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# INDONESIA: An Introduction to Banking & Finance

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There has been some development in the banking and finance sector in Indonesia, including:

- the shift in regulatory oversight for crypto trading;

## New Era for Crypto Trading

Indonesia's cryptocurrency landscape is poised for a transformation. The regulatory oversight of crypto trading shifted from the Commodity Futures Trading Supervisory Agency ("Bappebti") to the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*, or OJK) with the introduction of OJK Regulation No 27 of 2024 (the "OJK Regulation 27/2024"). Taking effect on 10 January 2025, this shift represents a significant milestone in the evolution of digital asset regulation, in line with Indonesia's broader financial sector reforms under Law No 4 of 2023 (also known as the omnibus law for the financial sector). OJK Regulation 27/2024 marks the formal transfer of regulatory and supervisory authority over digital financial assets (including cryptocurrencies and financial derivatives) from the Bappebti to the OJK and, in certain cases, Bank Indonesia. Under the new framework, Bank Indonesia will oversee financial derivatives tied to money markets and foreign exchange, whereas OJK will regulate crypto-assets and securities derivatives.

Key changes between the crypto regulations under the regime of Bappebti and the OJK include the following.

- Expanded scope and authority – under the previous Bappebti system, regulations were limited to crypto-assets and their trading on futures exchanges. OJK Regulation No 27/2024 broadens this focus by introducing the term "digital financial assets", covering not just cryptocurrencies but also other digital financial instruments, thereby paving the way for greater flexibility to address future innovations.
- Simplified business actor categories – the two-tiered system introduced by Bappebti, which differentiated between prospective crypto-asset traders (*Calon Pedagang Fisik Aset Kripto*, or CPFAC) and actual crypto-asset traders (*Pedagang Fisik Aset Kripto*), was initially implemented owing to the lack of a crypto exchange and clearing house in Indonesia's early market. OJK Regulation No 27/2024 streamlines this structure by removing the CPFAC designation.
- Stronger governance standards – under the OJK's supervision, corporate governance requirements will be reinforced. New business entities will need to pass the OJK's fit-and-proper test for key roles such as directors, commissioners, and controlling shareholders, aligning with existing requirements in Indonesia's financial sector.
- Transition and compliance deadlines – to ensure a smooth transition, existing licences and product approvals issued by Bappebti will remain valid. Nonetheless, crypto products or activities that are not yet licensed can continue to be traded, as long as the entities involved apply for OJK approval within one month of OJK Regulation No 27/2024's enactment. Additionally, licensed businesses must comply with the OJK's governance and operational, consumer protection, and data protection standards by July 2025.

## Guidelines for Mudarabah Financing Product

Mudarabah Financing Product (MFP). This, among other things, is aimed at strengthening the regulation and uniformity of the country's Sharia banking sector through the introduction of new guidelines for Sharia-compliant banking products.

The MFP is a financing product based on a profit-sharing model derived from the Akad Mudarabah, which is a partnership agreement between a fund provider (*shahibul mal*) and a fund manager (*mudarib*). Under this structure, the profits generated from the business are shared according to a pre-agreed ratio. This profit-sharing mechanism offers an alternative to traditional banking products, particularly for business owners seeking working capital from a third-party financier.

The MFP guideline outlines key characteristics of the Akad Mudarabah, as follows.

- Parties – the Akad Mudarabah involves two parties: the bank (as the fund provider (*shahibul mal*)) and the customer (as the fund manager (*mudarib*)). The customer uses the funds provided by the bank to carry out specified business activities that align with Sharia principles, whereas the bank does not participate in the day-to-day operations of the business (although it is entitled to provide guidance and oversight).
- Purpose – the objects (*ma'qud 'alaih*) of Akad Mudarabah include the working capital provided by the bank, as well as the corresponding business activities of the customer (*'amal*). The bank may provide capital in the form of cash, assets, or a combination of both. The customer is restricted from using the capital for purposes other than the agreed business activities and cannot lend the capital or transfer profits to other parties without the bank's approval.
- Profit sharing – the Akad Mudarabah must define clear terms for profit sharing between the customer and the bank. The MFP recognises two primary profit-sharing mechanisms: profit sharing and net revenue/gross profit sharing. The profit-sharing calculation must be based on actual profits generated by the business, ensuring that it aligns with the fundamental principle of “partnership in profits” (*al-isytirak fil arbah*). For instance, profits cannot be distributed based on a fixed percentage of the capital or projected profits, as these would undermine the core principle.
- Offer and acceptance – Sharia-based contracts such as Akad Mudarabah, both the offer (*ijab*) and acceptance (*kabul*) must be clearly stated and understood by all parties involved. The Akad Mudarabah must adhere to internal standard operating procedures in accordance with the *fatwa* issued by the National Sharia Board of the Indonesian Ulema Council (*Dewan Syariah Nasional – Majelis Ulama Indonesia*, or DSN-MUI) and the Sharia Supervisory Board.

Other than the foregoing, the MFP guidelines provide further guidance on topics such as collateral, compensation, penalties, contract cancellation and termination, profit-sharing calculations for financing assessments, restructuring of financing, accelerated repayments, settlement of problematic financing, and the proper documentation and record-keeping of business profits.

## Changes in Foreign Exchange Regulations

exchange rules that had been in place for around two years. Unlike the previous foreign exchange regulations, which only covered transactions in the foreign exchange market, the newly issued regulations have a broader scope. They govern not only the foreign exchange market but also provisions on the money market related to both the Indonesian rupiah and foreign currencies.

In an international financing transaction, the performance of the Indonesian borrower's obligations under the proposed loan agreement and/or foreign law finance documents generally requires the transfer of foreign currency. By way of example, when an Indonesian company borrows money from an international lender, they usually need to transfer repayment in foreign currency to fulfil their payment obligations. In this case, a borrower in Indonesia might need to transfer money from an Indonesian rupiah account to an overseas account in foreign currency.

Although there are generally no restrictions or requirements limiting the availability or transfer of foreign currency, the Foreign Exchange Regulations stipulate that – for foreign exchange transactions involving the Indonesian rupiah that exceed a specified threshold – an “underlying transaction” is required. The term “underlying transaction” is defined in the Foreign Exchange Regulations as activities that underlie foreign exchange market transactions. The aforementioned underlying transaction must be supported by underlying transaction documentation (either in final or draft form).

For smaller transactions that do not exceed said threshold, the bank just needs the customer to submit a statement saying that the transaction does not go over the limit for the month or the individual transaction. However, for transactions exceeding said threshold, the bank will need to make sure the customer provides the necessary documents showing the reason for the exchange and confirms the following:

- the underlying documents provided are real and authentic;
- the underlying documents match the foreign exchange transaction amount and the transaction should last no longer than the period stated in the documents;
- details concerning the purpose and date of the transaction and the amount of foreign currency needed (particularly for underlying transactions of a forecast nature);
- details concerning the source, date, and amount of any foreign currency received (particularly for underlying transactions of a forecast nature).

In addition, the Indonesian government – by virtue of the Government Regulation No 8 of 2025 (“GR 8/2025”) – has also updated the requirement imposed on exporters to now park 100% of their foreign currency-denominated proceeds from mining (other than oil and gas), plantation, forestry, and fisheries product exports within the Indonesian financial system for a minimum period of one year. Previously, the requirements applied to at least 30% of the export proceeds and for a minimum period of three months. The foreign currency proceeds placed in the special account may be used for:

- and other obligations to the government in accordance with laws and regulations;
- payment of dividends in the form of foreign currency;
  - payment for the procurement of goods and services in the form of raw materials, auxiliary materials, or capital goods that are not yet available or are unavailable or are available but only partially or are available but the specifications are not met domestically in the form of foreign exchange; and
  - repayment of loans for the procurement of capital goods in the form of foreign currency.

It is worth noting that the official copy of GR 8/2025 has not been made available to public by the government at the writing of this article. The press release issued by the Indonesian government mentioned that the requirement will come into effect in March 2025.

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