

Ronald Waas: Coordinated handling of payment system and currency exchange crime

Speech by Mr Ronald Waas, Deputy Governor of Bank Indonesia, at the Signing Ceremony for Cooperation between the Bank Indonesia Representative Office and Police Department in Riau Islands Province concerning “Coordinated Handling of Payment System and Currency Exchange Crime”, Batam, 22 October 2014.

* * *

Honourable,

- Deputy Governor of Riau Islands Province; Dr Soerya Respationo, SH, MH;
- Chief of the Criminal Investigation Agency of the Republic of Indonesia, Suhardi Alius;
- Leaders of the National Police
 - WaDir. TIPIDEKSUS, Kombes Rohmat Sunanto;
 - Kasubdit Upal, Kombes Agus Nugroho;
 - Kabag Kerjasama antar Lembaga – Divkum Polri, Kombes Syahri Gunawan;
 - Kapolda KepRi; Brigjen Polisi Drs. Arman Depari;
- Leaders of Bank Indonesia Representative Offices and Departments
 - Head of the Bank Indonesia Representative Office in Area VIII, Mahdi Mahmudy;
 - Head of the Bank Indonesia Representative Office in Riau Islands Province, Gusto Rizal Eka;
 - Executive Director of the Payment System Supervision and Policy Department;
 - Executive Director of the Money Management Department;
 - Executive Director of the Legal Affairs Department;
 - Executive Director of the Communication Department;
 - Expert Staff of the Board of Governors, Hari Utomo;
- Members of the Riau Islands Leaders’ Communication Forum;
- Mayor of Batam, H. Ahmad Dahlan, MH;
- As well as all those in attendance.

Good morning to you all,

1. First, let us praise God Almighty for blessing us here in attendance at such a salubrious setting to witness the signing of an agreement between the Bank Indonesia Representative Office and the Police Department here in Riau Islands concerning “**Coordinated Handling of Payment System and Currency Exchange Crime**”, also known as money changers.
2. Such activity represents an integral part of institutional coordination between Bank Indonesia and the National Police, formalised in a Memorandum of Understanding (MoU) concerning “Cooperation to Support Task Implementation and Institutional Authority” signed by the Governor of Bank Indonesia and the Chief of Police on 1st September 2014.

3. That Memorandum of Understanding (MoU) was followed by the signing of Working Guidelines between **Bank Indonesia and the Criminal Investigation Agency** regarding the “Handling of Alleged Payment System and Currency Exchange Crime”. The working guidelines provide impetus for further similar cooperation at all Bank Indonesia Representative Offices and Local Police Departments throughout the Indonesian archipelago.

Ladies and Gentlemen;

4. Coordinated handling of alleged payment system and currency exchange crime represents synergic institutional efforts between Bank Indonesia and the Police, particularly in the area of **law enforcement**. In broad terms, the scope of coordination entails the following:
 - Information and/or data exchange;
 - Security and escorts;
 - Supervision;
 - Enhanced human capital; and
 - Socialisation.
5. There remains substantial cooperation that must be completed and refined as an inseparable element of the agreement signed here today. In addition to the arrangement concerning law enforcement in the payment system and currency exchange industry, Bank Indonesia and the Police will immediately initiate a number of other **working guidelines** as follows:
 - Working guidelines concerning coordinated security (offices and personnel) as well as escorting valuable state-owned property;
 - Working guidelines concerning coordinated development, licensing and supervision of security companies that secure the transportation of money and are responsible for rupiah management; and
 - Working guidelines concerning coordinated prevention and handling of alleged rupiah currency crime.
6. In the case of the working guidelines concerning coordinated prevention and handling of alleged rupiah currency crime, this represents a tangible follow-up to our previous discussions at the seminar on the Mandatory Use of the Rupiah Domestically. As I mentioned at that seminar, there are three dimensions to the compulsory use of the rupiah.
7. **First** is the **Legal Dimension**. A number of regulations, including the Currency Act and the Foreign Exchange Act as well as Bank Indonesia regulations concerning rupiah entering and leaving Indonesia and Ministry of Trade regulations regarding labelling the prices of goods and services all serve to strengthen the legal basis for using rupiah in the archipelago. The variety of aforementioned regulations directly and indirectly reinforces the **mandatory use of the rupiah for all cash and non-cash transactions** settled in the territory of the Republic of Indonesia.
8. **Second** is the **National Dimension**. The rupiah is a symbol of sovereignty of the Republic of Indonesia. Therefore, using the rupiah for all transactions settled in the territory of the Republic of Indonesia is the duty of all citizens. That is the only way the rupiah will become the “**host**” of its **own nation**.
9. And **third** is the **Economic/Business Dimension**. Hitherto, foreign currency transactions in Indonesia have, amongst others, triggered greater domestic demand for foreign currencies. The large foreign currency requirement for domestic

transactions has left the economy vulnerable to economic shocks. Domestic and international confidence in the rupiah will bolster economic resilience, providing the rupiah gravitas at home and abroad.

Ladies and Gentlemen,

10. **Law enforcement in the area of currency exchange is critical**, especially considering that the currency exchange business is vulnerable to abuse in the form of money laundering and terrorist funding, the narcotics trade as well as smuggling under the guise of currency exchange.
11. The city of Batam is a hub of currency exchange activity, evidenced by the **number of licensed non-bank money changers** in the city, totalling **122**, which is the second largest in Indonesia along with **Denpasar**. In terms of transaction volume, up to September of this year, Batam placed **fourth** after **Jakarta, Denpasar and Bandung**, with a contribution equivalent to **Rp683 billion (4.58%)**.
12. Meanwhile, in terms of discovering counterfeit banknotes, based on records of Bank Indonesia and the National Police, as many as 549 counterfeit banknotes were discovered on the Riau Islands up to September 2014, which is far lower than the amount seized last year totalling 1,666 banknotes. Counterfeit banknotes in Riau Islands Province accounted for 0.66% of the national total or around 10% of the total on Sumatra, placing Riau Islands third after the provinces of North Sumatra and Bandar Lampung.
13. In order to prevent currency exchange crime, Bank Indonesia promulgated **Bank Indonesia Regulation No. 16/15/PBI/2014, dated 11th September 2014**, concerning **Non-Bank Currency Exchange Activity**. The regulation reinforces and refines all aspects of currency exchange activity that must be licensed by Bank Indonesia. Furthermore, the regulation is also expected to mitigate potential risk in the form of currency exchange crime.

Ladies and Gentlemen,

14. Pursuant to the Bank Indonesia Act, Bank Indonesia is the monetary and payment system authority. As the monetary authority, the mission of Bank Indonesia is to create and maintain rupiah stability. Currency exchange activity, as a supporting industry of the financial sector, plays a **strategic role in terms of underpinning rupiah stability**.
15. Meanwhile, the mission of Bank Indonesia, as the payment system authority, is to create a secure, efficient and uninterrupted cash and non-cash payment system. In terms of the non-cash payment system, Bank Indonesia tirelessly strives towards a **Less Cash Society (LCS), namely encouraging the general public towards a proclivity for non-cash payment instruments**. To that end, Bank Indonesia recently launched a National Non-Cash Movement in order to expedite the proliferation of non-cash transactions.
16. Payment (retail) transactions in Indonesia are currently dominated by cash-based transactions. **Weak public understanding** concerning the existence and use of non-cash payment methods, coupled with **limited quality infrastructure**, forces the public to favour cash-based transactions for their daily activity.
17. A survey conducted by McKinsey & Company (2013) revealed that in comparison to its peer countries, **the use of cash for retail transactions in Indonesia remains dominant at 99.4%**. The dominant use of cash is a consequence of risk and rupiah management costs. Statistics show that each year the amount of currency in circulation grows by around 15%, far exceeding population growth at around 2–3% and GDP growth of around 5–6%. A less cash society is expected to precipitate

more balanced growth with more widespread use of non-cash payment instruments amongst the public.

18. The National Non-Cash Movement is critical to hasten the realisation of a more **efficient economy as well as better governance** in terms of financial management amongst the public, business players and government institutions. To ensure a more effective programme, the National Non-Cash Movement is run in synergy with various ministerial and provincial government programmes through the application of e-Government and e-Payment.

Ladies and gentlemen;

19. A key determinant of a less cash society is a **sense of security for all stakeholders when conducting non-cash transactions**, in particular protection from criminality by unauthorised parties. This was confirmed by a Bank Indonesia survey, which found that security when conducting non-cash transactions is the main factor cited by the general public, followed by convenience and interoperability amongst financial service providers.
20. In order to combat potential criminality, the intensive handling of suspected crimes is paramount. **Solid coordination and consolidation between the relevant authorities and law enforcement** is expected to prevent and minimise various payment system and currency exchange crimes. Furthermore, the imposition of stringent sanctions will act as a deterrent to potential criminals.
21. Sound coordination and cooperation is required in the form of a **clear and transparent mechanism pursuant to the respective task and authority of Bank Indonesia and the Police** at the central and regional levels referring to prevailing laws and regulations as well as paying due regard to principles of justice, mutual benefit and law.
22. I warmly welcome the signing of this agreement on handling alleged payment system and currency exchange crime as an integral part of our combined efforts to combat various crimes.

Ladies and gentlemen;

23. Through the signing of this document, we are sure that the future handling of alleged payment system and currency exchange crime will be more effective, thereby bolstering efforts to **protect the general public through the creation of a sound and secure payment system and currency exchange industry**.
24. The working guidelines will help combine **effective communication, intensive coordination and synergic collaboration** between Bank Indonesia, the Police and the Government and the central and local levels, whilst ensuring all stakeholders maintain effective law enforcement in the payment system and currency exchange industry.
25. In closing, with the confidence that God is always by our side, may He bless our endeavours towards a brighter future. Thank you.