the retail market develops. OJK should disseminate further information on the new financial consumer protection legislation (especially the FCP Regulation) to the pension sector. The regulator should continue to conduct an outreach campaign (via the two main pension associations – ADPI and ADPLK) to make pension providers aware of

[179] The management DPPK and DPKL pension funds are required by regulation to pass fit and proper tests and pass knowledge tests (Regulations 36 and 37/PMK.010/2010).
[180] Corporate governance requirements in Indonesia do necessitate independent directors on these boards.
[181] The process to amend the Pension Law was launched in 2001, with draft amendments submitted to Parliament in 2003. In 2009 the amended Pension Law was listed as one of the national legislation priorities for 2010-2014. As of end 2011, the Law was still in the process of harmonization at the Ministry of Law.

	the requirements they will have to follow under the new Regulation. Minimum training and qualification standards should be introduced for the members of pension fund supervisory boards. Training requirements for pension fund supervisory boards are becoming good practice in many countries.[182] In Indonesia, this could be based on (a slimmed down version of) the training required for pension fund managers by the Institution of Professional Standard of Pension Fund (LSPDP), which was founded by the two pension industry associations (ADPI and ADPLK). International good practice would also imply the introduction of minimum suitability and collective knowledge requirements for governing boards. For instance, the OECD Guidelines for Pension Fund Governance[183] stipulate: *"Membership in the governing body should be subject to minimum suitability (or non-suitability) standards in order to ensure a high level of integrity, competence, experience and professionalism in the governance of the pension fund. The governing body should collectively have the necessary skills and knowledge to oversee all the functions performed by a pension fund, and to monitor those delegates and advisors to who such functions have been delegated. It should also seek to enhance its knowledge, where relevant, via appropriate training. Any criteria that may disqualify an individual from appointment to the governing body should be clearly laid out in the regulation*." OKJ should require independent supervisory boards to oversee DPLK pension funds provided by financial institutions. The 'governance vacuum' is a challenge for DC pension funds in all countries, and ensuring that commercial pension providers put their fiduciary duties ahead of their commercial interests is not easy. However, mechanisms such as independent governance committees have been tried in other countries, and Indonesia may be able to learn lessons from international experience and good practice.[184] The existence and role of the National Consumer Protection Agency (NCPA) and pension industry dispute mechanisms could be made clearer to pension fund members. For example, reference to the agency could be included in documents provided on joining the fund and in annual statements, including how to contact them in cases of disputes.
Good Practice A.2	***Other Institutional Arrangements*** **a. The judicial system should provide credibility to the enforcement of the rules on pension consumer protection.** **b. The media and consumer associations should play an active role in**

[182] See for example the Trustee Toolkit developed by the UK Pension Regulator https://trusteetoolkit.thepensionsregulator.gov.uk/arena/index.cfm

[183] See OECD Guidelines for Pension Fund Governance http://www.oecd.org/daf/fin/private-pensions/34799965.pdf

[184] For further details see Stewart, F. and J. Yermo (2008), "Pension Fund Governance: Challenges and Potential Solutions", *OECD Working Papers on Insurance and Private Pensions*, No. 18, OECD Publishing. http://www.oecd-ilibrary.org/finance-and-investment/pension-fund-governance_241402256531

	promoting pension consumer protection.
Description	No specific issues arise in relation to pensions. *Paragraph (a)* No specific judicial issues have arisen in relation pensions as no major cases have been reported. Comments on judicial enforcement of consumer protection rules are made elsewhere in this report (see especially Good Practice A.4 in the Banking Report). *Paragraph (b).* Unlike some other financial sector issues (such as the aggressive cross - selling of credit cards), pensions do not seem to have been a major topic of debate within the media. This may be due to the low coverage of private, voluntary pensions and general disillusion with the current social security provisions. This may change as the details of the BPJS social security reforms become clearer and as the market for voluntary pension savings develops.
Recommendation	A national pension awareness campaign should be launched to support the social security reform program and to increase understanding on pensions more generally. Lessons from other countries have shown that in order to be successful, pension reforms requires the government to build strong political consensus and public support for the changes.[185] OJK is in a good position to lead such a campaign as the BJPS and related reforms are rolled out. The level of benefit which can be expected from the social security system will have to be explained, and the subsequent need for additional, voluntary private pension savings highlighted. Draft results of the government's financial literacy survey show pensions as being the worst understood financial product. If voluntary, private pensions are to play a larger role in the provision in the pension system after the BPJS social security reforms, the media and consumer associations may have to increase their attention on the pension sector.

SECTION B	**DISCLOSURE AND SALES PRACTICES**
Good Practice B.1	**General Practices** **a. The information available and provided to the consumer should clearly inform the consumer of the choice of accounts, products and services, as well as the risks associated with each of the options or choices.**

[185] For details see IOPS Information Paper 1: Pension Supervisory Authorities and Financial Education: Lessons Learnt
http://www.oecd.org/site/iops/principlesandguidelines/iopsinformationpaper1pensionsupervisoryauthoritiesandfinancialeducationlessonslearnt.htm
Atkinson, A. *et al.* (2012), "Lessons from National Pensions Communication Campaigns", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 18, OECD Publishing.
http://www.oecd-ilibrary.org/finance-and-investment/lessons-from-national-pensions-communication-campaigns_5k98xwz5z09v-en

	b. Employers should be responsible for ensuring that new plan members are made fully aware of their rights and obligations under any occupational pension arrangements. **c. Employers should be required to vest benefits with employees relatively quickly so as to avoid undesirable personnel practices (such as terminating employment just as employer contributions are about to vest).** **d. Employers should be obliged to ensure that contributions are properly collected, accounted for and passed on to the pension fund's managers.**
Description	Disclosure practices, though not always covered by detailed regulatory guidance, appear to be generally adequate. *Paragraph (a)* DPPL employer sponsored pension funds do not involve any choice on the part of individual employees. They are required to be members upon starting employment and the fund is run in a pooled manner. Rather than run their own in-house DPPL pension fund, many employers choose to use a DPLK pension fund run by a financial institution. In this case membership of employees is also automatically based on employment.[186] They may have some choice of the level of their contribution into the fund. Some employers make the choice of DPLK provider and investment fund on behalf of the members. HR departments and other staff responsible for pension provisions would generally see a range of DPLK providers and then work with representative of their chosen provider to devise a suitable investment portfolio in which to place their members. Some funds do involve choices on the part of members. Employers may allow their staff to choose a DPLK provider (usually from a recommended list) and / or their own investments from the range of funds which the DPLK provider offers (usually a selection of equity, fixed income, money market, USD, sharia funds).[187] Switching between investments could also be allowed. Employers offering such choice to their employees are often financial sector firms themselves whose staff have more knowledge of investment issues. Retail DPLK funds, where individuals themselves sign up for the pension product, offer a

[186] Technically membership of voluntary pension funds cannot be compulsory, particularly for scheme were individuals make contributions. In practice, as the employer matches or betters employee contributions members will always take part, though good practice is to require them to sign a form when they join agreeing to make contributions into the pension fund from their salary. If the fund is non-contributory for employees (i.e. only the employer makes contributions), membership can be automatic, but workers do still have the right not to take part.

[187] It should be noted that this investment choice is generally only for the employees own contributions. Employers decide on the investment of their own contributions. This is because employers can use these DPLK funds to cover their severance pay obligations. In the event of a member not choosing an investment fund, the employer's choice is usually the default. The majority of members who do exercise investment choice place their funds in fixed income securities.

	similar range of investment choices. Regulations require information on the risk of investments to be provided. The DPLK Regulation states that, *"for the benefit of participants, the Board is obliged to provide information on the possibility of the risk of losses on the investment choices made by participants through pension funds"* (Article 12 (1)). In addition, Regulation PER-01/BL/2010 on Annual Investment Reports to be prepared by supervisory boards (including guidelines on the content of these reports) states that DPLK funds have a duty to ensure that the investment portfolio is suitable for the members of the fund. *Paragraph (b)* Disclosure appears to be generally adequate In terms of industry practice relating to the information provided to members on what choices are available to them and the nature and risks of these different investment options, adequate information is generally provided, at least by the larger funds. Assistance is usually provided by the employer to help them exercise their choice (e.g. the HR department will provide a list of recommended providers if required and a selected list of investment funds). The Pension Law places requirements on the pension fund boards to provide information on the pension plan to members. Article 54 sets forth that: *"(2) The Board has an obligation to submit information to every participant concerning matters that arise in the framework of his/her participation in the form and time determined by the Minister.* *(3) The Board has an obligation to submit information to the participants concerning every amendment done on the Pension Fund's regulation."* The DPPK and DPLK Regulations also have requirements on providing on-going information, including annual statements of the position of funds (collective or individual as appropriate). The regulation on Investment of Pension Funds No. 199 of 2008 includes requirements on the information which the pension fund board must supply to members, particularly: *"a. a summary of annual investment reports and results examination of the public accounting report's annual investment […]; and* *b. a summary of the results of the evaluation of the Board of Trustees"* (Article 30 (1)) In addition, *"the Board should submit annual investment reports and results examination of the public accounting report's annual investment"* (Article 31). Although no further details or guidance is given in regulations as to the content of these statements, adequate information on the nature of the fund appears to be

	generally provided. *Paragraph (c)* DPLK funds are DC and vest immediately. For DPPK funds, a maximum 3 year vesting period is allowed by the Pensions Law (Pension Law, Article 24). Member contributions and interest are returned below this threshold. After 3 years, vested benefits can be transferred to another fund or are retained at the existing fund for payout upon reaching retirement. *Paragraph (d)* Contribution collections procedures are regulated. Articles 16 and 17 of the Pension Law sets out requirements for contribution collection. For example, Article 17 (2) requires an employer "*to turn over the entire participants' contribution he collected and his own contribution as well to the Pension Fund at the latest on the 15th of the following month*", with overdue contributions declared "*as a debt of the employer*", with interest due to compensate for the delay, and these constitute a priority claim of the pension fund in case of sponsor bankruptcy (Article 17 (3)). In practice, contribution collection does not appear to be an issue. One large employer sponsored DPPK (a group covering many employers) noted that they have never experienced a late payment not being made within deadline of following month. Equally, OJK have not encountered any major problems in this regard.
Recommendation	OKJ should conduct a survey on investment choice in DPLK funds. The number of pension funds offering choices to their members should be ascertained and the nature of these choices analyzed (how many funds are offered, the range and type of fund, whether a default fund is selected and if so what these default funds are). The nature and level of information, education and assistance available to individuals making these choices could also be examined. Recommendations, good practices and guidelines would be generated from this report, ensuring that good practices such as the below are followed: • *"The investment policy for pension programs in which members make investment choices should ensure that an appropriate array of investment options, including a default option, are provided for members and that members have access to the information necessary to make investment decisions. In particular, the investment policy should classify the investment options according to the investment risk that members bear."* (OECD Guidelines on Pension Fund Asset Management [188]) • *"Additional rights in the case of member-directed, occupational plans"* ○ *Where members direct their own investments in an occupational pension plan, they have the right to a number and diversity of investment choices sufficient to permit them to construct an appropriate investment portfolio in light of their own individual circumstances and in the context of the particular pension*

[188] http://www.oecd.org/daf/fin/private-pensions/36316399.pdf

	programme. ○ *Members should be provided with complete information regarding investment choices that is standardised and readily comparable. At a minimum this information should include disclosure of all charges, fees and expenses associated with each investment choice, as well as portfolio composition and historical investment performance data.* ○ *Members managing their own individual accounts have the right to timely and fair execution of their investment decisions and to written confirmation of these transactions.* ○ *The right (or responsibility) to make and execute investment decisions should not be inhibited by the assessment of any unreasonable charges or fees.* ○ *Members and beneficiaries who are required to manage their own individual accounts should be provided sufficient opportunity to acquire the financial skills or education and other assistance that they need in order to make appropriate investment decisions in their pension plans."* (OECD Guidelines on the Protection of Rights of Members and Beneficiaries in Occupational Pension Plans[189])
Good Practice B.2	***Advertising and Sales Materials*** **a. Pension management companies should ensure their advertising and sales materials and procedures do not mislead the customers.** **b. All marketing and sales materials of pension management companies should be easily readable and understandable by the average public.** **c. The pension management company should be legally responsible for all statements made in marketing and sales materials related to its products, and for all statements made by any person acting as an agent for the company.**
Description	As there is little in the way of a retail market for pensions, there are no specific regulations for the sector on advertising and sales practices. General financial sector provisions would apply. *Paragraph (a)* General financial sector regulations regarding the advertising and selling of financial products would also apply to pensions. This would include the regulation of the sales agents from the banking or insurance sectors if they are handling the products. For example, the regulations on the advertisement of mutual funds (Regulation KEP-19/PM/2004) contains the usual requirements around not providing misleading information or misleading impressions around the risk, return, guarantees of the product, the investment manager being responsible for the information provided, warnings around past performance not predicting future returns etc. See also the discussion of the relevant Consumer Law provisions in Good Practice B.9 of the Banking Good Practice. There is no evidence of mis-selling practices within the pensions sector. There is

[189] http://www.oecd.org/daf/fin/private-pensions/34018295.pdf

	limited direct selling of pension products, with most sales of retail financial institution pensions (DPLK) coming via referrals of clients from the insurance or banking sectors and the cross selling of products. *Paragraph (b)* General financial sector provisions would apply to pensions. See also the discussion of the relevant Consumer Law provisions in Good Practice B.9 of banking sector report. *Paragraph (c)* General financial sector provisions would apply to pensions. See also the discussion of the relevant Consumer Law provisions in Good Practice B.9 of the banking sector report.
Recommendation	OJK could undertake an assessment to check with the general financial sector provisions are sufficient or whether specific regulations around the selling of pension products are required. If retail pension products increase in importance as part of the pension system, clarification that appropriate general rules on selling and marketing financial products also applies to pensions should be given, and specific guidance on pension advertising may be required.[190]
Good Practice B.3	***Key Facts Statement*** **A Key Facts Statement disclosing the key factors of the pension scheme and its services should be presented by the pension management company before the consumer signs a contract.**
Description	Key Fact Statements, are not currently required for pensions, but are to some extent covered under Articles 5 and 8 of the new Financial Consumer Protection Regulations No. 1. See the discussion on these provisions in Good Practice B.8 of the banking sector report. Standardizing the requirements for Key Facts Statements in relation to pension products would be helpful. The larger employer sponsored pension funds (DPPK) and main financial institution pension funds (DPLK) already provide such summaries for their members. They can help enhance comparison for individuals making a choice of provider and /or investment fund, improve knowledge of members of occupational schemes and make clearer the basis upon which sponsor chooses the provider and /or investment fund clearer.
Recommendation	Key Fact Statements should be devised for pension products. The content of the statement should follow international good practice – including the work done on this and related topics by the European Union.[191]

[190] For examples of international experience, see IOPS Working Paper No. 17 'Supervision of Pension Intermediaries' http://www.oecd.org/site/iops/WpNo17Web.pdf

[191] Key Information Documents form part of various Directives which the European Union is currently and has been working on (including the IORP, UCITS and MiFID Directives). For details on the background to these developments and a good summary of the information suggested to be included in pre-contractual and on-going DC pension statements, see EIOPA Occupational Pension Stakeholders Group statement on the topic (EIOPA-OPSG-12-10 6 March 22013), 'OPSG Statement on Information for Members of Occupational Pension Plans'

Good Practice B.4	***Special Disclosures*** **a. Pension management companies should disclose information relating to the products they offer, including investment options, risk and benefits, fees and charges, any restrictions or penalties on transfer, fraud protection over accounts, and fee on closure of account.** **b. Customers should be notified of any planned change in fees or charges a reasonable period in advance of the effective date of the change.** **c. Pension management companies should inform consumers upfront of the nature of any guarantee arrangements covering their pension products.** **d. Customers should be informed upfront regarding the time, manner and process of disputing information on statements and in respect of transactions.** **e. Customers should be informed in writing, at the time of sale or when joining an occupational plan, of the options available to them if they decide to change employer, move or retire.**
Description	Though pension regulation in the country is at a reasonably high level and little detailed guidance is provided, information disclosure generally appears to be adequate. *Paragraph (a)* There is no standardized reporting of fees – or indeed of investment returns – for pension funds in Indonesia. Fees may be charged in different ways (on contributions or on assets under management, on entry or exit etc.). Likewise, investment returns can be based on daily or weekly unit prices or other measures.[192] Fees should be part of the annual statement provided to members, but how they are disclosed is not clear. DPLK providers notify (indeed negotiate) fee levels to corporate clients on joining the fund (these are stated in their employer application forms and agreed by both parties - customer and provider), but practices around notifying members of these levels are not standardized. Another area where there is a lack of transparency regarding fees charged for DPLK pensions is around the compulsory annuity purchase. According to the Pension Law (Article 21), members must choose an annuity on retirement, with small balances (currently IDR 150,000,000 or around USD 15,000),[193] and 20%

https://eiopa.europa.eu/fileadmin/tx_dam/files/Stakeholder_groups/opinions-feedback/EIOPA-OPSG-12-10_Statement_on_Information_members_occupational_pension_plans.pdf

[192] Regulation PER-02/BL/2010 on Annual Investment Reports to be prepared by supervisory boards include guidelines on contents of these reports, including valuations, reporting periods etc. – but these reports are for the regulator not the public.

[193] The ceiling for the lump sum payment has been increased several times since the passing of the Pension Law in 1992. The level as of 2012 is IDR 1,500,000. A proposal to increase this to IDR 625,000,000 is part of the amendments to the law which are currently before parliament.

	of the total allowed to be taken as a lump sum (Article 25).[194] In practice upon retirement, the DPLK balance is transferred to one of the limited number insurance companies which provide 'annuities.'[195] These companies provide a payout for less than a year and then allow the member to cash out the balance minus around 5%. This legal requirement to take an annuity when no such products exist in the country is clearly having a negative impact on consumers who do not understand the nature of the product or the charges which are being imposed. *Paragraph (b)* Article 54 (2) of the Pension Law requires that members of the fund are notified of any changes in the fund legislation. This would include fee levels. This is done as industry good practice, at least by the larger funds. *Paragraph (c)* All DPLK retail pensions are DC and by their nature do not involve guarantees. *Paragraph (d)* Employers provide details of customer service contacts or call centers where members can seek assistance. DPLK providers run similar service. See later section on dispute resolution. *Paragraph (e)* Information disclosure generally follows international good practice. Information on the rights of members in terms of vesting, changing job and upon retirement is generally provided by HR companies for employer sponsored DPPK funds. DPLK providers also disclose such information
Recommendation	OJK should introduce standardized reporting of performance and fees. Standards for calculating and imposing fees and charges should be set by the regulator along with requirements for disclosing these clearly. Fees relating to the purchase of annuities need particularly close attention and clarification and any 'hidden' charges should be prohibited. OJK should provide a centralized comparison site for comparing DPLK investment performance (and some measure of risk) and costs by types of fund.

[194] The amendments to the Pension Law propose increasing this to IDR 625,000,000 – which is likely to cover the majority of DC fund balances in total.
[195] These are all domestic insurance companies. International insurance companies with a market presence in Indonesia are reluctant to provide annuities (even when they have experience of doing so in their home markets) not due to demographic risk (as is the case in more mature markets) but due to investment risks – there being a lack of long-dated, index linked bonds with which they can match their exposure.

	Such centralized sources are increasingly being adopted by pension regulators in other countries (such as Hong Kong, Chile, Mexico)[196] to increase transparency and increase competition in otherwise price inelastic pension markets. As fee comparison is difficult, a synthetic cost indicator may be devised and retail fees (before corporate discounts) could be used. Industry comparisons can be found in media publications, but it is not always clear that these are measured on a comparable basis, and research in other countries finds that individuals place more trust in an official comparison site. As the IOPS Working Paper on Effective Pension Supervision No. 15 states, *"the fact that information comes directly from the supervisor may contribute to maintaining public confidence in the functioning of the pension system - a goal which has risen in prominence following the global financial and economic crisis of recent years."* The Pension Law should be revised to allow for program withdrawals whilst measures to encourage and assist the development of the annuity market are taken. It is understood that the amendments to the Pension Law currently before parliament include such a possibility. Program withdrawals (where a certain amount of the DC balance is withdrawn each year due to on a formula based on longevity estimates) can act as a compromise product between lump sums and annuities which offer full longevity protection. More flexibility around the type of annuity product which can be purchased could also be allowed in order to encourage more providers to enter the market. In parallel, steps to help develop the annuity market should be taken – including the issuance of appropriate instruments to hedge product related risks. A deep and liquid market in medium-term (10-15 year) government and corporate bonds is needed to back liabilities. Otherwise, the margins needed to cover reinvestment risk will be high and the product will not be price-competitive. An alternative is to develop participating annuity products. OJK could also consider the experience of countries in which a central annuity provider operates, to see if such a solution could be appropriate for Indonesia.
Good Practice B.5	***Professional Competence*** **a. Marketing personnel, officers selling and approving transactions, and agents, should have sufficient qualifications and competence, depending on the complexities of the products they sell.** **b. The law should require agents to be licensed, or at least be authorized to operate, by the regulator or supervisor.** **c. Personnel departments with responsibility for occupational arrangements should have at least one suitably qualified individual who can explain the plan to members and deal with third-party providers such as asset management companies.**
Description	Specific regulations for the pensions sector are lacking in this area.

[196] For further details and international examples see IOPS (2011), 'Comparative Information Provided by Pension Supervisory Authorities', IOPS Working Papers on Effective Pension Supervision No. 15 http://www.oecd.org/site/iops/principlesandguidelines/49354396.pdf

	Paragraph (a) Most private pension contracts in Indonesia are not 'sold' like other financial products. The banks and insurance companies which provide DPLK pension schemes mostly interact with the employer firms which are plan sponsors and do not offer their products on a retail basis direct to individuals.[197] Interaction with sponsoring companies is via 'employee benefit consultants' who discuss potential pension solutions with clients.[198] Most of the salary of these consultants comes from commissions, based on the size of the scheme they manage to sign up. DPLK providers employ only a handful of these staff, with the 25 DPLK providers across the industry employing around 200 such consultants in total. Generally the staff must pass the provider's own internal certification, but the pension industry association (unlike the insurance body) has decided not to set industry wide qualification standards or impose a licensing process due to the small numbers involved. Where DPLK products are sold on a retail basis, agents mostly come from the insurance and banking sectors and are cross selling pension products. They have to pass their own industry qualifications and knowledge tests. However, they do not have specific training on pensions. This may result in the agents not fully understanding the characteristics and risks of the products which they are selling (e.g. that with DC pensions the investment risk passes to the individual). There does not currently appear to be any major problems around mis-selling of pension products in this environment (though the commission for selling these products is said to be higher than others), but if the market is to grow, more specifically qualified sales agents will be required and some checks or controls on cross selling may be needed. For example, at a minimum, disclosure of commissions should be required. *Paragraph (b)* There are no sales agents dealing specifically with pensions. DPLK staff 'selling' pensions are not currently licensed by the industry association as they interact with sponsoring employers rather than directly with the public. Retail agents come from the banking and insurance sectors and are cross selling pension products. They are licensed under their industry regulations and requirements rather than specifically on pensions. *Paragraph (c)* There is no formal requirement for training or qualifications for HR staff, but those from at least the larger sponsors appear to have sufficient expertise. Regulation 4263 of 2004 requires the managers of DPPK and DPLK funds to

[197] This is due to the fact that they are 'marketing' their DPKL as a product to offset/ fund severance pay obligations.
[198] These solutions can range from the company using the provider's DPLK, to the company running an occupational DPPK, with either the administration or the fund management outsourced to one of the provider's sister companies.

	pass a certification of basic knowledge in the field of pension funds, organized by the Institution of Professional Standard of Pension Fund (LSPDP), which was founded by the two pension industry associations (ADPI and ADPLK). In addition to this basic test, the managers also have to fulfill on-going training requirements (participation in seminars, training etc.), building up a certain number of credits (40) through the year. Many of the larger funds also encourage their employees to undertaken this certification and training as well. Both industry associations (the ADPI for occupational funds and ADKLP for financial industry funds) provide training and support for HR departments – the latter often being the main point of contact between the associations and their members.
Recommendation	Some element of training on pensions should be included in the insurance and banking qualification for those selling investment products. If retail pension products increase in prominence, stricter licensing and qualifications for sales agents will be required. LSPDP certification could be made compulsory for HR personnel responsible for pensions, as well as pension fund board members.
Good Practice B.6	***Know Your Customer*** **The sales officer should examine important characteristics of any potential customer, such as age, employment prospects and financial position, and be aware of the customer's risk appetite and his or her long-term objectives for retirement, and recommend relevant financial products accordingly.**
Description	Anti-money laundering KYC regulations apply to the pension sector, but it is not clear that they would cover all aspects of this Good Practice (especially in relation to risk appetite) and would not be applicable to the members of pooled funds. Regulation No. 30 of 2010 introduced Know Your Customer requirements for non-bank financial institutions, including pensions, and described them as follows: *"KYC is a principle which is applied by NBFIs to know the background and identity of the customer, to monitor the customer's account and transactions, and to report suspicious transactions and financial transactions that are made in cash, including financial transactions related to the Financing of Terrorism"* (Article 1 (5)). The majority of pension fund members join a fund due to their employment status, therefore their background is already known and their personal details have already been provided. For example, DPLK pension providers must fill out an employee registration form for all individuals. For retail clients, most are also banking and/ or insurance clients and therefore the appropriate checks from these sectors would also apply. In the vast majority of cases the simplified procedures outlined in the regulation would apply: "*NBFIs can apply customer due diligence procedures that are simpler than the customer due diligence procedures referred to in Article 8"* as long as the following criteria are met: *"Pension Fund participants were enrolled by the employer or independent participants who contributed to the pension fund an amount less than or equal to 20% (twenty percent) of income per month or more than 20% (twenty percent) of the income but not exceeding Rp 5.000.000,00 (five million rupiah) per month"*

	(Article 12 (1)). The Know Your Customer or 'suitability' concept in the sense of preventing the mis-selling of inappropriate products would not be applicable to most pension fund members as providers are generally dealing with them on a collective basis, via a pooled fund where they do not exercise any individual choice. The onus would be on the HR department of the sponsoring employer and/ or the governing body of the pension fund to select an investment structure which is appropriate for the fund membership (e.g. a less risky investment profile would be appropriate for a closed DB fund with an older membership profile). However, such suitability tests will become more relevant if the retail pension market continues to grow. A suitability test is part of the new FCP Regulation, as providers "*must consider the suitability of needs and capability of Consumers for the products and/or services being offered to Consumers*" (Article 16).
Recommendation	If the direct retail market for pension products grows, mechanisms for ensuring that KYC checks take place (both in terms of anti-money laundering and suitability tests) will need to be strengthened.
Good Practice B.7	***Disclosure of Financial Situation*** **a. The regulator or supervisor should publish annual public reports on the development, health and strength of the pensions industry either as a special report or as part of its disclosure and accountability requirements under the law that governs these.** **b. All pension management companies should disclose information regarding their financial position and profit performance.** **c. Actuarial reports on funding levels should be required annually for defined benefit plans and members and affiliates should be advised of the condition of the plan in a short and clear written report.** **d. Investment reports for defined contribution plans should at least match best practice mutual fund reporting.**
Description	Disclosure in this area is fairly comprehensive for pensions. *Paragraph (a)* Industry statistics are provided annually. The previous pension regulator, Bapepam LK, produced a Pension Fund Annual Report, providing statistical updates (members, investments, returns, funding levels, risk ratings etc.) on the pension industry as a whole.[199] The current regulator, OJK, will also produce such information regularly. The 2010 Pension Fund Annual Report describes the regulator's information service as follows: "*The information service include assisting data request on Pension Funds, conducting promotion and education activities, and providing information help desk about D3P application. In general, data requests come from various parties, such as Statistics Indonesia, National Planning and*

[199]The latest report available, for 2011, can be found at: http://www.ojk.go.id/dana-statistik-dan-dana-pensiun-indonesia-2011

	Development Agency, Bank Indonesia, consultants, students, journalists, etc. During 2010, the Bureau had responded 257 inquiries and 52 complaints that came by post, email, telephone, and in person. The most frequent inquiries were delivered to the Bureau by telephone (62%) and the rest by postal mails and emails (38%). Meanwhile most complaints were delivered directly in person (60%) and the rest by mails (40%)."[200] The Industry Associations also provide annual data and regular updates on their members. *Paragraph (b)* According to the Pension Law, financial institution pension funds (DPLK) are required to produce annual audited accounts. Article 14 sets forth that "*the financial accounts of the Pension Fund must be audited every year by a public accountant appointed by the supervisory board"* and "*every Pension Fund must submit periodical reports concerning its activities to the Minister, consisting of […] Financial reports already audited by a public accountant*" (Article 52 (1) a.). In addition, Ministry of Finance Regulation on Pension Fund Financial Reports No. 509 of 2002 requires pension funds to submit semiannual and annual financial statements. This regulation also requires that pension funds' annual accounts must be published in "*nationally published newspapers*" (Article 13). *Paragraph (c)* The Pension Law (Article 53 (1)) requires that DB funds produce an actuarial report at least every 3 years or if there are any changes in the pension fund regulation. This must cover the necessary contribution level to finance the pension plan, the solvency level and the additional contributions needed to make up funding gap as laid out in recovery plan. In practice the large funds provide these reports annually (and indeed may have an interim audit every 6 months). In addition, Article 54 (1) requires that all funds must annually inform participants of their balance and balance sheet. Disclosure good practice is followed by the larger DPPK funds. For example, the largest fund provides a newsletter to all members every 3 months, with information on funding levels, the current investment portfolio and returns, new regulations etc. Information is also available on the website and an AGM is held every year in all major cities. Actuarial reports may be over optimistic in practice. One issue which was raised by some stakeholders during the mission is that, although the letter of the law is complied with and actuarial reports are produced regularly, the quality of these reports may not be up to standard, which could provide a false sense of security

[200] 2010 Pension Fund Annual Report available at: http://www.bapepam.go.id/dana_pensiun/publikasi_dp/annual_report_dp/Laptah2010/annual_report_dana_pensiun_2010_eng.pdf

	to members of the funds. The solvency regulations in the country are strict, and recovery plans and additional contributions from sponsors required to keep funding levels adequate.[201] However, the assumptions behind these reports (though quoted in the regulator's annual pension funds report) may not always be accurate, up to date or realistic, in practice (e.g. using out dated annuity tables), which could be artificially boosting the funding levels. The realization of the real level of contributions needed to fund these schemes is one of the drivers behind the switch to DC funds. *Paragraph (d)* Investment reports for DC funds appear to be generally adequate. Industry good practice has DC funds matching, if not surpassing, mutual fund reporting standards.
Recommendation	Disclosure practices could form part of the review of DPLK funds. This review should check that the requirements of this Good Practice are being followed, as well as other applicable international standards such as the OECD Guidelines on the Protection of Rights of Members and Beneficiaries in Occupational Pension Plans:[202] *"International good practice around disclosure of information to members of DC pension funds: Timely, individualized benefit statement should be provided to each plan member (and to beneficiaries where relevant). The information included on the benefit statement and the frequency of its delivery will depend on the type of pension plan. The information included should enable the plan member to identify current benefit accruals or account balances and the extent to which the accruals or account balances are vested. For pension plans with individual accounts, the information should include the date and value of contributions made to the account, investment performance and earnings and/or losses. For member-directed accounts, a record of all transactions (purchases and sales) occurring in the member's account during the relevant reporting period should be provided. This information and other similarly personal data should be maintained and delivered in a manner that takes full account of its confidential nature."*
Good Practice B.8	***Contracts*** **There should be consistent contracts or membership forms for pension products and the contents of a contract should be read by the customer or explained to the customer before it is signed.**
Description	Though there are no regulations specifically for the pension sector, contract requirements for the financial sector in general, including pensions, are included in the new FCP Regulation. DPLK pension providers must fill out an employee registration form for all individuals. This practice is followed even when the arrangement is made via the

[201] For example Regulation 510/KMK.02/2002 on funding and solvency requires recovery plans within 3 years (Article 11).
[202] http://www.oecd.org/daf/fin/private-pensions/34018295.pdf

	sponsoring employer and when no investment choice is offered to the members. Standards from the insurance and banking industry apply as it is agents from these sectors who are selling the products and interacting with clients. Occupational funds employees also fill in an application form. There is no contract as such as the employer is the provider of the fund. Some require employees to sign a 'no objection' form in order to agree to contributions to be made from their salary, but given the employer is providing at least matching contributions this is a formality.
Recommendation	If the direct retail market for pension products grows, specific pension contract related regulations may be required to meet the requirements of this Good Practice.
Good Practice B.9	***Cooling-off Period*** **There should be a reasonable cooling-off period associated with any individual pension product.**
Description	Good practice applied in other sectors also applies to pension funds where appropriate. In most cases pension fund membership is part of the employment contract and therefore a 'cooling off' period does not apply. For DPLK pensions sold to individuals, practices which are applied to the selling of other financial products, such as insurance (see Insurance Sector Good Practice B.4), will also apply to pensions. Insurance and banking industry sales agents would apply the standards from their industry (i.e. standard 14 day period) – though it should be noted that there is no legally mandated cooling off period in either industry.
Recommendation	See the recommendation in Insurance Sector Good Practice B.4. If the direct retail market for pension products grows, specific pension contract related regulations may be required to meet the requirements of this Good Practice.

SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Statements*** **a. Members and affiliates of a defined contribution pension plan should not be locked into a specified investment profile (and shares in their employer in particular) for more than a short period (e.g. one week) after providing notification of a desire to switch investment profiles.** **b. Customers or occupational plan members should receive a regular streamlined statement of their account that provides the complete details of account activity (including investment performance on a standardized basis) in an easy-to-read format, making reconciliation easy.** **c. Customers should have a means to dispute the accuracy of any transaction recorded in the statement within a reasonable, stipulated period.** **d. When customers sign up for paperless statements, such statements should be in an easy-to-read and readily understandable**

	format.
Description	Disclosure practices, though not regulated in detail, are generally adequate. *Paragraph (a)* Where members of DPLK funds have a choice of investments, fund rules will decide how often they can switch and at what cost (there are no specificities in regulation). For example, one of the major providers allows members to switch investment up to 4 times a year, with the first 2 changes being made free of charge and fees of IDR 20,000 then applying to additional switches. Their service standard is for funds to be moved within 2 business days of the necessary document having been received. *Paragraph (b)* Statements are provided to members once a year, with the usual information provided (balance, returns, contributions during the year etc.). The major providers also allow members to check their balance on-line and some via ATM machines. The Pension Law (Article 54 (2)) is vague regarding the timing and content of these statements: "*The Board has an obligation to submit information to every participant concerning matters that arise in the framework of his/her participation in the form and time determined by the Minister."* The Guidelines for the Implementation of Pension Fund Governance outline what OJK generally expect from pension funds by way of information disclosure: "*Pension funds must disclose information in a timely, adequate, clear, accurate and comparable basis, and easily accessible by all relevant parties in accordance with their rights"* (Chapter II, A. 1. a.). In addition, "*information that must be disclosed shall include the vision, mission, financial condition, the composition of the Management and Supervisory Board, risk management, internal control and monitoring systems, the system of governance and its implementation, and important events that may affect the condition of the pension fund and other related information"* (Chapter II, A. 1. b.). *Paragraph (c)* See Dispute Resolution Good Practice. *Paragraph (d)* On-line balances are available from the main providers. Information is generally made available via website of the pension fund, and for more innovative sponsors and providers, via SMS, social media and DC fund balances via ATM.
Recommendation	OJK should consider surveying current practices in relation to the provision of pension statements and introducing a requirement for them to be provided. The survey should check whether the requirements of this Good Practice are being

	met, and if any innovative improvements should be required (such as how to communicate risk, how to encourage additional voluntary contributions etc.).[203] A statutory pension statements scheme (including specified information in a prescribed form) could then be introduced.

SECTION D	PRIVACY AND DATA PROTECTION
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **a. The financial activities of any customer of a pension management company should be kept confidential and protected from unwarranted private and governmental scrutiny.** **b. The law should require pension management companies to ensure that they protect the confidentiality and security of personal information of their customers against any anticipated threats or hazards to the security or integrity of such information, and against unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to any customer.**
Description	Strict regulations exist for the pension sector in this area and there are relevant provisions in the FCP Regulation. These Good Practices also appear to be generally applied by industry. *Paragraph (a)* Article 54 (4) of the Pension Law states that the Board of a pension fund has an obligation to keep secret a participant's personal information. This principle is reiterated in the supporting DPPK regulation (Article 17(4)): "*the Board is obliged to keep secret the personal information pertaining to each participant.*" The Guidelines for the Implementation of Pension Fund Governance also outline what is expected by OJK by way of good practice: "*The Management, the Supervisory Board and the Employees of the Pension Fund shall be required to maintain the confidentiality of information and confidential information of the Pension Fund in accordance with the prevailing laws and regulations"* (Chapter II, B. 2. b.). In practice, members are asked to give approval on their application form for information to be shared. The main DPLK pension providers follow internal codes of conduct which apply to all staff globally regarding the handling of confidential client information. As far as can be ascertained, industry practice is not to sell / share pension member information with third parties, but cross selling with the same financial group may take place.

[203] See Antolín, P. and D. Harrison (2012), "Annual DC Pension Statements and the Communications Challenge", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 19, OECD Publishing. http://www.oecd-ilibrary.org/finance-and-investment/annual-dc-pension-statements-and-the-communications-challenge_5k97gkd06kth-en

	Although there is not a data protection law of general application in Indonesia, the new FCP Regulation will impose relevant confidentiality obligations. Importantly, the FCP Regulation states that an essential principle of financial consumer protection is the "*confidentiality and security of consumers' data and information*".[204] Further, Article 31(1) provides that a financial services provider is "*prohibited from disclosing data and/or information on its consumers to third parties in any manner whatsoever*".[205] Furthermore, "*any Person who is privy to any confidential information due to his/her position, profession, as supervisee, or any relationship whatsoever with the Financial Services Authority, is prohibited from using or disclosing such information to any other parties, unless within the performance of the functions, duties, and powers under the decision of the Financial Services Authority or as is required by the Law*".[206] And, any violation of these requirements "*may be may be subject to administrative sanctions and/or other sanctions under the provisions of laws and regulations*".[207] Further, there is a wide variety of different laws dealing with specific data protection issues. These are as described in Banking Sector Good Practice D.1. *Paragraph (b)* There are no regulatory requirements specific to the pensions industry. However the providers and sponsors are mostly large, often listed, often multinational firms, and may therefore apply data integrity practices which they are required to follow in other jurisdictions in which they operate. For example, one of the main insurance companies providing DPLK pensions applies the same standards as are mandatory in the company's home jurisdiction, Canada.
Recommendation	If the direct retail market for pension products grows, specific data protection regulation related to pensions (around retirement dates, biometric requirements for claiming pension payouts etc.) may be required. The issue of cross selling and passing on information within financial groups may need to be addressed.
Good Practice D.2	***Sharing Customer's Information*** **a. Pension management companies should inform the consumer of third-party dealings for which the pension management company intends to share information regarding the consumer's account.** **b. Pension management companies should explain to customers how they use and share customers' personal information.** **c. Pension management companies should be prohibited from selling (or sharing) account or personal information to (or with) any outside company not affiliated with the pension management company for the purpose of telemarketing or direct mail**

[204] FCP Regulation, Article 2, point d.
[205] FCP Regulation, Article 31 (1)
[206] OJK Law, Article 33 (3)
[207] Ibid., Article 33 (4)

	marketing. **d. The law should allow a customer to stop or —opt outll of the sharing by the pension management company of certain information regarding the customer, and the pension management company should inform its customers of their opt-out right.** **e. The law should prohibit the disclosure of information of customers by third parties.**
Description	The requirements of this Good Practice are only met to a very limited extent. *Paragraph (a)* There are no provisions requiring investors to be informed of the information provided for by this Good Practice. Article 31 of the FCP Regulation is to the effect that financial services providers are prohibited from disclosing customer data or information to third parties in any manner, except in cases where the consumer gives written consent and when disclosure is required by laws or regulations. There is no requirement that the investor be informed of the various laws and regulations that can require disclosure. Consumer consent for information sharing is not clearly required under the credit reporting related laws and regulations. Article 26 of the Electronic Transactions Law, which is of general application to the processing of electronic information, provides that "*Unless provided otherwise by Laws and Regulations, use of any information through electronic media that involves personal data of a Person must be made with the consent of the Person concerned*." Further, Article 31 of the FCP Regulation is to the effect that financial services providers are prohibited from disclosing customer data or information to third parties in any manner, except in cases where the consumer gives written consent and when disclosure is required by laws or regulations. There is no provision regarding sharing of information within a financial group. *Paragraph (b)* There is no requirement of the type contemplated by this Good Practice. *Paragraph (c)* Disclosure of pension information is not allowed by the Pension Law (Article 54 (4)): "*The Board has the obligation to keep secret private information that is related to each party.*" *Paragraph (d)* There is no requirement of the type contemplated by this Good Practice, presumably because of the Article 54 (4) requirement. *Paragraph (e)*

	See paragraph (c). In practice, it is in any event understood that pension data collected by DPPK pension funds is held by the HR department of the plan sponsor and is not released to third parties.
Recommendation	If the direct retail market for pension products grows, specific data protection regulation related to pensions may be required. The issue of cross selling and passing on information within financial groups may need to be addressed.
Good Practice D.3	***Permitted Disclosures*** **a. The law should state specific procedures and exceptions concerning the release of customer financial records to government authorities.** **b. The law should provide for penalties for breach of confidentiality laws.**
Description	*Paragraph (a)* General financial sector regulations on data protection apply, around disclosing information to the courts etc. (see, for example the discussion of Good Practice D.3 for the Banking Sector). There is no specific pension regulation on this topic. *Paragraph (b)* General financial sector regulations on data protection apply. There is not specific pension regulation on this topic.
Recommendation	Consideration should be given to having either a law or a regulation to provide for this Good Practice, especially if the direct retail market for pension products grows.

SECTON E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Dispute Settlement*** **a. An internal avenue for claim and dispute resolution practices within the pension management company should be required by the supervisory agency.** **b. Pension management companies should provide designated employees available to consumers for inquiries and complaints.** **c. The pension management company should inform its customers of the internal procedures on dispute resolution.** **d. The regulator or supervisor should investigate whether pension management companies comply with their internal procedures regarding dispute resolution.**
Description	There are not currently specific requirements for the internal dispute resolution procedures to be followed by a pension management company, other than the general provisions that exist in the Consumer Law. Further, the FCP Regulation, which will come into effect in August 2014, contains requirements in this regard. In practice, internal dispute mechanisms appear to follow this Good Practice. Consumers have raised limited problems with disputes in the pension sector – largely as these have not been sold as consumer products.

	Paragraph (a) Internal dispute mechanisms for the financial sector in general, including pensions, are provided for by the Consumer Law and the new FCP Regulation. See Banking Sector Good Practice E.1 for details of the Consumer Law and FCP Regulation requirements. Internal dispute mechanisms also appear to be provided, as a matter or practice, by the main pension funds and providers. Disputes tend to occur around administrative issues and virtually all are solved by these internal mechanisms via HR departments or customer service centers. For example, one of the main DPLK providers runs a Customer Member Service Committee that handles the main complaints from individuals, from the media etc. They work with the legal team and report to regional HQ in Hong Kong. Likewise, one of the leading DPPK funds has a call center to handle complaints (most on why balances are lower than expected – which is an education rather than a dispute issue). Neither of these funds has ever had a problem which could not be solved internally. The procedures follow international good practice, where by these dedicated service lines would attempt to solve the problem themselves, and then escalate more difficult / serious cases on to the management body. If these could not be solved internally, the regulator would be notified. *Paragraph (b)* Major funds or providers have dedicated customer service teams or relevant contacts within HR departments. *Paragraph (c)* Internal mechanisms are disclosed to members in all main communications. This includes application forms, statements, on website etc., also when the join the fund. The member's HR department is often the first point of contact and they will pass on any issue to these dedicated departments. *Paragraph (d)* OJK should make the checks contemplated by this Good Practice as part of their supervisory process.
Recommendation	See the recommendations in Banking Sector Good Practice E.1. A more detailed analysis of pension funds internal dispute mechanisms could also usefully form part of the proposed review of the DPLK market.
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **A system should be in place that allows consumers to seek third-party recourse in the event they cannot resolve a pensions-related issue with their employer or a pension management company.**

Description	The current statutory systems for the formal resolution of disputes concerning pensions are fragmented and overlapping. Apart from recourse to his or her local or District court, a consumer with an unresolved complaint concerning a pension can only access the pension industry dispute resolution service in place for DPPK funds (which has never been used) or the Consumer Dispute Resolution Board[208] . And, as of August 7, 2014, OJK will also be providing a service to facilitate the resolution of outstanding consumer complaints under the FCP Regulation.[209] OJK also has advocacy powers to take measures against financial institutions to resolve complaints and to institute proceedings to reclaim property or to recover damages on behalf of a consumer, as well as a financial institution if it is the harmed party.[210] In addition, Indonesia is a participant in the ASEAN Committee on Consumer Protection that provides an avenue for consumers of any service or product to complain and seek compensation for loss.[211] Insurance Sector Good Practice E.2 has details of the BPSK and the FCP Regulation dispute resolution schemes, as well as the proposed industry ADR schemes, and including the concerns about the scope and application of these schemes. The previous pension regulator, Bapepam-LK, undertook dispute handling for the sector. For example, their 2010 Pension Fund Report notes that: "*During 2010, the Bureau had responded 52 complaints. […] Most complaints were delivered directly in person (60%) and the rest by mails (40%).*" An external dispute mechanism has now been established for DPPK occupational funds. The industry association (ADPI) set up a pension plan mediation portal from 2012 (the association informally assisted the previous regulator Bapepam-LK with any issues previous to this date). However, all disputes have been settled internally and a case has never reported to them to date. For DPLK pension schemes, no industry mediation exists. It is understood that little in the way of formal complaints or disputes have occurred in the area of pensions. This sector has therefore not been a focus of the consumer protection agency.[212]
Recommendation	The financial sector wide dispute mechanisms could be made better known to pension fund members. This should be made clear to pension fund members both on the documents provided when they join the plan and on their annual statements (information the organization and how to make contact if they have a

[208] Operating under Regulation No. 350 of 2001 issued by the Ministry of Trade and Industry
[209] See FCP Regulation, Articles 40 to 46
[210] See OJK Law, Article 30
[211] See http://aseanconsumer.org/
[212] It was not possible to meet with the agency to verify this finding during the diagnostic mission relating to this report.

	problem). Establishing industry based mediation for DPLK pensions will be required under the new FCP Regulation. A joint body serving all pension funds would seem the most efficient mechanism and would meet OJK's planned requirements for all industries. See the recommendations in Banking Sector Good Practice E.1.

SECTION F	GUARANTEE SCHEMES AND SAFETY PROVISIONS
Good Practice F.1	***Guarantee Schemes and Safety Provisions*** **Guarantee and compensation schemes are less common in the pensions sector than in banking and insurance. There are more likely to be fiduciary duties and custodian arrangements to ensure the safety of assets.** **a. There needs to be a basic requirement in the law to the effect that pension management companies should seek to safeguard pension fund assets.** **b. There should also be adequate depository or custodian arrangements in place to ensure that assets are safeguarded.**
Description	Pension fund assets are explicitly protected by fiduciary duties. *Paragraph (a)* The concept of fiduciary duty is stated clearly in the Pension Law (Article 51): "*The pension fund must be managed keeping in mind the interests of the participants and other parties that are entitled to a pension benefit as stipulated in the regulations of the pension fund."* The Pension Law (Articles 11 and 45) also requires the pension fund to be a separate legal entity from its founders or financial institution provider (including separation of assets). *Paragraph (b)* A separate custodian is required for all pension assets. There is no guarantee scheme providing back up for pension fund members in situations where their plan sponsor goes bankrupt leaving an underfunded plan with insufficient assets to pay out promise benefits. However, this situation has not arisen in the country and is unlikely to as the funds appear to be run by large, stable employers and many are closed to new members.
Recommendation	OJK could consider clarifying its position on guaranteeing an underfunded pension fund in the event of a sponsor bankruptcy and should, in any event, rigorously enforce solvency regulations to avoid such a situation.

SECTION G	CONSUMER EMPOWERMENT
Good Practice G.1	***Using a Range of Initiatives and Channels, including the Mass Media*** **a. A range of initiatives should be undertaken to improve people's financial capability.** **b. The mass media should be encouraged by the relevant authority to provide financial education, information and guidance to the public, including on the private pensions sector.** **c. The government should provide appropriate incentives and encourage collaboration between governmental agencies, the supervisory authority for private pensions, the private pension industry and consumer associations in the provision of financial education, information and guidance to consumers, particularly on the private pensions sector.**
Description	See recommendations in Banking Sector Good Practice G.1 and the Financial Capability Report.
Recommendation	See recommendations in Banking Sector Good Practice G.1 and the Financial Capability Report.
Good Practice G.2	***Unbiased Information for Consumers*** **a. Financial regulators and consumer associations should provide, via the internet and printed publications, independent information on the key features, benefits and risks –and where practicable the costs- of the main types of financial products and services, including private pensions.** **b. The relevant authority should adopt policies that encourage non-government organizations to provide consumer awareness programs to the public in the area of pensions.**
Description	See recommendations in Banking Sector Good Practice G.1 and the Financial Capability Report.
Recommendation	See recommendations in Banking Sector Good Practice G.1 and the Financial Capability Report.
Good Practice G.3	***Consulting Consumers and the Financial Services Industry*** **a. The relevant authority should consult consumer associations and the private pension industry to help the authority develop financial capability programs that meet the needs and expectations of financial consumers, especially pension fund members and affiliates.**
Description	See discussion in Banking Sector Good Practice G.4.
Recommendation	**OJK should use its convening power to bring together consumer groups and the pension industry to develop financial capability programs that help Indonesians deepen their understanding of private pensions.** For additional recommendations see Banking Sector Good Practice G.4.

CONSUMER PROTECTION IN CREDIT REPORTING

Overview

Credit reporting in Indonesia is currently limited to the Credit Bureau operated by BI but is likely to be opened up in the future to the private sector. The Biro Informasi Kredit (**BIK**) at BI started in 1968 collecting information from regulated entities but went into a major enhancement in in 2005 and officially opened in June 2006 by gathering positive and negative information on both individual and business provided by banks and other creditors. Membership in the BIK is mandatory for commercial banks, large rural banks (assets above 10B IDR), and voluntary for smaller rural banks, non-bank financial institutions, and cooperatives. In total there are 120 banks, 1291 rural banks and 25 NBCIs participating in the system reporting loans from around 77 million individuals.[213] Currently there are no cooperatives participating in the system and only around 5 multi-finance companies (who participate voluntarily). The only product that the BIK offers is basic reports with a 24 month history known as Individual Debtor Information History (**IDI**).

In addition to the BIK, there is a private, unlicensed credit bureau operated by CRIF in partnership with the Association of Credit Cards (**AKKI**). The market will be opened to private credit bureaus once the licensing regulation process is completed by the BI under the Credit Bureau Regulation No. 15 of 2013 (Credit Bureau Regulation). It is understood that BI intends to continue to operate BIK for at least five years after this occurs, on the basis that it needs comprehensive and reliable credit information for the purposes of its financial stability and macro prudential role in supervising the financial sector. However BI recognizes the need for OJK to have access to this information as well.

Incidental information gathered by the mission team indicates that the requirements set by BI, especially IT requirements and some customer data field requirements, have been hard to meet by NBCIs. Additionally, NBCIs are concerned about potential penalties they may face for not being able to submit all needed information on time, and there also seems to be some lack of understanding about the scope and coverage of BIK and that NBCIs are authorized to join BIK.

As an alternative to BIK, AAPI (the multi-finance industry association) has also developed an informal mechanism to share information of debtors, or black lists of debtors. In addition, it has developed a list of debtors whose debt has been written off by multi-finance companies, as a way to comply with a tax code requirement to publish this specific information. These arrangements have been an industry reaction to the lack of an official credit database.

Asbindo is also starting to develop a credit database of all its members, which is expected to work in parallel to other credit reporting databases. Thus, the current situation does not allow financial providers to have a full picture of the total direct and indirect credit exposure of a potential borrower. Although it is good that the industry has tried to come up with solutions to overcome the limited credit history information available in Indonesia, these initiatives have several weaknesses. Examples include the lack of information of the total exposure of a borrower in the financial sector, a lack of clarity as to the procedures on how to correct wrong data, and the absence of confidentiality and privacy rules. Also, the voluntary nature of this data exchange greatly limits its effectiveness. This situation highlights the need to have an operative and comprehensive credit reporting system in Indonesia.

[213] http://www.bi.go.id/en/statistik/perbankan/credit-bureau/jumlah-debitur/Contents/Default.aspx

Comparison with Good Practices

SECTION A	PRIVACY AND DATA PROTECTION
Good Practice A.1	***Consumer Rights in Credit Reporting*** **Laws and regulations should specify basic consumer rights in these respects. These rights should include:** **a. The right of the consumer to consent to information-sharing based upon the knowledge of the institution's information-sharing practices.** **b. The right to access the credit report of the individual, subject to proper identification of that individual and free of charge (at least once a year).** **c. The right to know about adverse action in credit decisions or less-than-optimal conditions/prices due to credit report information. In this process, consumers should be provided with the name and address of the credit bureau.** **d. The right to be informed about all inquiries within a period of time, such as six months.** **e. The right to correct factually incorrect information or to have it deleted.** **f. The right to mark (flag) information that is in dispute.** **g. The right to decide if the consumer's credit information (for purposes not related to the granting of credit) can be shared with third parties.** **h. The right to have sensitive information especially protected (not included in the credit report), such as race, political and philosophical views, religion, medical information, sexual orientation or trade union membership.** **i. The right to reasonable retention periods such as those for positive information (for example, at least two years) and negative information (for example, 5-7 years.)** **j. The right to have information kept confidential and with sufficient security measures in place to prevent unauthorized access, misuse of data, or loss or destruction of data.**
Description	There is only limited compliance with this Good Practice, and the relevant laws do not apply in a consistent way to all credit providers holding a consumer's credit information. *Paragraph (a)* Consumer consent for information sharing for any purpose is not clearly required under the credit reporting related laws and regulations. Importantly, the consent of the relevant debtor is not a pre-requisite for access to personal data held by the BIK (although, as a matter of practice, it may be obtained by the creditor), or by an LPIP or for the transfer of data between BI and an LPIP. Article 26 of the Electronic Transactions Law, which is of general application to the processing of electronic information, provides that "*Unless provided otherwise*

	by Laws and Regulations, use of any information through electronic media that involves personal data of a Person must be made with the consent of the Person concerned." Further, Article 31 of the FCP Regulation is to the effect that financial services providers are prohibited from disclosing customer data or information to third parties in any manner, except in cases where the consumer gives written consent and when disclosure is required by laws or regulations. Users other than debtors are also given broad rights of access. In particular: • Article 36 of the Credit Bureau Regulation provides for an LPIP to obtain credit information data from BI but does not require debtor consent; and • Article 50 of the Credit Bureau Regulation allows the following users to access data: (a) financial institutions which become members of the LPIP; (b) non-Financial Institutions as referred to in Article 37 (1) (b) which serve as the source of data of the relevant LPIP; (c) other LPIPs; (d) Debtors or Consumers; and e) other parties. Articles 51 then provides that access to data by users in categories (a), (b), (c) and (d) may be in accordance with the LPIP's procedures and / or as determined by agreement between the parties. Access by "other persons" must be in accordance with the need of the relevant party to perform their functions according to laws and regulations (Article 52). This provision would presumably, for example, cover BI and OJK to the extent they needed to obtain LPIP information for the purposes of their functions. Although it may be common practice to allow the collection of credit information without consent by public credit registries for banking supervision purposes, it is good practice to require such consent for the collection of information by a private credit bureau, whether that information is collected directly from the consumer's financial institution or from a public credit registry (such as BIK). In addition it is good practice to require consent, subject only to specific exemptions (such as a requirement of law), before credit information data is accessed for any purpose. However current regulations do not provide for such consent to be required (although it might be obtained as a matter of practice by some credit providers). Of particular importance in the present context is the provision in the Credit Information Bureau Regulation for data to be provided by BI to LPIPs (Article 36). Apart from the need to deal with the consent issues, there is a need to clarify the type of data that can be transferred to an LPIP. Credit Registries such as BKI collect some data items that are very relevant for banking supervision but not relevant at all for market discipline. On the contrary, the transfer of such data could create competition concerns in banks and other financial institutions (e.g. information about interest rates, the amount provisioned for a loan and the classification of the debt). In addition, it is not clear if this information will be

	provided to LPIPs for free on one occasion only or if LPIPs will be systematically provided with information by BKI. Article 20 of the Debtor Information System Regulation 2007 also provides that information held by BIK may be accessed by a "*Rapporteur*[214]", a Debtor or "other parties". However, as under the Credit Bureau Regulation, there is no requirement for debtor consent as contemplated by this Good Practice. Further, customer consent is not required for the informal information sharing practices developed by the multi-finance industry association, AAPI (see Overview above). *Paragraph (b)* Article 58(3) of the Credit Bureau Regulation provides that "*Debtors or Customers may obtain Credit Information free of charge from LPIP once in 12 (twelve) months*". Article 1 in turn broadly defines "*Credit Information*" as "… *products and/or services provided by LPIP in writing, verbally or by other methods, originating from credit data and other data owned by LPIP*". Article 42 of the Debtor Information System Regulation 2007 also provides for debtors to submit written requests for Debtor information. *Paragraph (c)* Article 23(1) of the Debtor Information System Regulation 2007 is to effect that if a Rapporteur refuses to grant credit as a direct result of "*Debtor information*", the Rapporteur must provide a "*written explanation*" to the concerned Debtor or prospective Debtor on receipt of a written request. However, there is no requirement to automatically tell Debtors about why a credit application has been refused or to provide details of the BIK. There is no requirement of the type contemplated by this Good Practice in the Credit Bureau Regulation. *Paragraph (d)* There is no requirement of the type contemplated by this Good Practice. *Paragraph (e)* Chapter X of the Credit Bureau Regulation (Articles 59 – 62) contains detailed provisions relating to the correction of Credit Information, including at the request of the Debtor. If data is shown to be inaccurate, it must be corrected in 20

[214] Rapporteurs include Commercial Banks, BPRs, Non-Bank Financial Institutions, Credit Card Issuers, Banks, and Credit Unions (Article 1 of Debtor Information System Regulation 2007).

	business days by the LPIP (Article 61). Although the Debtor Information System Regulation contains extensive provisions relating to the correction of Debtor Reports (see especially Articles 11-16) and makes provision for Debtors to access their personal information (Article 20), it does not contain specific provisions allowing for correction of factually incorrect information at the request of the Debtor. *Paragraph (f)* LPIPs are required to mark data in Credit Information which is the subject of a complaint until all processes of complaints are completed (Article 62). There is no requirement of the type contemplated by this Good Practice in the Debtor Information System Regulation for BI. *Paragraph (g)* See paragraph (a) re the issue of consent. *Paragraph (h)* Article 46(d) of the Credit Bureau Regulation prohibits the inclusion in Credit Data information which "*contains ethnicity, religion, race and intergroup elements*". However there does not appear to be an equivalent provision in the Debtor Information System Regulation for BKI. *Paragraph (i)* Data retention periods are not sufficiently clear. Article 47 (1) of the Credit Bureau Regulation appears to allow data which is provided by BI to an LPIP under Article 36 to be used for credit information purposes if it is no more than 2 years old. However, there is no differentiation between active and closed accounts. Further, information about arrears can be used under Article 47(2) until the debt is written off or settled. However it is not clear if the information can be used afterwards for any period. Further information on the number of data requests must be retained for a year and information the subject of complaints must be flagged for a year (Article 47(3)). Other matters relating to the currency of credit information are left to the discretion of the LPIP, although there is a requirement to follow laws and regulations relating to retention periods for corporate documents (Article 48). This approach has the potential to lead to inconsistencies in approaches between LPIPs and with the approach adopted by BI for the purposes of the BIK. It would be preferable if retention periods were specifically mandated by regulation as provided for by this Good Practice. *Paragraph (j)* The Credit Bureau Regulation requires an LPIP to "*maintain the accuracy, currency, security and confidentiality of data*." (Article 34 (a)). Article 35 then specifies in some detail the issues that must be dealt with in the LPIP's policies

	and operational procedures. Members of the Board and Commissioners of an LPIP are also required to have a "*strong commitment to preserve the confidentiality and security of data and information*" (Article 10(1)(a)(5) of the Credit Bureau Regulation). There do not appear to be equivalent provisions in the Debtor Information System Regulation.
Recommendation	BI and OJK should give early consideration to the issues highlighted above and also in Banking Good Practice D.4. In particular: • The overall supervision arrangements for credit reporting systems in Indonesia need be addressed; • The role of OJK in managing the Indonesian credit registry (currently managed by BKI) needs to be clarified; • Issues of debtor consent, access and correction rights and data retention requirements are important consumer protection issues which need to be addressed; • There should be clear regulations dealing with on the type of data to be provided by BI to LPIPs, the limited purposes for which such data can be used, the frequency of data transfers and liability for data quality and security; and • Importantly, debtors should have the same consumer protection rights, regardless of whether their information is held by BI, OJK, an LPIP or an informal credit information sharing arrangement such as that maintained by multi-finance companies through AAPI.

SECTION B	**CONSUMER EMPOWERMENT**
Good Practice B.1	***Unbiased Information for Consumers*** **Financial regulators should provide, via the internet and printed publications, independent information for consumers that seek to improve their knowledge for actively managing the credit report.**
Description	Bank Indonesia presents credit reporting information for consumers on its website[215]. The website explains how the credit reporting system works, what the records contain and how to dispute inaccuracies. The site also explains how consumers can request a copy of their form.
Recommendation	Regulators should build on their efforts to educate the public on credit reporting by creating engaging printed publications and multimedia education tool, and by incorporating credit reporting lessons into existing materials and programs.
Good Practice B.2	***Awareness of Credit Reporting*** **In order to ensure that financial consumer protection and educational initiatives are appropriate, it is necessary to measure financial capability with large-scale surveys that are repeated periodically. These surveys should include questions on credit reporting and scoring.**

[215] http://www.bi.go.id/en/moneter/biro-informasi-kredit/Contents/Default.aspx

Description	Both Bank Indonesia and OJK have recently conducted broadly-based consumer surveys. Specifically, Bank Indonesia conducted a financial literacy survey in 2012 and found, among many other things, that Indonesians' level of financial literacy correlated with gender, age, level of income, geography and level of general education. For its part, OJK conducted a survey in 2013 of over 8,000 consumers spread across 20 provinces and determined both the level of consumer knowledge and utilization of six different types of financial products: banking, insurance, finance (credit), pensions, capital markets and pawnshops. The results from both of these consumer surveys, if shared with program developers, can greatly assist financial capability efforts. Neither of the surveys extensively covered the credit reporting and scoring issue. Further details of the OJK survey are contained in Annex 1 to this report: *Financial Literacy Stocktaking and Analysis for Indonesia.*
Recommendation	Government regulators, in their next consumer surveys should include questions on credit reporting and scoring. In particular, it would be useful to know if consumers knew what credit reports and credit scores are, how they can see a copy of their report and how they can dispute errors. Additionally, consumers should be queried as to whether they understand how they may affect their credit scores and how their credit scores may affect them.

ANNEX I. FINANCIAL LITERACY STOCK TAKING AND ANALYSIS FOR INDONESIA

I. Executive Summary

While the financial literacy movement in Indonesia is still quite young, important foundations have already been laid that can be built upon as the movement gains momentum in the years ahead. Financial literacy in Indonesia first came to national attention in 2007 through the efforts of Bank of Indonesia which, years later, was joined by OJK which launched a National Blue Print for Financial Literacy in 2013. The presence of parallel program offerings across government agencies suggests that government providers of programs will need to collaborate going forward to avoid creating redundancies, gaps and general inefficiencies. Private sector development in this field has been modest and consists mostly (but not entirely) of partnerships between large, multinational financial institutions and local or international NGOs. Indonesian NGOs are beginning to see the value of financial capability training as an add-on service which complements their general missions to reduce poverty. However, to date there is only one NGO in Indonesia dedicated to financial capability as part of its core mission, and that organization is part of a multinational NGO.

While the potential benefits of financial literacy to an emerging economy like Indonesia are great, there are two significant issues that stand in the way of rapid and steady progress of the financial literacy movement. The first is that many of the financial services executives interviewed for this analysis appear to hold a narrow view of the purpose of financial literacy programs; namely that they exist primarily to educate consumers on why, how and where to buy their products. Ultimately this approach will result is less learning and less sales as consumers eventually abandon confusing, costly products with unexplained risks and costs. The second issue is that the financial literacy movement lacks an organizational structure.

The stock-taking exercise conducted for the purpose of this diagnostic revealed that the federal government is the major provider of smaller financial capability programs and campaigns that span the entire nation, while a number of partnerships such large financial institutions and multinational NGOs provide more in-depth financial education in select areas. These programs vary in their approach but frequently utilize an in-person lesson or seminar augmented with educational materials. There were also a number of small, infrequent programs run by NGOs that were offered only when there was enough interest and funding. Inclusion efforts can include promoting entry-level products, increasing access through mobile interfaces and generally bringing consumers into the formal financial services system.

For next steps, OJK should leverage financial service providers' regulatory obligation to provide financial literacy to help structure the nation's financial capability programmatic ecosystem. Article 14 of the FCP Regulation affords OJK a rare opportunity to infuse Indonesia's financial capability movement with levels of efficiency, quality and sustainability not seen in most countries. OJK could usefully merge its compliance role in financial literacy with a coordination role to identify fundable projects and broker partnerships between NGOs and financial institutions. By taking on such a role, OJK's Office of Information and Education can help companies partner with NGOs and prevent firms from having to choose between selling products and educating consumers. Moreover, by making itself a hub of the financial capability community, OJK's Office of Information and Education can give the movement the structure and support necessary to adequately meet the nation's financial literacy needs in the years ahead.

II. Background

For the purposes of this analysis it is appropriate to start the history of financial literacy in Indonesia when the Bank of Indonesia (BI) created an education task force on the subject in 2007. BI followed that up with a series of programs and campaigns (described below), many of which are in place today. OJK's statutory responsibility to provide financial education comes from the OJK Law which established the agency in 2011. Specifically the law states: *"for the protection of consumers and the public, OJK is authorized to take necessary actions to prevent consumers and the public from harms, which include: a. providing information and educating the public on the characteristics of financial services sector, services, and products..."* [216] With that law, OJK joined the government financial literacy effort, launched its own programs and eventually put forth a national blue print for financial literacy in 2013. In 2013, OJK promulgated the FCP Regulation which sets forth the consumer protection rules that OJK enforces on financial service providers. Part of that regulation, Article 14, establishes an affirmative duty on the part of financial service providers to provide the public with financial literacy education. It is understood that OJK will clarify the requirements of the regulation under a circular to be released in 2014.

The Indonesian private sector's view of financial literacy appears to have experienced a slow evolution the last few years. Based on conversations with industry executives, financial service providers have moved from having a lack of awareness about financial literacy, to now seeing its importance, albeit with an emphasis on using financial literacy programs for the marketing of financial products and services (please see discussion below about the merits of separating financial education from marketing of products and services). Despite this, a few important private sector financial literacy programs have sprung up in Indonesia the last few years. The significant programs are detailed in the stock-taking below.

NGOs in Indonesia have also begun to recognize the value of financial literacy to their longstanding goals of reducing poverty and empowering poor families. This is a typical and useful progression for the financial literacy movement in many countries. Financial literacy training as an add-on service assures a distribution network for any programs that are developed. NGOs typically encounter two hurdles once they recognize that financial capability interventions can advance their broader mission. Both can be overcome, but it will take special effort.

First, NGOs must be prepared to make the case for financial literacy to their funders, in the context of competing development priorities and agendas. The second hurdle is within the NGOs themselves. Implementing a financial literacy program is relatively easy but designing and implementing a quality program which achieves the desired impact is not. The difference is important because, eventually, NGOs and funders will hope to see an impact from this experiment in financial capability. NGOs in Indonesia will need the organizational perseverance, and develop or acquire the required program design skills, to develop financial literacy programs which bring about the required expertise. When it comes to financial literacy proficiency, NGOs in Indonesia appear to have arrived at this interim step – somewhere just beyond introduction, but still far from mastery.

III. The Present: Promise and Challenge of Financial Literacy in Indonesia

Indonesia is very much in the early stages of its development of a national financial literacy movement. Given Indonesia's status as an emerging economy, financial literacy has potential to assist economic

[216] Law No. 21 of 2011 on the Financial Services Authority, Article 28(a)

growth and raise the standard of living of its households. At the same time, the next few years are critical to the movement's progress and present a few significant challenges that need to be addressed.

A. The Promise of an Effective National Financial Literacy (Capability) Effort

As a preliminary point, it is noted that the terms "*financial literacy*" and "*financial capability*" are often used interchangeably. The term "*financial literacy*" is a narrower term that represents the level of aptitude in understanding personal finance matters, and often refers to awareness and knowledge of key financial concepts. In contrast, the term "*financial capability*" has been defined as "*the internal capacity to act in one's own best financial interest, given socio-economic environmental conditions. It encompasses the knowledge (literacy), attitudes, skills and behaviors of consumers with regard to managing their resources, and understanding, selecting, and making use of financial services that fit their needs*".[217] Although the term "*financial literacy*" is mostly used in this report (as that is the term mostly used in Indonesia) where recommendations are made, is is intended that the term should be interpreted to include relevant aspects of the financial capability concept.

Increasing the financial literacy (and the broader financial capability) of the Indonesian people holds tremendous promise for the nation. Consumers with the knowledge, skills and confidence to engage with Indonesia's growing financial services sector can not only help themselves and their households, but can provide significant benefits to the broader economy as well.

Making financial literacy (and capability) a national priority can promote economic growth and financial stability. As developing countries transition from export-driven economies to economies also fueled by domestic consumption, the conduct of individual households becomes more important to plans for national economic growth. In particular emerging economies like Indonesia can give rise to new markets for financial products and services that many of its citizens have never seen before. This presents two dangers for a nation which can jeopardize economic stability and growth.

First, Indonesians' potential overuse and abuse of these new financial products can be detrimental to the nation's economy if, for instance, greater access to credit leads to widespread over-indebtedness. In the aggregate such a development on the household level can have negative repercussions on national economic stability on the macro level as most recently demonstrated by the mortgage crisis in the US.

Second, and conversely, widespread fear of and consumer disengagement from the formal financial system can slow the formation of a vibrant middle class and the growth of a domestic market for Indonesia's goods and services. Through financial literacy initiatives, Indonesia can help its consumers find the right balance and become participants in the financial services marketplace without becoming victims, while enhancing prospects for continued stable economic growth.

Through financial literacy efforts, Indonesia can empower its people with the tools to better advance their own financial interests and economic self-sufficiency. As shown in the 2013 OJK Financial Literacy Survey, there are very low rates of usage of formal financial services. For example (the following percentages are rounded figures):

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[217] Source: "Financial Capability Programs Around the World. Why Financial Capability is important and how surveys can help". The World Bank August 2013. See also Xu, Lisa and Zia, Bilal, Financial Literacy in the Developing World (January 1, 2013). Available at SSRN: http://ssrn.com/abstract=2248863 or http://dx.doi.org/10.2139/ssrn.2248863

- While 97% of Indonesian adults know about banking products and services, only 57% use them;
- Around 59% of Indonesian adults know about insurance products and services, but only 12% are using them; and
- 94% of Indonesian adults don't know about capital markets products and services, and only .11% use them.[218]

To help Indonesian consumers migrate to a regulated environment, they must first be taught the benefits of mainstream financial products and services and they must also achieve the self-efficacy to actually make such a move. Well-designed financial capability interventions can achieve both objectives. The ultimate result of such efforts can be a consumer who has the knowledge and confidence to make informed decisions and the ability to detect and avoid disadvantageous financial arrangements. Along with the support of regulators, consumers can become empowered to play a role in securing their own fair treatment. Unless Indonesians are provided financial education about responsible product usage, fraud and avenues for redress, they remain vulnerable to both honest mistakes and bad actors.

B. Challenges to the Development of an Effective Financial Literacy Movement in Indonesia

Notwithstanding the best intentions of policy makers, two challenges stand in the way of creating a robust financial literacy movement and making the case for its long-term effectiveness. First, as indicated in several discussions with industry participants, there is a risk that many in the industry consider the purpose of a financial literacy program is to sell financial products and services to consumers, regardless of whether they meet their financial capacity, requirements objectives. Second, the financial literacy movement, admittedly embryonic, has very little organizational structure and this will impair its ability to achieve its objectives.

1) Educate or Sell?

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If a consumer opens his or her first financial services (such as a bank account) without being able to assess whether the product is suitable for them and / or without being able to understand the terms and conditions, fees and charges, he or she may lose both money and confidence. That negative experience will taint any future relationship with that bank and, perhaps, banks in general. Likewise, if a consumer opens a credit line without understanding how interest compounds or how to manage a budget to afford the payments, that consumer may have a bad experience with the credit card company and be less likely to borrow through the formal sector again. Similar examples can be offered for insurance, securities and many other financial products. The end result may be a lack of trust in the financial sector, and a failure to achieve financial inclusion targets.

Of course the alternative to this scenario is to build the consumer's overall financial capability first. As noted above, financial capability is the internal capacity to act in one's best financial interest given socio-economic environmental conditions. It encompasses knowledge (literacy), attitudes, skills and behaviors of consumers with regard to managing their resources, and

[218] Source: Strategic Direction of Financial Lieteracy in Indonesia, presentation by Dr. Kusumaningtuti S. Soetiono, SH, LLM at OJK Financial Literacy Seminar Bali December 2013

understanding, selecting and making use of financial services that best meets their needs.[219] Building the financial capability of consumers is a prerequisite to growing a market of people who are not just willing to buy a product, but ready and able to use it as well. Viewed this way, educating a group of people can transform them into potential long term customers of financial industry products, instead of informal financial products and services. This can unlock potential markets for the industry and this can be of great benefit. However experience gained in interviews and meetings during the preparation of this document suggests that financial industry have not yet been persuaded that they should risk a valuable touch-point they have with a consumer by teaching him or her instead of selling. However it is not necessarily the case that there is only one touch point with the consumer. Section V - Next Steps, describes how other purely educational channels can be opened to the consumer, so that a company's active support of financial capability can complement that company's sales mission instead of competing with it.

2) Channeling Growth for Greater Efficiency and Quality

The second challenge to the development of Indonesia's financial literacy movement is limited and uncoordinated growth. In most countries where financial literacy is new, a few organizations will experiment with financial literacy programs for youth or adults. The motivations for starting such programs vary by country and economy-type, but they can include preparing older workers for retirement, preparing youth for the future, empowering underserved consumers and many other reasons. Over the course of a few years, the organic growth of these programs inspires an NGO or government agency to play a coordination role which can help in the efficient allocation of resources by a number of funders and, in some cases, even help with the quality of the programs funded and produced. Unfortunately, by the time this will likely happen in Indonesia, it may be too late.

In 2014, all financial service providers regulated by OJK will have a clear regulatory obligation to educate consumers under Article 14 of the FCP Regulation which provides that *"Financial Services Providers shall carry out education in order to improve the financial literacy of consumers and/or the community*" (Article 14(1)). As indicated below in the stock-taking only a small fraction of those firms presently have any kind of a financial literacy program and there does not appear to be any coordination amongst the huge number and significant range of providers. The risk is that financial services providers will make rushed investments to create their required programs and there will not be any consultation or coordination amongst program providers, resulting in significant fragmentation of efforts, inefficient use of resources and little impact on financial literacy levels (or the broader financial capability levels.

Section V - Next Steps discussed how OJK might use its authority under Article 14 of the FCP Regulation to avoid this outcome.

IV. Stock-taking

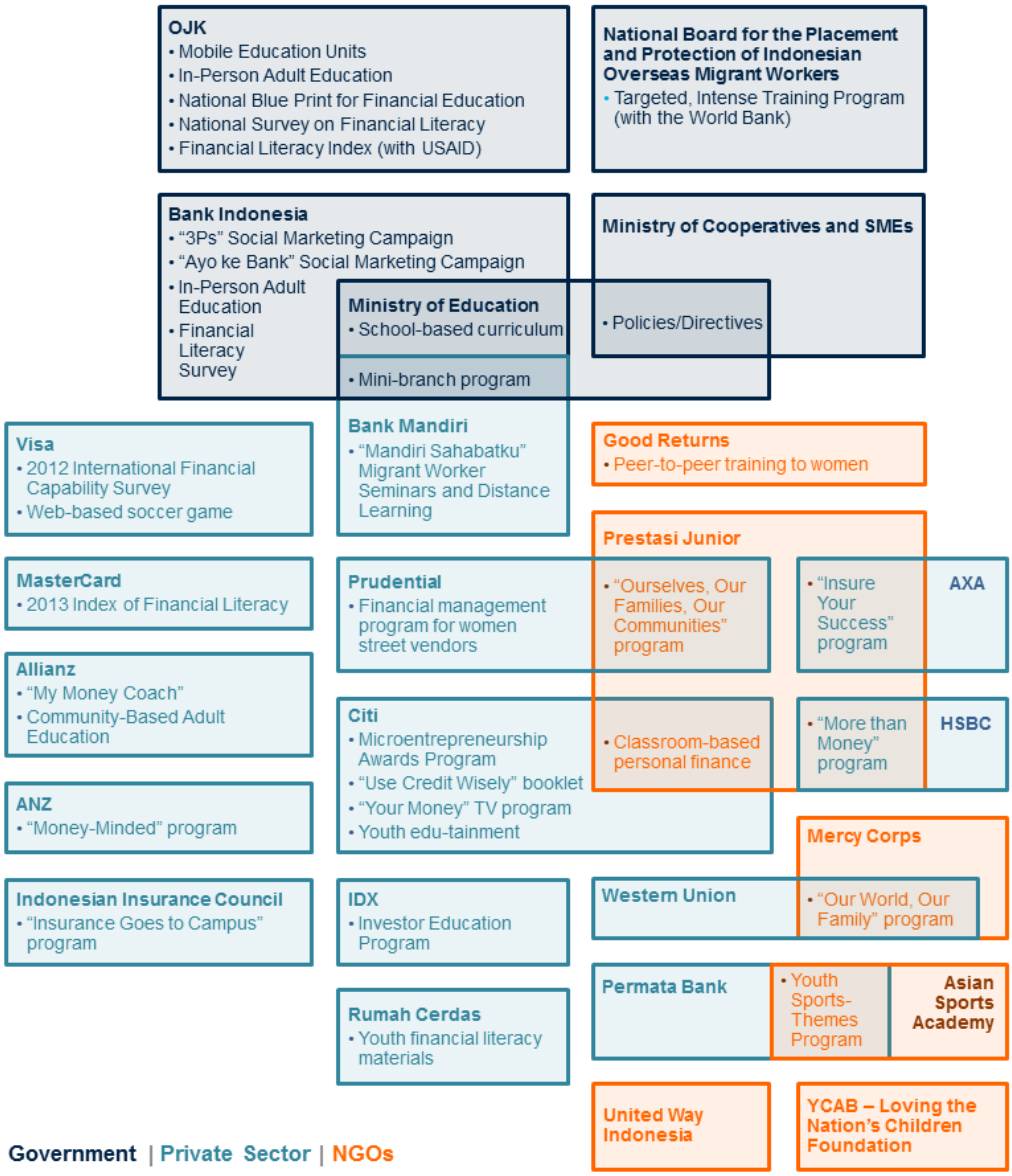
A. Methodology

Over the time period from September 17 through October 31 of 2013, financial literacy funders and practitioners were interviewed in Jakarta to gain information for this stock-taking (see Annex IV). In November, follow up surveys were also sent to many of those who were interviewed in Indonesia to gain

[219] Source: "Financial Capability Programs Around the World. Why Financial Capability is important and how surveys can help". The World Bank August 2013.

additional information. Online research was also performed to learn of or learn more about particular programs or entities.

This introductory diagram serves as a quick at-a-glance visual representation of this stocktaking exercise, described in more detail in the accompanying narrative. To the extent possible, initiatives are categorized as government-led, private sector-led, or NGO-led.



B. Government

Bank of Indonesia (BI)

1) Social Marketing Campaign - 3Ps Campaign: In 2009 BI launched the "3Ps" education campaign to encourage consumers to carefully consider the terms and conditions of any financial products and services they may wish to obtain, including banking products and services. "3Ps"

stand for "ensure benefits, understand the risk and consider the costs." The campaign seeks to influence consumers to think through matters like fees, rights and obligations before deciding to use a financial product or service. The campaign is supported by the distribution of 39 different brochures, two comic books and two brief consumer handouts, as well as live events and promotion through the media.

2) Social Marketing Campaign - Ayo ke Bank: In 2008 BI initiated the Ayo ke Bank ("Let's Go to the Bank") campaign. The campaign used a range of communication channels including mass media such as radio, television commercials, newspaper and websites as well as other communication methods like education cars, posters, brochures, and visits to bank branches. The message to citizens is to consider the benefits of using the banking system over the informal system and to not be intimidated by financial institutions. As an extension of this campaign in 2010, BI launched the TabunganKu program which required banks to provide low cost accounts, with a modest minimum balance and no administration fee. The pairing of a targeted message with broad access to a product allowed consumers to receive new information that they could immediately act upon.

3) School-based curriculum: BI has developed a youth financial literacy program for Indonesian schools. The program covers basic financial education topics. The personal finance module is being distributed nationally though high schools and is presently being piloted in elementary and junior high schools in seven areas. BI also provides teacher training to increase effective usage of the program in schools. The program is the result of a memorandum of understanding between BI and the Ministry of Education.

4) In-Person Adult Education: BI has created materials and holds seminars for particular segments of the population such as housewives, migrant workers and workers in the fishing and agricultural industries. The subject of these interventions is basic savings, financial management and entrepreneurship.

5) Financial Literacy Survey: BI conducted a financial literacy survey in 2012 and found, among many other things, that Indonesians' level of financial literacy correlated with gender, age, level of income, geography and level of general education. Information regarding methodology and additional findings were not made available.

Otoritas Jasa Keuangan (OJK)

1) Grassroots Outreach - Mobile Education Units: OJK operates a fleet of cars that visits communities to distribute educational materials. This channel is particularly useful in reaching rural locations. While this program has been operating since 2008, the present intention is to re-launch it with the goal of increasing the size of the fleet from seven cars to 20 before 2014.

2) In-Person Adult Education: OJK also provides seminars targeted to housewives. The seminars are hosted by OJK staff and representatives from the financial services industry and seek to increase attendees' knowledge and use of financial products.

3) National Blue Print for Financial Education: OJK launched Indonesia's first national blue print for financial literacy on November 19, 2013 at a high profile event which will was led by President Susilo Bambang Yudhoyono. The blue print development process had been ongoing since April of 2013 and received technical advice from the World Bank from mid-September through October, 2013. The blue print sets out an aggressive agenda of establishing the essential

elements of the nation's financial literacy infrastructure, which will, in time, empower Indonesian consumers with the product knowledge, planning ability and decision-making skills to enter the financial mainstream and thrive within it. The blue print focuses primarily on what OJK will do in the years ahead, however, industry involvement will be detailed in a supplement to the blue print which will be released in the near future.

Specifically, the national blue print contains three pillars to improve financial literacy in Indonesia. The first pillar is to provide financial education through a national campaign which consists of community-based seminars, university workshops, cultural programs and media outreach. The second pillar calls for OJK to strengthen the financial literacy infrastructure which includes enhancing its customer care call center, increasing its web presence, sending more financial literacy cars to less accessible communities and periodically conducting its national financial literacy survey. The third pillar is for OJK to work with the financial services industry to develop low cost financial products and services.

OJK has chosen to focus on specific segments of the population for educational interventions in each of the next five years according to the following schedule:

- 2014: Housewives and Micro, Small and Medium Enterprises (MSMEs)
- 2015: Students and Professionals
- 2016: Pensioners
- 2017: Housewives and MSMEs
- 2018: Students and Professionals

4) National Survey on Financial Literacy: OJK conducted a survey in 2013 of over 8,000 consumers spread across 20 provinces and determined both the level of consumer knowledge and utilization of six different types of financial products: banking, insurance, finance (credit), pensions, capital markets and pawnshops. The survey was released in November of 2013 and found that for most types of financial products Indonesian adults had a low levels of knowledge and utilization of formal financial services. Specifically:

- Banking: 21.8% of respondents believed they were literate on banking products and services while 42.7% reported using banking products and services.
- Insurance: 17.8% of respondents believed they were literate on insurance products and services while 11.8% reported using insurance products and services.
- Multi-finance: 9.8% of respondents believed they were literate on multi-finance products and services while 6.3% reported using multi-finance products and services.
- Pension: 7.13% of respondents believed they were literate on pension products and services while 1.5% reported using pension products and services.
- Securities: 3.8% of respondents believed they were literate on securities products and services while 0.1% reported using securities products and services.
- Pawnshop: 14.9% of respondents believed they were literate on pawnshop products and services while 5.0% reported using pawnshop products and services/

National Board for the Placement and Protection of Indonesian Overseas Migrant Workers ("Board") Targeted, Intense Training Program: The Board partnered with the World Bank in this program to field a financial literacy pilot program which was designed to educate overseas migrant workers and their families on basic financial literacy matters. This was done in cooperation with other national and district level authorities. The program involved 400 migrant worker households and offered intense in-person training sessions to workers (18 hours) and/or

their families (eight hours). The training focused on financial management, banking, savings, loan management, insurance and remittances. The course used comic books, pamphlets, games, exercises, case studies and experiential learning techniques to reinforce lessons taught during the class. The pilot program found that training of both migrant workers and their family members can positively influence both knowledge and behavior on matters such as savings, overuse of credit, budgeting and financial planning.

Ministry of Cooperatives and SMEs

Policies/Directives to Encourage Financial Capability: The Ministry used its authority to establish guidelines to require cooperatives to educate members and prospective members of cooperatives on financial capability matters through the issuance of guidelines for Saving and Loan Cooperatives (2004) and Islamic Financial Cooperatives (2007). Additionally the Ministry of Cooperatives entered into a series of memoranda of understanding from 2000 through, at least, 2010 with the Ministry of Education in support of financial capability. Specifically the agreements called for the ministries to work together to enhance the financial skills and knowledge of students who might pursue careers in micro, small and medium enterprises. These efforts are examples of how government agencies can attempt to effectuate change in a nation's level of financial capability without directly developing and implementing a program.

C. Private Sector

1) Contest - Citi's Microentrepreneurship Awards Program: Citi Foundation partners with the economics faculty of the University of Indonesia to recognize and encourage microentrepreneurs in all provinces in Indonesia. Citi performs outreach to microentrepreneurs and conducts seminars to instruct them on financial capability matters. As part of this outreach, Citi conducts surveys in local communities to determine those individual entrepreneurs who have shown great creativity and social concern on their path to financial self-empowerment. Those who are found to best promote financial inclusion in their entrepreneurial efforts are recognized at ceremonies hosted by Citi volunteers. In the last seven years Citi has recognized 82 individuals though this program.

2) Distribution of Printed Materials and Media Outreach - Citi's Use Credit Wisely booklet: Citi produced 10,000 copies of a financial capability booklet which explains to readers how to create a monthly budget, initiate a savings plan, manage debt and invest wisely to meet near-term obligations and to maximize long-term financial interests. The books were distributed two ways. First, books were made available to customers through Citi's network of branches. Second, books were distributed to personal finance journalists as part of a Citi-sponsored "Use Credit Wisely" road show. Road show events permitted Citi subject matter experts to teach journalists important lessons and answer insightful questions about consumer credit and financial literacy more broadly. The theory behind the road show was that many consumers ultimately get much of their important information on financial matters from the news media; so to educate the media is to effectively educate the public. The show took place in the cities of Jakarta, Bandung, Surabaya and Medan and reached about 50 journalists.

3) Television Program - Citi's "Your Money" program: Through a partnership with Visi Anak Bangsa ("Vision of the Children of the Nation Foundation"), in 2008 Citi Foundation produced a series of 26 five-minute mini-programs which ran every Saturday morning on Metro TV, one of Indonesia's leading television stations. The programs covered various money matters such as credit cards, consumer loans and investing in an approachable way that was designed to introduce a mass audience to financial topics that might otherwise bore or intimidate them. In time

the show became interactive as viewers would send emails with comments and questions which would stimulate ideas for future programs. Positive feedback was received from a broad range of consumers including students, housewives, mircro and small business entrepreneurs and office workers.

4) Youth, School-based Edu-tainment - Citi's The Adventures of Agent Penny program: Citi Foundation contributed USD 117,000 and bank volunteers to a partnership with Yayasan Mitra Mandiri Indonesia (United Way Indonesia) to reach elementary school students in Jakarta schools. The program consisted of live theatrical performances that teach children the importance and the power of saving money. Each performance is followed by distribution of a comic book series that teachers can use to reinforce the message of the event. Program content is also available via a website and social media. Over the last five years 390 performances have been held from 36,322 students. Over 5,000 students follow Agent Penny on social media and the program has generated 74,600 website subscribers.

5) Youth, Sports-Themed Program - Permata Bank: Working with the Asian Sports Academy, Permata Bank sponsors a small pilot program which seeks to infuse youth financial education with instruction on sports, particularly soccer and basketball. Money management is treated as a values-based life skill and these values are introduced and practiced in an outdoor learning environment. The nine-month program takes a mixed-gender group of 60 students and combines financial education with instruction and practice in the two sports. The program sponsors state that students are regularly tested to measure the program's impact, but such data has not yet been made public.

6) In-school Bank Branch - Mandiri's Mini-branch Program: Bank Mandiri has partnered with the Ministry of Education along with BI to introduce mini bank branches to 80 schools nationwide. The program serves students in elementary, junior and high school and uses a mix of traditional classroom teaching and experiential learning to convey lessons about banking, credit and other personal finance topics. In the mini-branch students engage in guided role-play as customers, tellers and customer service representatives. Students also use the mini-branch to start and access savings accounts. Additionally, monthly lessons presented in classrooms cover in depth topics introduced in the mini-branch, such as bank account management and using debit and credit cards. Teachers also use an on line "mini-banking lab" to present a module to students that reinforces financial literacy lessons. To date the program has impacted over 30,000 students nationwide.

7) Migrant Worker Seminars and Distance Learning - Mandiri's Mandiri Sahabatku program: Bank Mandiri works with Ciputra University to provide financial capability lessons to Indonesian migrant workers both while they are in Indonesia and while they are abroad. The program consists of lessons on financial planning, entrepreneurship and other financial topics. The lessons are presented in a classroom environment in Hong Kong and Malaysia which make use of both lecture and role play. Mandiri also offers web-based lessons targeted to migrant workers in Singapore, Taiwan and Middle Eastern countries as well as locations within Indonesia. In both the live and on-line versions of the program, financial simulations and mentoring are important components of the program. To date the program has over 5,000 participants and has generated 10,950 Facebook friends and 5,700 Mandiri Sahabatku Facebook Group discussion members.

8) Classroom-Based Lesson with Volunteer Assistance: Citi's Participation in Prestasi Junior's Personal Finance program. Citi has partnered with the financial capability NGO Prestasi Junior to teach 29 lessons each to 4,500 high school students in 18 schools in East Java, primarily in Surabaya and Sidoarjo. The principal skill taught in this course is personal budgeting. This involves understanding revenue and expenditures, which permits lessons on responsible debt, credit card use, banking and non-banking financial institutions and an introduction to investment opportunities. The program makes use of hands-on learning which can involve classroom games and exercises as well as on-line simulations. Most instruction is done by classroom teachers, but Citi volunteers present some of the lessons. All 15 of the Citi volunteer facilitators were trained by Prestasi Junior in this particular lesson. Extensive program metrics were recorded to measure student results. At the conclusion of the program the vast majority of the students had begun to live under a monthly budget, established savings accounts and increased their overall savings.

9) In-Person Adult Education - ANZ's Money Minded program: In 2012 ANZ's Money Minded program was delivered to 150 women in underdeveloped areas with the assistance of the NGO Yayasan Cinta Anak Bangsa (YCAB). YCAB provides microloans to women primarily in the densely populated Tanah Abang district. Many of these women are unbanked and in need of financial capability. The program covers a number of financial issues including budgeting, basic banking, dealing with debt and consumer protection matters. According to ANZ the program prepares participants to emerge ready to engage productively with the financial services system and aware of their rights and avenues for redress.

10) School-Based Lessons and Academic Competition - HSBC's Participation in Prestasi Junior's More Than Money program: With the support from HSBC of both a grant and 67 bank volunteers, Prestasi Junior offers its More Than Money program in 18 Jakarta Middle Schools reaching over 2,500 students. The program consists of two parts. First, volunteers and teachers guide students through six structured lessons on understanding money and banking, work ethic and earning a living, budgeting and goal setting, building a business, financial decision making and being able to spot deceptive advertising and bad deals. The second part is a student competition where students compete with other schools on their knowledge of the above topics. The competitions are held in public and inspire a great deal of excitement and school spirit. The program showed knowledge gains of 32% among the students exposed to it.

11) School-based Financial Education Curriculum - Allianz's Sponsorship of My Money Coach: The Allianz Peduli Foundation sponsors the My Money Coach program for junior high and high school students in Yogyakarta. The program consists of curriculum, lectures, games and role plays which focused on a variety of financial topics and has reached over 5,000 students over the last three years.

12) Community-Based Adult Financial Capability Education - Allianz Peduli Foundation: Allianz educates low income adults, including micro-entrepreneurs as part of its adult financial capability program. Working with local government agencies and NGOs, Allianz has educated over 1,000 adults across 20 Indonesian cities in the last 3 years. Allianz associates teach some of the lessons while other parts of the program use a train-the-trainer model staffed by local NGOs. The subjects covered include acquisition and utilization of a bank account, managing credit obligations, risk and insurance and managing money for a family and a small business.

13) School-Based Financial Capability Education - AXA's sponsorship of Prestasi Junior's Insure Your Success Program: AXA, through a grant and 20 company volunteers, helps 490 of Jakarta's middle and high school students from lower socio-economic backgrounds learn about insurance and other money issues through the Insure Your Success program. The program uses student workbooks, curricula and posters as part of a three-lesson unit which teaches students to make wise financial choices. Specifically, students learn how to create a family budget and the importance of saving. During the program students learn that no matter how carefully people plan their finances unforeseen events can occur, such as natural disasters, accidents, or illness. Students are introduced to the concept of insurance and how it can provide greater financial stability and protection against life's unexpected events. The advantages of protecting one's assets are illustrated and students become familiar with the most common types of insurance such as property, motor and health insurance.

14) Extra-curricular Financial Capability Module for Youth - Prudential's sponsorship of Prestasi Junior's Ourselves, Our Families, Our Community program: Through a grant and employee volunteers, Prudential supported this elementary educational program that took place at rented facilities at a Jakarta university over the course of five Saturdays in the fall of 2013. The program uses workbooks, volunteers from business, field trips and other applied learning tools to teach three major lessons to students involving themselves, their families and their communities. Specifically, students are taught lessons about cooperating with others, taking responsibility and setting personal goals in the Ourselves lesson. In the Our Families lesson, students are taught about the roles adults like their parents play in the local economy, what types of jobs they hold and how they balance their needs and their wants to maintain a financially stable household. Finally, in the Our Community lesson, students learn about organizations like businesses and government that help make up a community and the type of occupations one might hold as part of these entities.

15) Adult Financial Capability Seminar Targeted to Women - Prudential's financial management program for street vendors: Working with the Women's Empowerment and Child Protection Ministry and the Tourism and Creative Economy Ministry, Prudential has fielded a program to help women street vendors to become more financially capable. For five years Prudential has convened these trainings in six cities across Indonesia, with each session drawing about 250 women. The focus of the education is to instruct program participants in the value and use of bank accounts and other bank products. Many program participants report keeping their business profits at home because they fear doing business with a bank. Other participants say that before the seminar they regularly received credit from local loan sharks who imposed high interest rates, instead of seeking loans from banks or finance companies. The program seeks to provide both knowledge and encouragement for participants to join the mainstream of financial services.

16) Collective Industry Effort to Reach University Students - the Insurance Goes to Campus program: Member companies of the Indonesian Insurance Council cooperate to support the "Insurance Goes to Campus" program which sponsors lectures on university campuses given by insurance industry executives. The lectures cover basic insurance principles, financial planning, insurance sales, risk management, as well as roles and functions within a life insurance company. The program has been running for a number of years and has standing invitations to return to university campuses it has visited before.

17) Low Income Adult Education using a Train-the-Trainer model - Western Union's sponsorship of the Our World, Our Family program: Partnering with the international NGO Mercy Corp, Western Union has established and supported a program to educate the urban poor in several neighborhoods of Jakarta. The program's emphasis is financial capability skills for microentrepreneurs, and seeks to educate participants in banking alternatives to microfinance companies as those companies might not offer a full range of products at competitive prices to consumers. Through a USD 100,000 grant, Western Union funds Mercy Corp to train community leaders and members of local NGOs on the delivery of financial education. Once trained, these individuals are given teaching materials and begin to engage their respective communities with the financial capability program.

18) International Comparative Survey of Financial Capability - MasterCard's 2013 Index of Financial Literacy: Mastercard measured financial literacy across the Asia Pacific region and focused on three components of national financial literacy in coming up with its rankings. First, Mastercard looked at basic money management which includes a population's ability to used credit wisely and budget money. On this measure the survey ranked Indonesia 14th out of 16 Asia Pacific countries. Second, Mastercard surveyed on financial planning which includes knowledge of financial products and services and the ability to engage in long term financial planning. On this issue Indonesia ranked 13th out of 16. Finally, the survey examined a country's ability to understand and manage investment products and services. Indonesia was found to be 14th out of 16 countries. This is the second time in two years Mastercard has conducted this survey. Details regarding the survey's methodology were not available.

19) Web-based Financial Capability Game - Visa's Financial Football/Soccer: Visa has offered a quiz game to countries all over the world including Indonesia. Visa uses a football/soccer interface for the game and customizes it for the language and sports team of each country. The game is accessed via the web and is targeted to a high school age audience.

20) International Comparative Study on Financial Capability - Visa's 2012 International Survey: Visa conducted a survey which examined 28 countries on financial capability issues and issued rankings. In the overall ranking Indonesia was 27th out of 28 ranking only above Pakistan. There were a few notable findings relative to Indonesia. First, Indonesia ranked lowest of all 28 countries surveyed on the frequency with which adults discussed money issues with children. Second, ironically, Indonesians ranked second of 28 countries in adults' confidence in their young people's ability to manage money. Third, only 14% of Indonesian adults report having enough savings to withstand a three month personal financial emergency. Details regarding the survey's methodology were not available.

21) Youth Materials linked to Adult Financial Advice - Rumah Cerdas program: Through a website an organization that appears to be a private sector firm, Rumah Cerdas, sells financial literacy materials for youth. The program seems designed to intertwine youth financial education with financial advice for the adults in the family as the website appears to market these services as well.

22) Seminars for Adults with some Materials for Children - the Indonesian Stock Exchange's Investor Education Program: While it does not keep records on the reach or impact of its programs, the Exchange regularly holds a number of educational programs at the stock exchange, at regional locations and on college campuses. Additionally, the Exchange has developed comic books and workbooks for youth which address basic financial issues like saving

and entrepreneurship as well as more advanced topics like investing. Beyond these more traditional programs, the Exchange performs outreach in more creative ways such as through the organization of an investor club, educational seminars for journalists and by providing specialized programs for women through a memorandum of understanding with the Ministry of Women.

D. Non-Government Organizations (NGOs)

1) Peer-to-Peer Lending to Women Combined with Financial Literacy - Good Returns Education Program: Good Returns is conducting financial capability training for women in West Kalimantan. This training is funded by micro-loans individual donors make to individual borrowers through the Good Returns organization. With the returns from the loans, lenders can reinvest in another borrower or apply the funds to financial literacy programs like the one taking place in West Kalimantan. Good Returns also receives a matching grant for funds raised this way through AusAid. The result has been a 2013 program in which the Good Returns staff trained and equipped 16 staff members of Credit Union Keling Kumang and 18 present borrowers, to deliver financial education to credit union members and other consumers in the community.

2) Pilot Financial Literacy Index - USAID's Pilot Index: In 2013 USAID funded a pilot study to construct a financial literacy index in Indonesia. The effort received the cooperation of OJK. The purpose of the study was to classify groups of surveyed Indonesians based on their level of financial literacy and then attempt to correlate their financial conduct to their respective levels of knowledge. The study found that, while other studies have stated that wealth level is predictive of a high level of financial literacy, it is actually the case that having a high level of education is the real driver of a higher level of financial literacy in Indonesia. The study also found that only 36% of Indonesia respondents prefer to save extra money at a bank while 22% prefer to keep the money at home and 15% prefer to spend extra money. Additionally, the study determined that only 48% of Indonesians knew that bank deposits are guaranteed by the government.

While there are numerous NGOs that engage in programs that directly or indirectly assist with financial inclusion or economic well-being in Indonesia, this stock-taking focused on organizations that operated dedicated programs for financial capability. The most significant NGOs have been referenced above for their roles with government or private sector partners in fielding financial literacy programs previously described. For completeness, those NGOs are listed again in this section without repeating the programs they operate.

Prestasi Junior: Known as Junior Achievement in many other countries this organization has been providing financial literacy and entrepreneurship education for over 100 year and has over 50 global programs. Funded mostly by corporate donations, Junior Achievement creates materials for students and teachers and trains executives to enter schools and help in the teaching of the materials and the coordination of business simulations.

Yayasan Mitra Mandiri Indonesia (United Way Indonesia): This 18 year old NGO brings together contributions from major corporate donors to improve the education, health and incomes of the Indonesian people.

Asian Sports Academy: Begun by professional soccer clubs 11 years ago, the Academy and its foundation offers programs to empower and motivate disadvantaged people throughout Asia. Most of its programs combine education and sports training.

NGO Yayasan Cinta Anak Bangsa (YCAB - "Loving the Nation's Children Foundation"): YCAB has been focused on development of underprivileged youth in Indonesia for 14 years through programs that promote healthy lifestyles, education and economic empowerment.

Mercy Corp: Mercy Corp is a global humanitarian agency which was founded 34 years ago and does a broad range of work to fight poverty in over 40 countries.

V. Next Steps

As described above the next few years will be critical to the development of a functioning, effective financial literacy movement in Indonesia. In particular the two dangers of a sales-oriented approach to financial capability and the lack of structure imperil this field's success and the support it can offer to a growing Indonesian economy. Both issues are addressed below in the three recommended next steps.

A. Establishing an Efficient, Sustainable Programmatic Ecosystem for Financial Literacy in Indonesia

There are four important stakeholder groups in establishing a thriving financial capability movement in Indonesia, as in all countries: the private sector, government, NGOs, and consumers. As demonstrated by a few of the programs in the stock taking, some financial institutions partnered with NGOs to deliver and execute their programs. This happens frequently in most countries and has a number of benefits. Of course consumers, divided into different segments by age, income, gender, profession, etc. are the ones served by these programs.

The final actor is government. In a few countries, such as the UK and South Africa, specific levies on the financial service industry are channeled to a government, or government related organization which permits those agencies to create a number of elaborate programs themselves. In many other countries budgets for financial capability efforts are much more limited, which means government agencies can field a few select programs while serving as a public advocate for the issue of financial literacy. Additionally, in most countries the office of financial education or its equivalent tries to find a way to coordinate and co-opt efforts by the private sector and NGOs with varying success.

By contrast to many of these government agencies, OJK has an opportunity to use Article 14 of the FCP Regulation to play a more activist and helpful role in the development of its nation's financial literacy movement. In addition to creating some of its own programs and materials, OJK can identify particular target groups (as has been done in the 2013 Financial Literacy Blueprint), coordinate, and share learnings from, programs provided by financial services providers, broker relationships between financial service providers and with NGOs and generally raise the quality and effectiveness of programs nationwide so that the resources dedicated to financial capability, government or private, are invested in an optimal way.

As the mission team understands is intended, OJK should issue an explanatory circular on Article 14 to provide guidance for financial services providers. The Circular could, for example, set out OJK's expectations in relation to: consistency with the National Financial Literacy Blueprint; the expected size, scale and priority areas for the relevant programs; the role and responsibilities of senior management; rules relating to impact measurement and evaluation; coordination between financial institutions and the requirements for reporting to OJK.

The Financial Inclusion Support Framework proposes technical assistance to OJK on the development of this circular. Such support may consist of:

- Assistance in the development of the process for the implementation of the regulation;
- Providing guidelines for financial institutions required to develop programs;
- Design of a reporting framework for financial services providers which covers both reporting on plans for the reporting period and reporting on achievements in the previous reporting period;
- Developing metrics and examination procedures for OJK to use in assessing financial literacy plans and programs which could possibly include some kind of rating system for mid and large sized financial services firms;
- Training OJK examiners who will review such plans and programs; and
- Helping plan and deliver training to financial services associations to assist them with compliance efforts by their members.

B. OJK as a Center of Expertise in Financial Capability

As OJK continues to define its role and adds staff, it should consider making itself a center of financial literacy (and capability) programmatic expertise in addition to its other roles. While high level coordination should be carried on across all agencies with a stake in financial capability, such as BI, Ministry of Finance, the Ministry of Education and several others, OJK's Office of Information and Education should make itself a resource in designing, developing, delivering and evaluating financial capability programming. This includes staying abreast of the latest financial literacy research worldwide and giving technical assistance to financial services providers and NGOs that seek to launch programs. Just as other parts of OJK are substantive experts in their areas of regulation, the Office of Information and Education should become and remain experts in financial capability programming.

Other useful activities for which Technical Assistance is proposed under the Financial Inclusion Support Program include the provision of financial literacy resources through the OJK Financial Literacy website and the further development of the financial literacy focus of the Halo OJK Call Center.

C. OJK as a Hub of the Indonesian Financial Capability Community

OJK's Office of Information and Education could also cultivate a community around financial capability. The people who regularly work on financial capability issues within financial services providers, NGOs, government, universities and community groups will benefit from networking with each other and sharing experiences. The Office of Information and Education is uniquely positioned to convene these individuals through themed events and programs, conferences, panel discussions and seminars as well as through the OJK Financial Literacy website. The events can serve to share best practices and, if open to the public, can help OJK increase the size of the community and learn about new members and their financial literacy programs.

Finally, by giving some structure to Indonesia's financial capability movement, OJK's role as a hub addresses the second danger identified in Section III. With OJK's Office of Information and Education in a coordination role, gaps and redundancy in programming will be avoided. Also as a repository of best practices and research, OJK will increase the level of quality of programs offered by financial services providers, NGOs and government agencies.

ANNEX II. COMPARISON OF THE CONSUMER LAW AND THE FCP REGULATION

Consumer Law and MoT Reg. No. 350 of 2001	FCP Regulation
DEFINITIONS	
Consumer Protection is defined in article 1 as follows: "Consumers' protection is all means which guarantee the legal security to protect the consumers."	**Consumer Protection is defined in article 1 as follows:** "Consumer Protection means protection for a Consumer against the conduct of a Financial Service Provider."
PRINCIPLES	
Article 2: "Consumer protection is based on the principles of benefit, justice, balance, security, safety and legal security of the consumers."	**Article 2:** "The Financial Consumer Protection shall apply the principles of: a. transparency; b. fair treatment; c. reliability; d. confidentiality and security of Consumers' data/information; and e. handling of complaints from and resolution of disputes with Consumers in a simplified, speedy, and affordable manner."
RIGHTS AND OBLIGATIONS OF THE CONSUMER	
Articles 4 and 5: These Articles describe the rights (e.g. use goods or services safely and comfortably) and the obligations (e.g. read and follow instructions for usage of goods and services) of the consumers.	No equivalent. Financial service providers are obligated to provide information to consumers on their rights and obligations (cf. **Article 9**).
DISCLOSURE AND SALES PRACTICES	
Article 7 b.: Businesses are obligated to provide *"correct, clear and honest information"* on their goods and services as well as their use, repair, maintenance, and warranty. **Article 8 j.:** The information and/or directions of use should be in Indonesian. **Article 9:** Businesses are prohibited from *"misleading offering, promoting, advertising"* goods and services that are unavailable, deficient, risky or do not meet certain quality standards. The Consumer Law extends this responsibility to advertisers, as stipulated in **Article 17**. "Entrepreneurs in the advertising business are prohibited from producing advertisements" deceiving consumers or providing erroneous or unethical information on the goods and services.	**Article 4:** A financial service provider must provide *"accurate, honest, clear"* information and is prohibited from using "*misleading information on its products and/or services*". In doing so, the financial service provider should also use *"plain terms, phrases, and/or words in the Indonesian language that are readily understandable by Consumers in any document"*, as well as "clearly readable characters, wording, symbols, diagrams, and/or marks" (cf. **Article 7**). This Regulation provides more detail in terms of the content of this information (e.g. the *"acceptance, postponement or rejection of application for products and/or services"* as per **Article 6**, the "cost to be borned by a consumer" as per **Article 10**, terms and conditions as per **Article 11**, as well as any *"changes in the benefits, charges, risks, terms and conditions"* as per **Article 12**), as well as the format (e.g. in a *"concise statement"* as per **Article 8**).
Article 9: Businesses are prohibited from *"misleading offering, promoting, advertising"* goods and services that are unavailable, deficient, risky or	**Article 17:** Financial service providers are prohibited from using a *"marketing strategy that harms a Consumer with taking advantage of the*

Consumer Law and MoT Reg. No. 350 of 2001	FCP Regulation
do not meet certain quality standards.	*condition of the consumer who has no alternative to make an informed decision."*
Article 7 c.: Businesses are obligated to *"treat and serve the consumers properly and honestly and non-discriminatively"*.	**Article 15:** Financial service providers should provide "equal access to the products and services" according to the segments of consumers (defined by the consumers' occupation, average income, and purpose of use of the products and services). In addition, **Article 24** stipulates that financial service providers *"shall provide special services to consumers with special needs".*
Article 7 e.: Businesses should give *"the opportunity to the consumers to test and or/try"* their products or services.	No equivalent.
Article 15: Businesses are prohibited from *"using force or any other methods which can cause either physical or psychological annoyance to the consumers"* while offering goods and services.	No equivalent.
No equivalent.	**Article 19:** Financial service providers are prohibited from offering products or services to consumers via *"personal means of communication"* without their prior consent.
CONTRACTS AND STANDARD CLAUSE	
Article 18: Provision to Include Standard Clause. Businesses are prohibited from including a standard clause if it includes: the transfer of the businesses' responsibility (**a.**); the right of the businesses to refuse to receive back goods already purchased (**b.**) or issue refunds (**c.**); the right of the businesses to carry out unilateral actions (**d.** and **g.**); the right of the businesses to reduce the benefits of the goods/services (**f.**); and the imposition of a *"mortgage, pledge or guarantee against the goods purchased on installment"* (**h.**).	This Regulation includes very similar provisions in **Article 22**.
RESPONSIBILITY AND COMPENSATION	
Article 7 g.: Businesses are obligated to *"provide compensation, redress and/or substitution if the goods and/or services (are not in) accord with the agreement"* with the consumer. **Article 19:** Businesses are obligated to *"give compensation for the damage and/or losses the consumers suffer as a result of using or consuming the goods/services"* that they produce or trade. Compensation can take the form or refund or health care and/or insurance coverage. **Article 19** extends this responsibility to advertisers who *"are responsible for the advertisement they*	**Article 29:** Financial service providers bear the responsibility for the losses of consumers *"arising out of the faults and/or failure, officers, employees (…) or any third parties"* employed by the financial service provider. **Article 38 c.:** Upon receipt of a valid customer complaint, the financial service provider must *"offer compensation (redress/remedy) or repair the products and/or services".*

Consumer Law and MoT Reg. No. 350 of 2001	FCP Regulation
produce and all the consequences caused by the advertisement". **Article 24** also extends this responsibility to resellers.	
Article 22: The burden of proof of any faults in a criminal case should be the responsibility of the businesses.	**Article 22** states that adhesion agreements should not *"place the burden of proof on the Consumer"*.
COMPLAINT HANDLING AND DISPUTE SETTLEMENT	
No equivalent.	**Article 32:** Financial service providers *"must adopt and maintain [a] consumer complaints handling and redress mechanism"*, which should be informed to consumers. **Article 35:** Financial service providers *"must immediately respond and redress the complaint within 20 working date of the date of the written complaint is received"*.
Article 45: Settlement of consumers' disputes *"can be conducted in a court or outside the court based on the voluntary choice of the disputed parties".*	**Article 39 (1):** When no agreement on the redress is reached between the consumer and the financial service provider, the consumer can have *"the dispute resolved extra-judicially or judicially".*
Article 49: Consumer Dispute Settlement Body (BPSK). Out-of-court settlements can be done through the *"consumer dispute settlement agencies in the Level II Administrative Regions"* established by the government. BPSK can handle and settle consumer disputes *"through mediation or arbitration or conciliation"* as per **Article 52**. **Article 3 a. and Article 4:** BPSK has the authority to handle and settle *"consumer disputes, by way of Conciliation, Mediation or Arbitration",* "*on the basis of choice and consent of the parties concerned*".	**Article 39 (2):** Extra-judicial dispute resolution is made through *"an alternative dispute resolution tribunal".* **Article 39 (3) and Article 40:** If no resolution is reached through an alternative dispute resolution tribunal, consumers can *"submit a request to [OJK] to facilitate the resolution"*.
Article 29: In the settlement of disputes by conciliation, "the Assembly acts passively as a conciliator", the Assembly being a forum established to handle consumer disputes comprising of educated members that are *"knowledgeable in the field of law"* (cf. **Article 18**). **Article 31:** In the settlement of disputes by way of mediation, "the Assembly acts as a mediator". **Article 32:** "In the settlement of consumer disputes by way of arbitration, the parties choose a BPSK arbiter from the members of the Assembly".	**Article 43:** OJK *"shall appoint a facilitator to serve a function of resolving complaints"*.
Article 26: BPSK summons businesses in writing	**Article 45:** The process of facilitation shall occur

Consumer Law and MoT Reg. No. 350 of 2001	FCP Regulation
within 3 working days of the receipt of the settlement application. The first trial *"takes place no later than the 7th business day"* after the receipt of the response by BPKS. **Article 7:** Consumer disputes are resolved *"no later than 21 working days after the application is received by the Secretariat of BPSK"*.	*"within 30 days from when the facilitation agreement is signed by a Consumer and a Financial Services Providers"*. This period is renewable up to 30 working days.
Article 54 (3): The decision of BPSK *"shall be final and binding",* and *"requested by the District Court to be enforced at the jurisdiction of the consumer who has suffered damages"* (cf. **Article 57**). The disputed parties *"may submit a cassation to the Supreme Court"* as per **Article 58**. **Articles 40 and 42:** BPSK has binding final decision, which can take the form of *"peace; rejecting a claim; or granting a lawsuit".* Consumers and businesses who refuse the BPSK decision have 14 working days to appeal, as per **Article 41**.	**Article 46:** If the process of facilitation leads to a mutual agreement between the consumer and the financial service provider, the agreement is *"stated in a Deed of Agreement"* signed by both parties. In case of disagreement, the disagreement should be stated in the minutes of the facilitation findings issued by OJK and signed by both parties.
SUPERVISION AND MONITORING	
Article 29: *"The government is responsible for developing the implementation of consumer protection"*. Here, the government means the *"Minister [of Trade] and/or the technically related ministers".* **Article 30:** Supervision of the implementation of consumer protection is carried out by *"the government, the public, and non-governmental consumer protection agencies"*.	**Article 51:** OJK supervises *"the compliance of financial service providers with the provisions on Consumer protection"*. **Article 52:** OJK is authorized *"to collect data and information from financial service providers on the implementation of the provisions on Consumer protection"*.
Article 59: Investigation. In addition to police officers of the Republic of Indonesia, civil servants can be given *"special authority to become investigators"* with regards to criminal acts against consumers' protection. **Article 3 c. and d.:** BPSK has the authority to *"monitor the inclusion of a standard clause"* and *"report to the public investigator in the case of violation of the provisions of Law No. 8 of 1999 on Consumer Protection"*. The monitoring of the inclusion of a standard clause can be conducted by BPSK *"with or without complaints from consumers"* as per **Article 9**. BPSK notifies businesses in writing as a warning, then *"reports to the Civil Servant investigators"* if the business doesn't respond to the warning.	**Article 38 a.:** Financial service providers investigate into customer complaints *"in a competent, proper, and objective manner".*

Consumer Law and MoT Reg. No. 350 of 2001	FCP Regulation
Chapter VIII introduces the National Consumer Protection Agency (NCPA), including provisions on name, domicile, function, duties, organizational structure, and membership.	There is no mention of the NCPA in this Regulation.
Chapter IX introduces the non-governmental consumer protection agencies.	There is no mention of the non-governmental consumer protection agencies in this Regulation.
SANCTIONS	
Chapter XIII provides detailed provisions on both administrative (**Article 60**) and criminal sanctions (**Articles 61 and 62**). Additional penalties to the criminal sanctions can also be imposed, including the *"revocation of the business permit"* (**cf. Article 63**). **Article 3 m.:** BPSK has the authority to *"impose administrative sanctions to businesses that violate the provisions of Law No. 8 of 1999 on Consumer Protection"*, including a monetary compensation, as per **Article 14**.	**Chapter IV** provides provisions on administrative sanctions only, including monetary penalties and the revocation of the business permit. The details on the amount of the penalties are not provided, as **Article 53 (4)** states that *"the amount of penalty (…) shall be determined by [OJK] according to an administrative sanction of a penalty prevailing in individual financial services sectors".*

ANNEX III. ABBREVIATIONS OF LAWS AND REGULATIONS

Note: The following table contains a list of the principal laws, regulations, codes and guidelines considered for the purposes of the CPFL Review.

Administrative Sanctions Regulation	Administrative Sanctions and Fines Regulation No. 79 of 2009
AML/CFT Guidelines	BI Guidelines on the Implementation of Anti-Money Laundering and Combatting the Financing of Terrorism for Commercial Banks of November 2009
AML/CFT Regulation	BI Regulation No. 11 of 2009 on Anti-Money Laundering and Combating the Financing of Terrorism Program
Arbitration Law	Law No. 30 of 1999 on Arbitration and Alternatives
Audit Regulation	Audit of Insurance Companies Regulation No. 423 of 2003
Bad Checks Circular	BI Circular No. 9 of June 2007 re: National Blacklisting of Bad Checks
Badung Regency LPDs Regulation	Badung Regency Regulation on Rural Credit Boards (LPDs), Badung Regency Regulation No. 19 of 2001
Banking Law	Law No. 7 of 1992 on Banking, as amended by Law No. 10 of 1998
Bank Customer Complaints Regulation	Resolution of Customer Complaints Regulation No. 7/7 of 2005
Bank Transparency Regulation	Transparency in Bank Product Information and Use of Customer Personal Data Regulation No. 7/6 of 2005
Banking Mediation Regulation	Banking Mediation Regulation No. 8/5 of 2006
Bankruptcy Law	Law No. 37 of 2004 on Bankruptcy and Postponement of Debt Payment
BI Law	Law No. 23 of 1999 concerning BI, as amended by Law No. 3 of 2004
Blacklisting of Checks Regulation	BI Regulation No. 8 of 2006 re: National Blacklisting of Checks
BPSK Membership Regulation	MoT Regulation. No. 13 of 2010 on Nomination and Termination of Member of Consumer Dispute Settlement Board and the Secretariat of the Consumer Dispute Settlement Board (BPSK)
BPSK Regulation	MoT Regulation No. 350 of December 2001 concerning the Implementation of Duties and Authority of the Consumer Dispute Settlement Board
Branchless Banking Guidelines	BI Guidelines for the Trial of a Limited Banking and Payment System Service Activity through Financial Intermediary Service Units (UPLK) of May 2013
Capital Markets KYC Rule	Rule V.D.10 of 2007 re: Know Your Customer Principles (Implemented) by Financial Service Providers in Capital Market Area
Capital Markets Law	Capital Markets Law No. 8 of 1996
Card Based Payment Amendment Regulation	BI Regulation No. 14 of January 2012 amending BI Regulation No. 11 of 2009 concerning Card Based Payment Instruments
Card Based Payment Regulation	BI Regulation No. 11 of 2009 concerning Card Based Payment Instruments
Civil Code	The Civil Code of 1847

Commercial Banks Regulation	Commercial Banks Regulation No. 11 of 2009
Competition Law	Ban on Monopolistic Business Practices and Unfair Business Competition Law No. 5 of 1999
Constitution	Constitution of Indonesia of 1945, as amended
Consumer Law	Consumer Protection Law No. 8 of 1999
Consumer Protection Implementation Regulation	Government Regulation No. 58 of 2001 on Guidance and Supervision of Consumer Protection Implementation
Cooperatives Law	Cooperatives Law No. 17 of 2012
Corporate Governance Regulation	Good Corporate Governance Regulation of No. 152 of 2012
Credit Bureau Regulation	BI Regulation No. 15 of 2013 re: Credit Bureau
Credit Card Activities Circular	BI Circular No. 14 of June 2012 re: implementation of Payment Instrument with Credit Card Activities
Credit Card Interest Rate Cap Circular	BI Circular No. 14 of November 2012 re: Limit on Credit Card Interest Rates
Credit Card Ownership Circular	BI Circular No. 14 of September 2012 re: Credit Card Ownership Adjustment Mechanism
Customer Complaints Regulation	BI Regulation 7/7/PBI/2005 on the Resolution of Customer Complaints
Debt Collection Circular	BI Circular No. 14 of June 2012 re: Prudential Principles for Commercial Banks Transferring the Execution of Work to Others
Debt Collection Regulation	BI Regulation No. 13 of 2011 on Application of Precautionary Principle for Commercial Banks Transferring the Execution of Work to Others
Debtor Information System Regulation	BI Regulation on the Debtor Information System No. 7 of January 2005 and related regulation Nos. 9/14/PBI/2007 and related circulars and guidelines Nos. No. 10/47/DPNP/ 2008, Nos. 098/SK/DIR/2008, 125/SE/POL/2009 and 078/SE/POL/2011
DPLK Regulation	Regulation on Financial Institution Pension Funds – Dana Pensiun Lembaga Keuangan (DPLK) No. 77 of 1992
DPPK Regulation	Regulation on Employer Pension Funds – Dana Pensiun Pemberi Kerja (DPPK) No. 76 of 1992
Draft ADR Regulation	Draft Alternative Dispute Resolution Bodies Regulation of 2013
Education and Training Regulation	BI Regulation No. 5 of2003 re: Obligation of Funds Provision for Education, Training and Human Resources Development
Electronic Transactions Law	Law No. 11 of 2008 on Information and Electronic Transactions
Electronic Transactions Regulation	Government Regulation No. 82 of 2012 re: the Operation of Electronic Systems and Transactions Operation
Enactment Law	Law No. 12 of 2011 on the Enactment of Laws and Regulations
FCP Regulation	Financial Services Consumer Protection Regulation No. 1 of 2013
Fiduciary Guarantee Law	Law No. 42 of 1999 on Fiduciary Guarantee
Fiduciary Guarantee Registration Regulation	MoF Regulation on Fiduciary Guarantee Registration for Financing Companies that Offer Consumer Financing for Motor Vehicles with Fiduciary Guarantee Costs No. 130 of August 2012

Finance Companies Presidential Regulation	Presidential Regulation No. 9 of March 2009 on Finance Companies
Finance Companies Government Regulation	Regulation of the Minister of Finance No. 84 of September 2006 on Finance Companies
Financial Soundness Regulation	Financial Soundness of Insurance and Reinsurance Companies Regulation No. 424 of 2003
Fit and Proper Insurance Regulation	Fit and Proper Test for Directors and Commissioners of Insurance Companies Regulation No. 78 of 2007
Fit and Proper Pensions Amendment Regulation	MoF Regulation on Fit and Proper Test for Prospective Employer Pension Funds' Administrators and Financial Institution Pension Funds No. 36 of 2010
Fit and Proper Pensions Regulation	MoF Regulation No. 513 of 2002 concerning Official Requirements and Employer Pension Funds Supervisory Board and Acting Official Financial Institution Pension Funds
Fund Transfers Circular	BI Circular No. 15 of June 2013 re: Fund Transfers
Fund Transfers Law	Law No. 3 of 2011 concerning Funds Transfer
Fund Transfers Regulation	BI Regulation No. 14 of 2012 on Fund Transfers
Guidelines for Pension Fund Governance	Guidelines 136 of 2006 for the Implementation of Pension Fund Governance
Guidelines for Standards of Operational Management of Savings and Loans Cooperatives	Minister of Cooperatives and SMEs Regulation on Guidelines for Standards of Operational Management of Savings and Loans Cooperatives and Savings and Loans Units No. 96 of September 2004
Guidelines for Supervision of Islamic Financial Cooperatives	Minister of Cooperatives and SMEs Regulation on Guidelines for Supervision of Islamic Financial Cooperatives No. 39 of October 2007
Guidelines for Supervision of Savings and Loans Cooperatives	Minister of Cooperatives and SMEs Regulation on Guidelines for Supervision of Savings and Loans Cooperatives and Savings and Loans Units, Minister of Cooperatives and SMEs Regulation No. 21 of November 2008
Human Rights Law	Law No. 39 of 1999 on Human Rights
IDIC Amendment Law	Law No. 7 of 2009 concerning Stipulation of Government Regulation in lieu of Law No. 3 of 2008 concerning Amendment to Law No. 24 of 2004 re: IDIC
IDIC Law	Law No. 24 of 2004 concerning the Indonesia Deposit Insurance Corporation
Insurance Administrative Sanctions Regulation	Administrative Sanctions and Fines Regulation No. 79 of 2009
Insurance Audit Regulation	Audit of Insurance Companies Regulation No. 423 of 2003
Insurance Business Conduct Regulations	Insurance Business Conduct Regulation No. 73 of 1992 amending Regulation No. 63 of 1999 and No. 39 of 2008
Insurance Business Conduct Decree	Decree of the Ministry of Finance Concerning Business Conduct of Insurance and Reinsurance Companies No. 422 of 2003
Insurance Circular 2004	BI Circular No. 6 of October 2004 on Insurance
Insurance Circular 2010	BI Circular No. 12 of December 2010 on Insurance
Insurance Corporate Governance Regulation	Good Corporate Governance Regulation of No. 152 of 2012

Insurance Financial Soundness Regulation	Financial Soundness of Insurance and Reinsurance Companies Regulation No. 424 of 2003
Insurance Law	Insurance Undertakings Law No. 2 of 1992
Insurance Licensing Decree	Decree of the Ministry of Finance Concerning Licensing of Insurance and Reinsurance Companies No. 426 of 2003
Investment Advisors Disclosure Rule	Rule X.F.3 of January 1996 re: Disclosure by Investment Advisors of Interests in Securities
Investment Fund Advertising Rule	Rule IV.D.1 of April 2004 re: Fund Advertising Guidelines
Investment Fund Public Offering Rule	Rule IX.C.6 of May 2004 re: Guidelines Concerning Form and Content of a Prospectus for a Public Offering of Investment Fund
Investment Fund Selling Agent Code of Conduct Rule	Rule V.B.4 of August 2006 re: Code of Conduct for Investment Fund Selling Agent
Investment Fund Selling Agent Licensing Rule	Rule V.B.2 of August 2006 re: Licensing of Investment Fund Selling Agent Representatives
Investment Fund Selling Agent Registration Rule	Rule V.B.3 of August 2006 re: Registration of Investment Fund Selling Agent
Investor Profile Rule	Rule IV.D.2 of April 2004 re: Investor Profile
Licensing of Securities Company Representative Rule	Rule V.B.1 of July 1991 re: Licensing of Securities Company Representatives
Licensing of Securities Company Rule	Rule V.A.1 of September 2007 re: Licensing of Securities Company
MFI Law	Microfinance Institutions Law No. 1 of 2013
Mortgage Law	Law No. 4 of 1996 on Mortgages
NCPA Regulation	Government Regulation No. 57 of 2001 on the National Consumer Protection Agency
NGOs Regulation	Government Regulation No. 59 of 2001 on Non-Governmental Consumer Protection Agencies
OJK Law	The Financial Services Authority Law No. 21 of 2011
Pawnshop Decree	MoF Decree on Pawnshop No. 39 of January 1970
Pawnshop Code of Conduct Regulation	Pawnshop Director's Regulation on Code of Conduct No. 256 of August 2012
Pawnshop Regulation	Government Regulation on Pawnshop No. 103 of 2000
Payments System Circular	BI Circular No. 10 of March 2008 re: Payments System
Pension Funds Administrators Regulation	Regulation on Requirements for Administrators and Supervisory Boards of Employer Pension Funds and Acting Pension Fund Administrators of Financial Institution Pension Funds No. 36 of 2010
Pension Funds Financial Reports Regulation	Regulation on Pension Fund Financial Reports No. 509 of 2002
Pension Funds Investment Regulation	Regulation on Investment of Pension Funds No. 199 of 2008
Pension Funds Knowledge Requirements Regulation	Regulation 4263 of September 2004 re: Requirements of knowledge in the field of pension funds and compliance procedures for employer pension fund managers and pension fund trustees
Pension Law	Law on Pension Funds No. 11 of 1992

Periodic Bank Reports Regulation	BI Regulation No. 8 of 2006 concerning Bank Periodic Reports
Prohibited Investment Advisor Conduct Rule	Rule V.H.1 of January 1996 re: Prohibited Investment Advisor Conduct
Prohibited Investment Manager Conduct Rule	Rule V.G.1 of July 1991 re: Prohibited Investment Manager Conduct
Prime Lending Rate Circular	BI Circular No. 15 of January 2013 re: Transparency of Prime Lending Rate Information
Registration of NGO Consumer Protection Institutes Decree	MoT Decree No. 302 of 2001 concerning the Registration of Non-Government Consumer Protection Institutes
Regulation on KYC for Finance Companies	Bapepam-LK Regulation on Guidelines for the Implementation of Know Your Customer Principles for Finance Companies No. 5 of March 2011
Regulation on KYC for NBFIs	Minister of Finance Regulation on Know Your Customer Principles for Non-Bank Financial Institutions No. 30 of February 2010
Regulation on Savings and Loans Cooperative Activities	Government Regulation on Business Activities of Savings and Loan Cooperatives No. 9 of 1995
Resolving Complaints Regulation	BI Regulation No. 10 of 2008 concerning Resolving Customer Complaints
Risk Management Circular	BI Circular Letter on the Implementation of Risk Management by Banks providing Mortgage Loans and Motor Vehicle Loans No. 14 of March 2012
Rural Banks Regulation	BI Regulation No. 8 of 2006 re: Rural Banks
Securities Accounts at Custodians Rule	Rule VI.A.3 of December 1997 re: Securities Accounts at Custodians
Securities Code of Conduct Rule	Rule V.E.1 of January 1996 re: Code of Conduct for Securities Companies Acting as Broker-Dealers
Sharia Banking Law	Sharia (Islamic) Banking Law No. 21 of 2008
SJSN Law	Law No. 40 of 2004 on National Social Security System
Transparency and Personal Data Regulation	BI Regulation No. 7 of 2005 on Transparency in Bank Product Info. and Use of Customer Personal Data
Village Credit Providers Regulation	Bali Provincial Regulation on Village Credit Providers No. 8 of 2002