

# AML/CFT SUCCESS STORY

## INDONESIA

2003-2017

Beginning in 2003, FSVC provided two technical assistance programs to the Republic of Indonesia to strengthen anti-money laundering (AML) and combating financial terrorism (CFT) efforts. From 2003 to 2006, FSVC implemented a technical assistance program with a grant from the U.S. Agency for International Development (USAID) to support the Indonesian Financial Transactions and Reporting Analysis Center (PPATK) and Bank Indonesia (BI). From 2014 to 2017, FSVC implemented a second program in Indonesia to support BI and the Financial Services Authority of Indonesia (OJK) with a grant from the U.S. Department of State's Bureau of Counterterrorism (CT).

The Financial Action Task Force (FATF) identified Indonesia as a country with "strategic deficiencies" in its AML/CFT regime in 2001. These deficiencies included insufficient AML/CFT legal and regulatory policies and procedures, a lack of capacity among regulators to conduct examinations, weak AML/CFT supervision of capital markets, non-banking financial institutions (NBFIs) and non-governmental organizations (NGOs), and limited Know-Your-Customer (KYC) practices.

Through its 2003 program, FSVC played a key role in strengthening AML legislation and regulation in Indonesia. Additionally, FSVC assisted PPATK in its early stages to understand its critical role and responsibilities as the country's Financial Intelligence Unit. FSVC also assessed the AML supervisory capacity of BI, trained commercial banks on AML compliance, and incorporated money laundering typologies for capital market participants. These efforts resulted in the removal of Indonesia from the FATF watch list in February 2005, and removal from full monitoring in February 2006.



Under its 2014 program, FSVC conducted an expert assessment of the remaining AML/CFT gaps in skills and knowledge, emphasizing risk based supervision of NGOs, capital markets, and NBFIs. FSVC developed a AML/CFT regulatory reform matrix providing the Indonesian regulatory authorities with specific recommendations to address deficiencies.

As a result of these recommendations, PPATK published new regulations pertaining to the business activities of non-banking foreign exchange traders, and BI implemented a number of tools to identify illegal money exchangers. With FSVC's assistance, BI also developed an examination manual for money exchangers, which is now being used to conducted on-site and off-site supervision of those entities. Additionally, BI developed new regulations to improve its AML/CFT examination of payments systems.

FSVC's assistance has led to increased coordination and information exchange between government agencies and reporting entities on AML/CFT efforts. For example, OJK implemented the AML/CFT Financing Program in 2017, which has encouraged reporting institutions to share watchlist screenings with relevant authorities. Additionally, in 2016, OJK launched the Financial Services AML/CFT Department and the National Coordination Committee on the Prevention and Eradication of Money Laundering to further surveillance and improve internal and external coordination.