I. INTRODUCTION

Combating money laundering has been a primary concern for Government of Indonesia (GOI) since the economic and political crises erupted in 1997. The GOI paid more attention in eradicating such criminal activities, both because of our domestic needs and to meet our international commitments. It is deemed necessary to eradicate those criminal acts because the domestic crises occurred mainly due to corruption, collusion and nepotism—fundamental weaknesses that are basically homegrown problems.

Moreover, money laundering is not only a national crime but also a transnational crime, therefore it has to be eradicated, among other things by engaging in regional or international cooperation through bilateral or multilateral forums. Internationally, the prevention of the criminal offenses of money laundering has been promoted by the establishment of a task force known as The Financial Action Task Force (FATF) on Money Laundering by the G-7 Summit held in Paris on July 1989. Indonesia is yet a member of FATF, but has been a member of the Asia Pacific Group on Money Laundering (APG), an international cooperation organization established in 1997 to cooperate with FATF in the Asia Pacific regions.

In June 2001, Indonesia and nineteen other countries were included in the list of NCCTs. The weaknesses focused on by FATF were the absence of Crime of Money Laundering Law that determine money laundering as a criminal offence, loopholes in financial regulation such as the absence of Know Your Customer Principles Regulation for financial institutions, inadequate resources for preventing, detecting and repressing money laundering activities, and the lack of international co-operation.

Inclusion of Indonesia in the list of NCCTs has pushed the GOI to take serious measures in a short timeframe relatively, directed particularly remedying weaknesses identified by the FATF. The Government of Indonesia has enacted Law Number 15 Year 2002, the Crime of Money Laundering Law, as amended by Law Number 25 Year 2003. This Law stipulates money laundering as criminal offence and the establishment of the Center for Financial Transactions Reporting and Analysis as the independent agency in implementing its duties and authority for preventing and eradicating the criminal offenses of money laundering.

Moreover, the GOI, besides moving actively to eradicate the criminal offences of money laundering, has also paid attention to the eradication of terrorism, an activity closely related to money launderers and the proceeds of money laundering crimes. Due to the width of impacts, Indonesia has taken immediate actions to respond the terrorism and terrorists financing activities, which are currently tending to aggressively attack globally. By the Law

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Number 15 Year 2003 Indonesia criminalized “the financing of terrorism, the financing of the terrorist acts and the financing of terrorist organizations” as described in the 1999 UN Convention. Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 includes the terrorism as one of the predicate offences for money laundering. In addition, the terrorist financing offences are applied when they are committed in or outside of Indonesia.

II. IMPROVEMENT OF THE LEGAL SYSTEM
1. The Crime of Money Laundering Law

   Since 1999 Indonesia has been diligently working toward establishing an effective anti-money laundering regime. This effort culminated in the passage of Law Number 15 Year 2002 in April of 2002. This law stipulated important provisions to enhance an anti-money laundering regime, such as:

   1) The criminalizing of money laundering activities;
   2) The obligation of Providers of Financial Services to submit Suspicious Transaction Reports (STR) and Cash Transaction Reports (CTR);
   3) Reporting, investigation, prosecution and justice for criminal offences of money laundering are exempted from the provisions of bank secrecy that are stipulated in Indonesia’s Banking Law;
   4) Placed the burden of proof, that assets were not from criminal activities on the defendant (Instead of the prosecution having the burden of proving that the assets were derived from criminal activities, the onus is on the criminal to prove that the source of funds is legitimate to purchase asset.);
   5) Established the Financial Transactions Reports and Analysis Center (PPATK) as an independent agency with the duty and authority to prevent and eradicate criminal offences of money laundering;
   6) Established a clear legal basis for freezing and confiscating the proceeds of crime.

   In the context of the prevention and eradication of money laundering, Indonesia realizes the importance of international recommendations and best practices. The recommendations have served as essential elements in preparing policies for the prevention and eradication of the criminal offence of money laundering in Indonesia. Measures taken by Indonesia in satisfying these recommendations have been pursued aggressively since June 2001.

   The GOI recognized the negative impact of its inclusion in the NCCT list. As a consequence, Law No. 15 Year 2002 was amended to accommodate the FATF’s further recommendations as an indication of Indonesia’s commitment to the prevention and eradication of the criminal offence of money laundering in accordance with international best practices.

   Law No.25 Year 2003 was enacted on 13 October 2003 as an amendment to Law No. 15 Year 2002 concerning the Crime of Money Laundering. Enhancements to Indonesia’s anti-money laundering regime included in this amendment include (but are not limited to) the following:

   1) The definition of Providers of Financial Services was expanded to incorporate additional financial services related industries. This was meant to anticipate the criminal use of Providers of Financial Services which were not obliged to submit financial transaction reports under Law No. 15 Year 2002.
   2) The definition of Suspicious Transaction Report was amended to include either complete or incomplete financial transactions where there is reasonable grounds to suspect that the funds or assets constitute the proceeds of crime.
3) The threshold of Rp.500,000,000 incorporated into the proceeds of crime definition was removed.

4) The number of predicate offences for money laundering was expanded from 15 to 23 specific types of offences and includes a general “catch all” for serious offences which includes other serious crimes for which the punishment is 4 (four) or more years in prison.

5) The timeframe for submitting suspicious transaction reports, was reduced from 14 (fourteen) working days to no more than 3 (three) working days.

6) New Anti-Tipping Off provisions to ensure secrecy of STR reports.

7) Provisions regarding mutual legal assistance in money laundering matters so that Indonesian law enforcement officials may cooperate with foreign counterparts in the investigation and prosecution of criminal money laundering offences.

8) Allows the PPATK to take action on new identified developments in international conventions or international recommendations for the prevention and eradication of the crime of money laundering, in a manner consistent with Indonesian laws and regulations.

As mentioned above that predicate offences for money laundering was expanded from 5 to 23 specific types of offences. Article 2 of Law stipulates that the proceeds of crime shall be Assets derived from the following criminal acts:

a. corruption;
b. bribery;
c. smuggling of goods;
d. smuggling of workers;
e. smuggling of immigrants;
f. in the banking field;
g. in the capital market field;
h. in the insurance field;
i. narcotics;
j. psychotropic substances;
k. trade in people;
l. illegal trade in arms;
m. kidnapping;
n. terrorism;
o. theft;
p. embezzlement;
q. fraud;
r. currency counterfeiting;
s. gambling;
t. prostitution;
u. in the tax field;
v. in the forestry field;
w. in the environmental field;
x. in the maritime field; or
y. other offences for which the prescribed penalty is 4 years imprisonment or more;

committed in the territory of The Republic of Indonesia or outside the territory of The Republic of Indonesia and where the offence is considered a crime according to Indonesian law.

2. The Criminal Acts of Terrorism Law

Although Indonesia has signed but has not ratified the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism, it has fully implemented the convention through Law No. 15 Year 2003. Law No. 15 Year 2003 concerns the enactment of Government Regulation in Lieu of Law No. 1 Year 2002 concerning the Eradication of the Criminal Acts of Terrorism.

Law Number 15 Year 2003 pertaining the Eradication of the Criminal Acts of Terrorism contains specific provisions that were not found in the existing legislation on the scope of international and transnational jurisdiction and on criminal acts of terrorism that relate to international terrorist activities. This law embodies the government’s commitment to implement Article 3 of the Convention Against Terrorist Bombing (1997) and the Convention for the Suppression of the Financing of Terrorism (1999).

This law is the umbrella provision for other legislation relating to the eradication of criminal acts of terrorism. It also contains provisions of the financing of terrorist activities as criminal acts of terrorism, strengthening at the same time Indonesia’s anti-money laundering regime described above.

Furthermore, in term of financing of terrorism activities, Indonesia has criminalized “the financing of terrorism, the financing of the terrorist acts and the financing of terrorist organizations” as described in the UN Convention. Articles 11 and 12 of Law No. 15 Year 2003 clearly stipulate that the financing of terrorism, the financing of the terrorist acts and the financing of terrorist organizations are crimes and shall be punished by imprisonment for not less than 3 (three) years and not more than 15 (fifteen) years.

Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 includes the financing of terrorist activities as one of predicate offences for money laundering. In addition, the terrorist financing offences are applied when they are committed in or outside of Indonesia.

Indonesia will take measures necessary to establish its jurisdiction over terrorist financing offences and to submit them to competent domestic authorities if it does not extradite the alleged offender (Chapter II, Articles 3-5 of Law No. 15 Year 2003).

Article 32 of Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 allows competent authorities to freeze, seize and confiscate the proceeds of terrorism and assets used for terrorist activities. Article 29 of Law No.15 Year 2003 also stipulates the same provision.

Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 requires financial services providers to make a report (Suspicious Transaction Reports) to competent authorities when they suspect or have reasonable grounds to suspect that funds are linked to, related to, or are to be used for terrorism, terrorist acts or by terrorist organizations (Article 13, Article 2 and Article 1(7)).

The Law and relevant regulations issued by Bank Indonesia, Ministry of Finance, and BAPEPAM concerning Implementation KYC Principles, require financial institutions to include information on the originator of fund transfers and retain information on the originator of fund transfers (5 years).
3. Special Protection for Witnesses and Reporting Parties

The Government Regulation No. 57 year 2003 pertaining Special Protection for Witnesses and Reporting Parties of the Crime of Money Laundering has been passed on 12 November 2003. The substances of this draft consist of the protection that shall be forthwith implemented without any delay as from the obtainment of an indication of suspicious financial transaction; and forms special protection that include protection of personal safety and or the safety of the relevant person's family against physical or mental threat, maintenance of confidentiality of the identity of the witnesses or reporting parties, giving testimony during court examination without being confronted with the suspect, and change of identity of the witnesses or reporting parties.

III. INDONESIA’s ANTI-MONEY LAUNDERING (AML) REGIME

1. Indonesia’s AML Schema

   - Financial Service Providers (FSP) - Reporting Parties
   - Bank Indonesia
   - Bapepam
   - DGFI Ministry of Finance
   - International Cooperation
   - Indonesia Police (Investigator)
   - Attorney General Office (Prosecutor)
   - Customs
   - Court
   - President
   - Parliament
   - Public
   - NCC

   Financial Sector
   Law Enforcement & Judicial Sector

a. Reporting Parties (Financial Services Providers)

   Article 1 of Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 defines a Provider of Financial Services as any person providing services in the financial field or other services in relation to finance, including but not limited to banks, financial institutions, securities companies, mutual fund managers, custodians, trust agents, depository and settlement agencies, foreign exchange traders, pension funds, insurance companies and the post office.

   Providers of Financial Services are obligated to submit reports to the PPATK as follows:

   a. Suspicious Financial Transactions;

   b. Cash Financial Transactions to a cumulative total of Rp.500,000,000.00 (five hundred million rupiah) or more or an equivalent amount in another currency, made either in one transaction or in several transactions within 1 (one) business day.
b. Bank Indonesia

Bank Indonesia, the Central Bank of Indonesia, was established in 1953. Its objectives and tasks are governed by Law No. 23 Year 1999 concerning Bank Indonesia (Bank Indonesia Act). Under the Bank Indonesia Act, Bank Indonesia has as its primary objective to maintain the stability of the Rupiah currency. To achieve this goal, Bank Indonesia has the authority to formulate monetary policy, to regulate and safeguard the payment system, and to regulate and supervise banks.

Bank Indonesia’s functions to regulate and supervise banks is further elaborated on in Law No. 7 Year 1992 concerning Banking as amended by Law No. 10 Year 1998 (Banking Act). As governed in the Banking Act, in carrying out its duty as the regulator and supervisor of banks, Bank Indonesia shall have the power to license, prescribe regulation, supervise, and impose sanctions; upon the banking system, which consists of Commercial Banks, Rural Banks and Islamic (Syaria) Banks.

As bank supervisor, Bank Indonesia is responsible for the supervision of the implementation of anti-money laundering (AML) policy, which includes implementation of KYC principles in the banking industry. Bank Indonesia’s objective in this matter is to ensure that banks are not being utilized as targets and or mediums for money laundering activities since banks are the financial institutions most used by money launderers.

c. BAPEPAM (Capital Market Supervisory Agency)

Guidance, regulation, and day-to-day supervision of the capital market is undertaken by BAPEPAM in order to implement fair and efficient capital market activities and to protect the interests of investors and the public as set forth in Law No. 8 Year 1995 concerning the Capital Market. BAPEPAM is responsible for providing full disclosure of capital markets to the public and protecting public interests from malpractice in the capital market. Under Law No. 8 Year 1995 concerning the Capital Market, BAPEPAM has a strong legal foundation for carrying out enforcement actions as well as the important role of capital market development.

d. Directorate General of Financial Institutions (DGFI)

The Directorate General of Financial Institutions is a government agency under the Ministry of Finance, responsible for supervising non-bank financial institutions, including insurance, pension funds, and mutual funds firms. In line with the wide scope of financial institutions that is responsible for, the DGFI supervises Providers of Financial Services through its various directorates, namely Directorate of Banking and Financial Institutions, Directorate of Insurance, and Directorate of Pension Funds. The Directorates under the DGFI are authorized to provide licenses, to act as a regulator and to supervise Providers of Financial Services under their jurisdiction. Implementation is carried out by the sub-directorates.

2. The Indonesian Financial Transaction Reports and Analysis Centre (“PPATK”)

The PPATK (Indonesian Financial Transactions Reporting and Analysis Center) is an independent body that reports directly to the President and became fully operational on 20 October 2003. The PPATK is Indonesia’s Financial Intelligence Unit (FIU) and as such will be the pivotal agency in the anti-money laundering regime. PPATK is lead by a Head appointed under the authority of the Act. The Head is assisted by four Deputy Heads comprising Deputy Head of Analysis, Research and Inter Agency Cooperation, Deputy Head of Legal and Compliance, Deputy Head of Technology and Information, and Deputy Head of Administration. The responsibilities of the Head and Deputy Heads have been set out at a high level in Presidential Decree No. 81 Year 2003 concerning the Organizational Structure and Working Procedure of the PPATK.
a. Duties and Powers

Article 26 of Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 states that in implementing its functions, the PPATK shall have the following duties:

1) to collect, maintain, analyse and evaluate information obtained by the PPATK in accordance with this Law;
2) to monitor records in the exempt registry prepared by Providers of Financial Services;
3) to prepare guidelines of procedures for reporting of suspicious financial transactions;
4) to provide advice and assistance to relevant authorities concerning information obtained by the PPATK in accordance with the provisions of this Law;
5) to issue guidelines and publications to Providers of Financial Services concerning their obligations as set forth in this Law or in other prevailing laws and regulations, and to assist in detecting suspicious customer behavior;
6) to provide recommendations to the Government concerning measures for the prevention and eradication of money laundering;
7) to report to the Police and the Public Prosecutor's Office the results of analyses of financial transactions which indicate money laundering;
8) to prepare and provide reports regarding the results of analyses of financial transactions and other activities once every 6 (six) months to the President, the House of Representatives (DPR) and to agencies authorized to supervise Providers of Financial Services.
9) to provide information to the public concerning its institutional performance, to the extent that such disclosure is not contrary to the provisions of this Law.

Article 27 of Law No. 15 Year 2002 concerning the Crime of Money Laundering as amended by Law No. 25 Year 2003 states that in executing its duties, the PPATK shall have the following powers:

1) to request and receive reports from Providers of Financial Services;
2) to request information concerning the progress of investigations or prosecutions of money laundering that have been reported to investigators or public prosecutors;
3) to audit Providers of Financial Services for compliance with the provisions of this Law and guidelines for reporting financial transactions;
4) to grant exemptions from the reporting obligation for Cash Financial Transactions referred to in Article 13(1)(b).

To implement its duties and powers, Presidential Decree No. 81 Year 2003 concerning the Organizational Structure and Operational Procedures of the PPATK and the Presidential Decree No. 82 Year 2003 concerning the PPATK's Authorities were enacted, both of which were issued on 3 November 2003.

b. Attribution

It is commonly acknowledged that FIU may range from units conducting a sort of intelligence tasks (such as tapping phone calls) to units that just do some paper work (documentation review). In this regards, as mandated by the money laundering Law and the Presidential Decree No. 82 Year 2003 concerning the PPATK's Authorities, PPATK is attributed by administrative power only, among other things are as follows:

- to request and receive reports, Suspicious Transaction Reports and Cash Transaction Reports, from Financial Service Providers;
• to request additional information from Financial Service Providers, in case reports provided by Financial Service Providers are not reliable enough;

• to request assistance and information from domestic and foreign agencies for its purposes in analyzing any suspicious financial transaction in preventing and eradicating the crimes of money laundering;

and many other administrative powers.

Therefore, in term of conducting its function as FIU, PPATK is not attributed by investigative powers and other intelligence duties, such as tapping phone calls, doing under cover, on-site investigative, and others.

c. Suspicious Financial Transaction Report handling

Reporting Process

PPATK has received a number of Suspicious Financial Transaction Reports (STRs). Care is being taken within PPATK to ensure that the right procedures are being set up within PPATK to receive, process, evaluate and disseminate the reports, with associated financial data where it exists, in an effective and timely manner. To facilitate the submission of STRs from PFSs, PPATK accepts STRs from PFSs in two forms:

- In writing, both letters and facsimiles; or
- Electronic data through a computerized on-line system.

In the initial stages most STRs will be submitted manually. The PPATK is planning for an eventual switch to an almost entirely electronic submission system once the necessary computer infrastructure is in place.

PPATK will also receive Cash Transaction Reports (CTRs) effective in April 1, 2004. The system required to enable the computerized on-line system is being developed.

Analysis Process

The intelligence to be provided by PPATK to law enforcement agencies will be greatly enhanced when supplemented by additional information or intelligence. PPATK has powers to acquire a range of additional data sources to complement PPATK data in its analysis of reports. If the existing data available in the PPATK’s database is not significant then the PPATK may obtain additional information from PFSs or other parties, such as the Indonesian National Police, Attorney General, Directorate General of Tax, and Bank Indonesia. All sources that might have pertinent information related to the STRs being analyzed will be used. In the event that the desired information is possessed by a foreign state then the PPATK may request assistance in obtaining additional information from the FIU in that jurisdiction.

The analysis currently is done manually however, in the long-term, it is expected that computerized analytical programs will be employed to assist the analysis effort. The availability of support software will make the PPATK’s STR analysis significantly more effective.

Specialized training in forensic accounting procedures will be sought from countries that have relevant expertise to pass to the PPATK analysis team. This training should be in the form of long-term placement of PPATK officers in actual working environments and the placement of forensic accounting mentors within PPATK.

Dissemination

If there is any indication of the commission of a money laundering crime from the analysis of an STR then the result will be handed over to the National Police as primary investigators and to the Attorney General for follow-up.
The PPATK will provide assistance to the National Police and the Attorney General in their investigation and prosecution of money laundering cases. The PPATK also has the authority to request information on the progress of investigations resulting from PPATK reports to the National Police and the Attorney General’s Office.

The PPATK is expected to provide a valuable contribution to the investigation and prosecution of money laundering crimes.

Furthermore, all STRs and other information derived from PFSs or other parties will be maintained in the PPATK’s database for possible future use.

**Statistical Data**

As of 29 February 2004, PPATK has received 497 STRs from 36 banks and 1 non-bank financial institution. All data includes data handed over by the Special Unit for Banking Investigation at Bank Indonesia, which responsible for the PPATK’s functions over banks before October 17, 2003. PPATK has disseminated 78 cases from 198 STRs to POLRI.

d. Training for PPATK personnel

Training is required to build, develop and increase the capacity and effectiveness of PPATK personnel. To improve PPATK capacity, PPATK personnel have been assisted by:

a. AusAID technical advisor assisting in the start up management of PPATK;

b. USAID/ELIPS legal advisor assisting in the legal and regulatory area;

c. AUSTRAC technical advisors assisting in the area of STR analysis, law enforcement liaison, international stream and regulatory and compliance stream;

d. ADB Technical Assistance Project run by Deloitte Touche Tohmatsu assisting in the area of developing required guidelines, ensuring practical implementation of CTR, establishing effective and consistent supervision, compliance framework and a training program;

e. European Commission technical advisors assisting in IT development.

List of training that PPATK personnel have received:

<table>
<thead>
<tr>
<th>No.</th>
<th>Modules</th>
<th>Donor/Provider</th>
<th>Personnel</th>
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<tbody>
<tr>
<td>1.</td>
<td>AML Investigation Techniques</td>
<td>ADB/Deloitte</td>
<td>15</td>
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<tr>
<td>2.</td>
<td>STR and CTR Analysis</td>
<td>ADB/Deloitte</td>
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<tr>
<td>3.</td>
<td>Basic Analysis and STR reporting</td>
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<td>4.</td>
<td>AML Prosecution</td>
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<td>5.</td>
<td>AML Investigation</td>
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<td>6.</td>
<td>Financial Investigation</td>
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<td>7.</td>
<td>Complex Financial Crime Investigation</td>
<td>US Gov’t/ ILEA Bangkok</td>
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<td>8.</td>
<td>Typology workshop</td>
<td>Self-funded</td>
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<td>9.</td>
<td>APG Mutual Evaluation training</td>
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<tr>
<td>10.</td>
<td>Training for trainers</td>
<td>ADB/Deloitte</td>
<td>8</td>
</tr>
<tr>
<td>11.</td>
<td>Consultation with US Government representatives in Washington DC</td>
<td>US Gov’t / FSVC</td>
<td>1</td>
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e. Problems

There are some problems and challenges faced by PPATK and other relevant agencies based on duties that have been performed by PPATK for the last 12 (twelve) months in developing effective anti money laundering regime Indonesia as follow:

1. Coordination among relevant agencies

Considering that the development of effective anti money laundering regime is collective responsibility from all Indonesian communities that its implementation shall be conducted by related institutions, cooperation and coordination among institutions must be implemented absolutely. This shall also apply for the development of good relationship between related institutions and business actors and society generally.

2. Public awareness

Given the implementation of AML regime is relatively new for Indonesia’s society, increasing public awareness is deemed necessary.

3. PFSs compliance

It could not be denied that PFSs are “front guard” in implementing AML regime due to its role as reporting parties. Therefore, a series of comprehensive regulations should be conducted to boost PFSs’ compliance in reporting system.

3. Progress of Indonesia’s AML Regime

a. Know Your Customer Principle – KYC

With regard to the implementation of Know Your Customer Principles, the Capital Market Supervisory Agency (Bapepam) has issued KYC regulation for securities companies by stipulating a Decision of Head of Bapepam on January 15, 2003. The Ministry of Finance has also issued similar regulation for non-bank financial institutions by stipulating the Ministerial Decree on January 30, 2003. The issuance of these regulations complements the KYC regulations for banking industry, which has been issued by Bank Indonesia on June 18, 2001, December 13, 2001 (1st amendment) and on October 17, 2003 (2nd amendment). Bank Indonesia also has issued KYC regulations for rural banks on October 23, 2003.

b. Guidelines for Financial Industry in implementing AML regime

Reporting guidance for the financial services providers is crucial and becomes a prerequisite for the smooth functioning of the PPATK. Likewise, the general guidance for authorities in financial services is also deemed necessary considering that the provisions on Know Your Customer Principles for banks, capital markets, non-bank financial institutions and other financial services institutions is conducted by respective authority. The issuance of this guidance is aimed at producing the arrangement equality and ensuring compliances of providers of financial services against their reporting obligations.

So far PPATK has issued 6 (six) guidelines as follows:

i. General Guidelines for Financial Service Providers on Prevention and Eradication of Money Laundering;

ii. Guideline for Financial Service Providers (major FSPs) on Identification of Suspicious Financial Transactions;

iii. Guideline for Financial Service Providers (major FSPs) on Procedures of Reporting of Suspicious Financial Transactions;


vi. Guideline for Financial Service Providers on Cash Transaction Reports and Its Reporting Procedures

c. Inter-agencies Cooperation

1) Domestic Cooperation

For the smoothness of information exchange, particularly in relation to financial intelligence, the PPATK has signed:

i) Memorandum of Understanding (MoU) with Bank Indonesia on February 5, 2003 and October 20, 2003;

ii) Memorandum of Understanding (MoU) with the Capital Market Supervisory Agency (Baepam) on October 20, 2003;

iii) Memorandum of Understanding (MoU) with the Directorate General of Financial Institutions on October 28, 2003;

iv) Memorandum of Understanding (MoU) with the Directorate General of Tax on October 28, 2003;

v) Memorandum of Understanding (MoU) with the Directorate General of Customs and Excise on October 31, 2003;

vi) Memorandum of Understanding (MoU) with the Center for International Forestry Research (CIFOR) on 16 January 2004.

Memorandum of Understandings (in the form of Joint Decree) with Indonesian National Police and Attorney General Office would be signed shortly.

2) International Cooperation

In order to enhance Indonesia's capacity to undertake the international exchange of financial intelligence, throughout the course of 2003 PPATK has sought Memoranda of Understanding with 16 FIUs from other jurisdictions. At this stage, Indonesia has established Memoranda of Understanding with AMLO-Thailand (24 March 2003), Bank Negara Malaysia (31 July 2003), KoFIU-Republic of Korea (20 October 2003), and AUSTRAC-Australia (4 February 2003); and has entered into an Exchange of Letters enabling international exchange with Hong Kong.

In addition, Indonesia has been a member of APG (Asia Pacific Group on Money Laundering) since year 2000, and plans to participate as member of EGMONT Group in the near future. In this regards, PPATK has sent a letter to the Chair of Egmont Secretariat, the Chair of Legal Working Group and the Chair of Outreach Working Group to seek information and assistance concerning membership admission.

d. National Coordination Committee (NCC)

To enhance the strategic implementation and coordination of the anti-money laundering regime, the Republic of Indonesia, has established a National Coordination Committee (NCC) on anti-money laundering, a Ministerial-level committee formed to ensure coordination and cooperation between Ministries relevant to the fight against
money laundering. The initial meeting took place on 30 December 2002 in Jakarta, led by the Coordinating Minister for Political and Security Affairs. Participants in this first meeting included: the Coordinating Minister for Economy, the Minister of Justice and Human Rights, the Minister of Foreign Affairs, the Deputy Attorney General for General Crime, the Governor of Bank Indonesia, the Minister of Finance, the Chief of National Police of the Republic of Indonesia, the Chairman of the Capital Market Supervisory Agency, the Head of the PPATK, the Head of the National Intelligence Agency, the Head of the National Narcotics Agency and the Head of the Terrorism Eradication Coordination Desk.

The National Coordination Committee (NCC) established under the authority of Law No. 15 Year 2002 as amended by Law No. 25 Year 2003 and Presidential Decree No. 1 Year 2004 has the following duties:

1) to coordinate the effort for handling the prevention and eradication of the crime of money laundering;
2) to provide recommendations to the President regarding directions and policies for handling the prevention and eradication of the crime of money laundering nationally;
3) to evaluate the implementation of the prevention and eradication of the crime of money laundering;
4) to report progress of the prevention and eradication of the crime of money laundering to the President.

In implementing its duties, the NCC is assisted by a working group consists of high officials from the agencies as mentioned above. The NCC working group may involve the representatives of PFSs, experts or other relevant parties in the working group discussions if deemed necessary.

e. Technical Assistances

**Donor Institutions/States Coordination**

In following up a meeting between the Government of Indonesia and donor institutions/states in Denpasar on December 2002 that decided technical assistances implementation coordination between the PPATK and donors, it has been held coordination meetings regularly (once per 4 months) to discuss technical assistances needs in anti money laundering regime development in Indonesia. The coordination meetings have provided a priority list and also are utilized as forum to exchange information. At this point, the coordination meetings are considered has provided positive benefits for anti money laundering regime development in Indonesia.

**IV. Final Words**

As explored above, it could be wrapped up that Government of Indonesia (GOI) has made significant further progress in strengthening its anti-money laundering and anti-terrorism system. It may be represented by the enactment of anti-money laundering Law and criminal acts of terrorism law, the presence of KYC regulation for both banks and non-bank financial institutions, the establishment of Indonesian FIU, the series of guidelines for Financial Services Providers, and other significant actions. The GOI, in addition, is serious in correcting the defects in criminal law and regulations, in upgrading capacity to implement them, and in strengthening cooperative in financial information exchange with overseas agencies.
Based on the facts, the GOI expects that all measures taken could lead to the right track in the effort to remove Indonesia from the list of Non Cooperative Countries and Territories (NCCTs) drawn up by the Financial Action Task Force on Money Laundering (FATF) on the next plenary meeting.

Being on the list of the NCCTs has raised the premium for Indonesian economic agents in conducting transactions in the international financial markets. This has increased costs for rebuilding the already shattered economy. **

Presented at Program Second Conference on Secure Trade in the APEC Region,
Town Hotel-Vina del Mar, Chile
05-06 March 2004