

Asia Market Intelligence

Indonesia

Presence

HSBC has had a long history in Indonesia. In 1884, 125 years ago, HSBC started its operations in Indonesia and opened its first Indonesian office in Jakarta (which was known as Batavia). Initially started to serve the important sugar trade, HSBC then expanded its operations throughout the country.

Today, HSBC Indonesia offers a board range of banking and financial services tailored to meet a wide spectrum of needs, from those of multinational corporations to local businesses and individual Indonesians. These include Corporate and Banking, HSBC Amanah, Custody and Clearing Services, Institutional Banking, Global Payments and Cash Management, Personal Financial Services, Investment Banking, Trade Services, Treasury and Capital Markets.

Until early 2009, HSBC has been serving its customers through 30 branches spread in 10 major cities in Indonesia.

Population:
231.62 million

Total Area:
1.90 million sq km

Currency:
Indonesian Rupiah (IDR)

Capital:
Jakarta

Major Languages:
Bahasa Indonesia (official), Dutch, English and 300 regional languages

Time zone:
GMT + 7 hours (West);
GMT + 8 hours (Central);
GMT + 9 hours (East)

Central bank:
Bank Indonesia

Gross domestic product:
837.8bn total (2007 est.); 6.3% real growth rate (2007 est.);
3,725 per capita (2007 est.)

Inflation rate (consumer prices):
6.4% (2007)



HSBC 
The world's local bank

Clearing Systems and Payment Instruments

BI has the following clearing systems which support different types of transfer modes:

- **Domestic funds transfer**
 - Low-value funds transfer via Sistem Kliring Nasional (SKN): On 29 July 2005, BI introduced the SKN national clearing system. SKN runs on a net settlement system basis with two daily settlement cycles carried out by the central bank. The first settlement cycle is scheduled for 11am and the last cycle for 3:30pm. SKN enables voucherless or electronic clearing by connecting all 151 clearing operators in Indonesia with BI's headquarters. SKN is designed for low-value payments (below IDR100m). To date, BI has successfully completed implementation of SKN nationwide.
 - High-value funds transfer via the real-time gross settlement (RTGS) system: BI has developed an RTGS system, which allows real-time high-value IDR funds transfer between banks in Indonesia. BI has set a policy that funds transfers above IDR100m should be defaulted via RTGS. RTGS is only available at BI's headquarters in Jakarta. Banks located in Jakarta have the option of registering as direct members of RTGS. For banks located outside Jakarta, access to RTGS is via a correspondent bank with direct membership of RTGS.
- **Domestic cheque clearing**
 - Intercity clearing: Intercity clearing was introduced by BI in September 2002 to shorten cheque collection times. There are 55 banks registered as direct members of the intercity clearing scheme. Intercity clearing enables registered bank members to clear cheques issued by any registered member via its headquarters, regardless of whether the cheque instrument itself was issued by one of its remote branches. Corporate customers receiving upcountry cheques on a regular basis will have the cleared funds credited to their corporate account (if the issuing bank is a registered member of intercity clearing) one day after the clearing date. Therefore, cheques issued and deposited to a bank branch that is a direct member of intercity clearing will be processed on a local clearing basis, thereby making cleared funds available to accounts more quickly.
 - Upcountry cheque clearing – Inkaso: Cheques issued by non members of intercity clearing must be cleared in the same city as the issuing branch, which has been designated as an upcountry cheque collection (Inkaso) processing centre. The processing of upcountry cheques should take a maximum of 27 working days.

Banking System and Bank Accounts

- The central bank is Bank Indonesia (BI), whose position is regulated by statute. As a public legal entity, BI has the authority to issue policy rules and regulations, while as a civil legal entity; BI is able to represent itself in and outside the court of law.
- There are 130 banks with more than 5,000 branches in Indonesia. These consist of state-owned banks, local private banks (foreign exchange licensed, and non-foreign exchange licensed banks), foreign banks and the regional development bank, Bank Pembangunan Daerah.
- The following types of bank account are currently available:

TYPE OF CORPORATE ENTITY	NON-INTEREST BEARING CURRENT ACCOUNT		INTEREST-BEARING CURRENT ACCOUNT		SAVINGS ACCOUNT	CREDIT FACILITY
	IDR	Foreign currency	IDR	Foreign currency		
Resident	Yes	Yes	Yes	Yes	Not applicable	Yes
Non-resident	Yes	Yes	Yes	Yes	Not applicable	No

1. Foreign companies can open IDR current accounts.

Australia Bangladesh Brunei Hong Kong SAR India **Indonesia** Japan Korea Macau SAR Malaysia
 Mauritius New Zealand People's Republic of China The Philippines Singapore South Africa Sri Lanka Taiwan Thailand Vietnam

Cash Management Products and Services at a Glance*

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> • Term deposits • Treasury products • Money market funds 	<ul style="list-style-type: none"> • Cheque/Bilyet Giro/ payment order/demand draft/cashier order • Foreign currency telegraphic transfer (TT) • High-value payments (RTGS) • Low-value payments via SKN • Batch payment (autoPay-Out) • Tax payment services/ TaxPersepsi (for Jakarta, Surabaya, Medan and Batam) • Payments Advising • Payables Financing 	<ul style="list-style-type: none"> • USD/IDR cheque collection • Cash collection • AutoPay-In • Virtual Accounts • Post Dated Cheque (PDC) Warehousing / Discounting • Cash/cheque deposit in main branches or in Bank Alliances' branches • Cash pick-ups and delivery services (via 3rd party vendor or alliance banks) • Receivables Management System 	<ul style="list-style-type: none"> • Overdraft facilities (not available for non-residents) • Notional pooling¹ • Cash concentration¹ • Cash Management Account Settlement (Paying Agent)

* Cash management services are delivered via *HSBCnet*, HSBC's global Internet banking platform, and HSBC Connect, HSBC's host-to-host electronic banking system.

¹ Notional pooling and cash concentration are available in single currency only. For more details, please contact the specialist below.

Alliance Network

HSBC Indonesia has established a bank alliance arrangement with two local bank partners — Bank CIMB Niaga and Bank Ekonomi. Through this alliance arrangement, HSBC's branch network coverage is extended to more than 700 branches across the country. The benefits of the bank alliance arrangement for corporate customers include faster funds availability and elimination of local bank relationships.

In addition to bank alliance networks, HSBC Indonesia is also connected to the ATM Bersama network, a shared local ATM network with 70 member banks that include major state-owned and local banks. Through this network, HSBC has access to more than 17,000 ATMs nationwide. Transactions available through the ATM Bersama network include balance inquiry, cash withdrawal and interbank transfer.

Legal, Company and Regulatory

- Apart from BI, there are several other regulatory bodies which have influence over the banking system and operation of bank accounts. The Indonesian Capital Market Agency (Badan Pengawas Pasar Modal – BAPEPAM) and Indonesia Stock Exchange also have a significant regulatory role, particularly in relation to the settlement of marketable securities and related accounts.
- An Indonesian limited liability company is established by two or more parties in a notarial deed made in Bahasa and obtains its legal entity status after the approval of the Minister of Justice (MOJ). The minimum authorised capital is INR50m, of which 25% has to be paid up at the time of submitting an application to the MOJ.
- Any company with foreign investment participation has to obtain approval from the Indonesian Coordinating Board (Badan Koordinasi Penanaman Modal – BKPM). By presidential decree, the government has in force a prohibition list that prevents certain types of business from being owned by foreign corporations.

Liquidity, Currency and Tax

- IDR currency may not be remitted outside Indonesia.
- IDR transfer to non-resident accounts is restricted unless there is valid underlying economic activity. For amounts up to IDR500m in a day, the underlying economic reasons must be stated in the fund transfer; for amounts above IDR500m, proof of documentation must be supplied in support of the underlying economic reasons in Indonesia.
- Resident and non-resident account holders are required to fill in a code for central bank foreign exchange monitoring purposes for any foreign currency (FCY) transfer with a value equal to or greater than USD10,000.
- Banks are only permitted to conduct foreign exchange derivative transactions of FCY against IDR to non-residents of up to USD1m or equivalent per individual transaction and each bank's outstanding gross position, unless those transactions are for conducted for hedging purposes as part of investment in Indonesia with a time frame no less than three months, merchandise exports and imports by means of a letter of credit, and/or domestic trade by means of domestic letter of credit (where supporting documents required). Derivative transactions are restricted to forwards, swap and options
- Non-residents are not entitled to credit facilities in local currency and/or FCY. However, this restriction is not applicable to the following:
 - Syndicated credit, with conditions that the lead bank is a prime bank, credit is being extending for project financing in the real sector for productive ventures in Indonesia, and the contribution of foreign banks acting as syndicate members is greater than the contribution of domestic banks;
 - Credit cards and consumer loans:
 - Intra-day overdraft in IDR and FCY, with the condition that it is supported by authenticated documents showing confirmation of same-day incoming remittances; and
 - IDR and FCY overdraft due to imposition of administrative charges negotiation by foreign parties of claims from the agency appointed by the government for the management of bank assets within the framework of Indonesian bank restructuring, for which payment is guaranteed by a prime bank.
- Notional pooling is permitted, however its use is not widespread.
- Time deposits are the most commonly used instrument for the investment of short-term surplus liquidity, although treasury bills are also used. Government bonds (and, to a lesser extent, mutual funds) are used for longer dated liquidity. Most liquidity is at the short end of the curve, typically between one to three months.
- Corporation tax is due to be simplified to a single corporate income tax rate, with the rate being reduced (from 30%) to 28% in 2009 and 25% in 2010. Apart from simplification, the objective of these changes is to comply with international best practice.
- Reduced rates of tax for offshore companies apply when a tax treaty is in force.

Market Watch

- There is a possibility that tax settlements, which are currently performed twice a week by the banks, will be switched to same day settlement. In view of the funding risk for the banks that would result and the penalties for late payment (currently 2%), this might result in banks changing the settlement lead time.
- In general, it is advisable to hold discussions with the central bank and the tax authorities before embarking on any notional pooling schemes, or at the very least solicit an opinion from a suitable advisor.

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Mon – Fri

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8:30am – 3:30pm (business hours)

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