



**MONEY LAUNDERING AND TERRORIST  
FINANCING RISK ASSESSMENT IN THE SECTOR  
OF COMMODITY FUTURES TRADING  
PERDAGANGAN BERJANGKA KOMODITI  
TAHUN 2017**



Commodity Futures Trading SRA Team



**BAPPEBTI**  
COMMODITY  
FUTURES  
TRADING  
SUPERVISORY  
AGENCY



**Risk Assessment of TPPU/TPPT on the Commodity Futures Trading Sector, 2017**

**SRA Commodity Futures Trading Team**

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Greetings!

*Assalamu'alaikum Warahmatullahi Wabarakatuh.*

Praise be to God, Allah SWT for only because of His grace and guidance, the CoFTRA with CFTRA can complete the “Risk Assessment of TPPU/TPPT on the Commodity Futures Trading Sector, 2017” document.

As we all know, that the Indonesian Government had a very strong commitment to prevent and eradicate all form of money laundering. Many necessary steps had been take to strengthen the Indonesian government commitment. One of such step is to implement the international standard which has been issued by the international institution, Financial Action Task Force (FATF). In the year of 2015, the national risk assessment related to money laundering a terrorist financing has been carried. As the follow up of NRA, in the national strategies of preventing and eradicating TPPU/TPPT 2017-2019, one of the action plan that must been done by CoFTRA are to organize the document of risk assessment of TPPU which had the sectorial risk assessment.

I warmly welcome the preparation of the sectorial risk assessment on the Commodity Futures Trading Sector of 2017, as it is of great importance to all stakeholders of the APUPPT regime, in order to assist in providing recommendations in regulations and provisions related to TPPU and TPPT in the field of futures trading. Besides, it can be used by CoFTRA in the framework of supervision as well as by business industry perpetrators of Futures Trading in the preparation of "Risk Based Approach" in the field of Futures Trading in implementing APUPPT provisions.

Therefore, it is my great hope that the presence of the SRA Report on the Commodity Futures Trading Sector of 2017 can benefit all stakeholders of the APUPPT regime in the effort to prevent and eradicate money laundering and terrorism financing.

Finally, I would like to express my gratitude and appreciation to the CoFTRA SRA Team and PPATK, especially the PPATK who have helped and guided CoFTRA in the preparation of SRA. May our charity efforts be blessed by God, Allah SWT. *Amin Ya Rabbal Alamin.*

*Wassalamu'alaikum Warahmatullahi Wabarakatuh.*

Jakarta, April 2017

Head for Commodity Futures Trading

Regulatory Agency

**Bachrul Chairi, S.E, M.BA**

## Executive Summary

In the effort to accomplish the recommendation no.1 of FATF, Indonesia has carry out National Risk Assessment on Money Laundering and Terrorist Financing in the year of 2015. As a follow up to the NRA results, a National Strategy for the Prevention and Eradication of TPPU and TPPT of 2017-2019 includes action plans across ministries/agencies to mitigate the various risks of TPPU and TPPT in Indonesia. One of the action plans in the 2017-2019 National Strategy is the organizing of Sectoral Risk Assessment risk assessment documents.

Considering the Commodity Futures Trading Industry is one of the Providers of Financial Services that has the potential to be misused as a means of money laundering and terrorism financing, PPATK together with the Commodity Futures Trading Regulatory Agency (CoFTRA) of the Ministry of Trade initiated the making of Sectoral Risk

Assessment Document (SRA) in the Commodity Futures Trading Industry Sector. The presence of this SRA document is expected to be the basis for the formulation of strategic policies in the prevention and stabilization of money laundering and terrorist financing in the Commodity Futures Trading sector.

Based on the results of identification, analysis and mapping against the factors, threats and impacts of TPPU and TPPT that can be generated in the futures trading sector, it can be concluded:

1. Foreign Exchange Billateral Contract (FOREX) is a high-risk product and service of TPPU/TPPT on the sector of Commodity Futures Trading.
2. Entrepreneur and private employee are the service user profile which have the high-risk potential to become perpetrators of TPPU/TPPT within the Commodity Futures Trading sector.

3. Jakarta, Special Areas of Capital City became the province which have the high risk of TPPU/TPPT occurrence in the futures trading sector while East Java and West Java had and intermediate risk of TPPU/TPPT occurrence.

Based on the results of identification of vulnerabilities or loopholes within the regulation, prevention and law enforcement policies, priority action has been prepared to minimize the risks of TPPU and TPPT in the commodity futures trading sector, including short-term priority actions:

1. Publishing the results of SRA to stakeholders in the Futures Trading industry, so it can be used as input for all stakeholders to formulate the implementation strategy of the APUPPT Regime and the allocation of risk-based resources.
2. Making, establish and publish the guidelines for the implementation of

Risk Based Approach for Futures Brokers to have minimum standards of application of APUPPT regime provisions in the Futures Trading Industry.

3. Improving some of the Head of CoFTRA Regulations, especially Head of CoFTRA Regulations that can regulate or mitigate the risks that exist in accordance with the SRA results, such as position limits in a contract for bilateral transactions.
4. Conducting risk-based supervision to Futures Brokers, taking into account the results of SRA so that the number of reports to PPATK can be increased;
5. Immediately conduct education and training related to the implementation of APUPPT Regime for CoFTRA officials/employees and Commodity Futures Companies officials/employees, to improve the

quality and quantity of APUPPT  
Regime implementation.

Meanwhile the intermediate – long term  
priority action, are:

1. It is necessary to make preparation of red flag for Suspicious Financial Transactions (TKM) in Futures Trading sector.
2. It is necessary to design the perception index of TPPU and TPPT in the Futures Trading Industry, to monitor follow-up on the basic recommendations of SRA.
3. It is necessary to formulate the Head of CoFTRA Regulation which regulates obligations and reporting guidelines periodically to the application of the regulation of APUPPT Regulation, which is used as material for the evaluation and preparation of risk based supervisions on an ongoing basis.

## **Chapter I**

### **Urgency of Sectoral Risk Assessment in the Sector of Commodity Futures Trading.**

#### Background

Indonesia had a strong commitment in the preventing and eradicating the criminal act of money laundering and terrorist financing. This is preceded by the establishment of Anti Money Laundering and Counter Terrorism Prevention (APU-PPT) regime and the enactment of Law on Prevention and Eradication of Money Laundering (TPPU) and Law on the Prevention and Eradication of Criminal Act on Terrorism Financing (TPPT). In line with this, Indonesia also consistently strives to implement international standards issued by the International Financial Action Task Force (FATF). Various measures have been undertaken by Indonesia to meet these international standards, one of which are implementation of national risk assessment related to money laundering and terrorist financing in 2015 which refers to Recommendation no. 1 of FATF on 2012 where every jurisdiction/state is required to identify, assess and understand the risks of money laundering and terrorism financing of the country, to further take action, and to determine the authority that will coordinate the risk assessment and resource utilization activities by the purpose of ensuring that existing risks have been effectively mitigated.

Based on the results of NRA on ML it is known that the narcotics crime, corruption and crime in the field of taxation is the three (3) highest risk of predicate offenses to becoming a source of funds of TPPU in Indonesia. As a NRA follow up, the National Strategy Prevention and Combating Money Laundering and TPPT Year 2017-2019 had been drawn up which includes cross-ministry/agency action plans in order to mitigate the risks of TPPU and TPPT in Indonesia,

particularly related to such three high-risk offenses. One of the action plans in the 2017-2019 National Strategy is the making of money laundering Sectoral Risk Assessment documents.

Considering the Commodity Futures Trading Industry is a provider of financial services have the potential to be abused as a means of money laundering and terrorist financing, then PPATK along with Commodity Futures Trading Regulatory Agency (CoFTRA) of the Ministry of Trade initiated the preparation of Sectoral Risk Assessment (SRA) documents in the Industrial Sector of Commodity Futures Trading. The presence of this SRA document is expected to be the basis for formulating strategic policies in preventing and eradicating money laundering and terrorist financing in the Commodity Futures Trading sector.

#### Purpose

The SRA assessment of TPPU are meant to identify, analyze, evaluate and mitigate the risk of TPPU on the commodity futures trading industries, which has the purpose of:

- a. To identify and analyze the risk of TPPU/TPPT on the commodity futures trading sector based on the product and service.
- b. To identify and analyze the risk of TPPU/TPPT on the commodity futures trading sector based on the region and province
- c. To identify and analyze the risk of TPPU/TPPT on the commodity futures trading sector based on the profile of service user

## Output

The SRA document of TPPU in the Industrial Sector of commodity futures trading is expected to be the basis for formulating strategic policies for CoFTRA, in particular in relation to the case handling strategy of risk-based TPPU in the Commodity Futures Trading Industrial Sector. On the other hand, the elaboration of key TPPU key risk characteristics in the Commodity Futures Trading Industrial Sector could be a reference for the Commodity Futures Trading industry especially in the APU-PPT Regime to jointly PPATK in preventing and eradicating the criminal act of money laundering.

## Chapter 2

### Literary Research of Sectoral Risk Assessment on the Sector of Commodity Futures Trading. Indonesia APUPPT Regime

The anti-money laundering regime (APU) and Terrorism Financing Prevention (PPT) in Indonesia cannot be separated from the important role of related agencies/institutions and the community in general (stakeholders) in the effort to prevent and eradicate TPPU/PT. The intended stakeholders include:

1. National Committee of Prevention and Eradication of Money Laundering Criminal Act.

TPPU Committee have the tasks as mentioned below:

- 1) To formulate direction, policy, and strategy of prevention and eradication of money laundering.
  - 2) To coordinate the implementation of program and activities compatible to direction, policy, and strategy of prevention and eradication of money laundering.
  - 3) To coordinate the necessary steps to be taken in the handling of other issues related to the prevention and eradication the criminal act of money laundering and terrorist financing; and
  - 4) To observe and evaluate the handling and implementation of program and activities compatible to direction, policy, and strategy of prevention and eradication of money laundering.
2. Complainant Party

The complainant party in Law No. 8 of 2010 on Prevention and Eradication of Money Laundering Criminal Act (UU PP TPPU) is any person who according to the law is required to submit report to PPATK. The complainant party has a very important role in assisting law enforcement in Indonesia and is a front-liner in preventing and eradicating TPPU and TPPT. This is because the information/report submitted by the complainant party to PPATK becomes the first and main source of information for the effort to find the air allegations of TPPU and TPPT. In Article 17 Paragraph (1) of Law Number 8 of 2010 and PP. 43 Year 2015, the reporting party includes:

a. Provider of Financial Services

- 1) Bank
- 2) Financing Company
- 3) Insurance Company and Insurance Broker Company
- 4) Financial Institution Pension Fund
- 5) Securities Company
- 6) Investment Manager
- 7) Custodian
- 8) Trustees
- 9) Postal as the Giro Service Provider
- 10) Foreign Exchange Provider
- 11) Card payment Organizers
- 12) E-money/e-wallet Organizers
- 13) Saving and Loan Cooperative
- 14) Pawnshop

15) Commodity Futures Trading Company

16) Money delivery Company

17) Venture Capital Company

18) Infrastructure Financing Company

19) Micro Financing Company

20) Export Financing Company

b. Service and Good Provider

1) Properties Agencies

2) Motored Vehicle Merchant

3) Diamond and Precious Metal Merchant

4) Art and Antics Goods Merchant

5) Auction Hall

c. Profession

1) Advocate

2) Notary

3) Land Titles Register

4) Accountant

5) Public Accountant

6) Financial Planner

3. Supervision and Regulatory Agencies

Supervision and Regulatory Agencies are the institution which has the authority of supervision, regulation, and/or sanction imposition to the complainant party. The institution that had the role of supervision and regulation in Indonesia are: Bank Indonesia

(BI), Financial Services Authority (OJK), Commodity Futures Trading Regulatory Agency (CoFTRA), Ministry of Cooperative Small and Medium Enterprises. In this case there is no supervision and regulatory agency in behalf of the complainant party, then the role of supervision, regulation, and/or sanction imposition to the complainant party are held by PPATK.

#### 4. Law Enforcement Institution

Law Enforcement Institution has a big role in effort to eradicate TPPU either from stage of inquiry, investigation until prosecution process and court examination. In the case of investigation of TPPU, PPATK has relation with investigator in eradicating money laundering crime as mentioned in Article 64 paragraph (2) of TPPU Law. Vice versa, the investigator coordinates with the PPATK in conducting an investigation (Article 64 paragraph (3) of the TPPU Law). Based on the Law on TPPU, there are 6 (six) investigative institutions which have authority to investigate TPPU so that it is authorized to receive financial intelligence information from PPATK, namely: the Indonesian National Police, the Attorney General's Office, the Corruption Eradication Commission, the National Narcotics Board, the Directorate General of Taxation and the Directorate General Customs and Excise

#### 5. Directorate General of Customs and Excise

The Directorate General of Customs and Excise (DJBC) shall be obligated to prepare reports on the carrying of cash and/or other payment instruments for subsequent submission to PPATK. The prepared report is sourced from the results of supervision on the notification of each person carrying cash and other payment instruments that go out or

enter the Indonesian customs territory worth Rp. 100 million or more or equivalent in foreign currency.

#### 6. Financial Transaction Reports and Analysis Center (PPATK)

PPATK which is Indonesia's financial intelligence unit plays a major role in the mechanism of prevention and eradication of money laundering in Indonesia. The duties and functions of PPATK are clearly stipulated in Law Number 8 of 2010 concerning Prevention and Eradication of Money Laundering Crime, and then completed by Presidential Decree No. 82 of 2003 on Procedures for the Implementation of Authority of PPATK. In carrying out the analytical function or examination of reports and information as referred to in Article 40 Sub-Article d of the TPPU Law, the PPATK may request and receive reports and information from parties required by law to report financial transactions to PPATK such as Suspicious Financial Transactions Report (LTKM ), Cash Transaction Report (LTKT), Transaction Report of Financial Transfers from and Abroad (LTKL), Cross Cash Transfer Report (LPUTLB) and other financial transaction reports.

#### 7. Society

The community has a very important role in the prevention and eradication of TPPU and TPPT. The intended community is the community that becomes the users of financial services, the providers of other goods and services, as well as professional services. Users of such services include: bank customers, insurance, securities companies, pension funds and others including auction participants, gold merchant customers, properties, and so forth. The role of the public is to provide data and information to the Reporting Party when conducting business relations with the Reporting Parties, at least covering the identity, funding sources and transaction objectives by filling out the forms provided by the

Reporting Parties and attaching supporting documents. In addition, the community can also play an active role in providing information to law enforcement authorities or PPATK if there are acts that indicate money laundering and terrorism financing.

#### The Criminal act on the Commodity Futures Trading Industry

Law No, 32 of 1997 about the Commodity Futures Trading as amended by Law No. 10 of 2011, are part of the public law that had been issued by Indonesian Government as form of criminalization to the commodity futures trading. The purpose of the issued law is to improve the business activities of commodity futures trading so it can be held regularly, reasonable, efficient, effective and protecting the public from harmful acts, and providing legal certainty to all parties conducting activities in the field of Commodity Futures Trading.

To achieve the purpose which has been mentioned above, the Commodity Futures Trading Regulatory Agency (CoFTRA) as one of the echelon I which are direct under the Ministry of Trade had been given the responsibility and authority by the law to carry out development, regulation, supervision and expansion of futures trading activities based on the policy which has been assigned and will be in the frontline in case of law enforcement

In the provisions of Law no. 32/1997 concerning Commodity Futures Trading as amended by Law no. 10/2011, a number of provisions concerning forms of criminal acts or criminal offenses may be imposed. Criminal sanctions are directed against any form of acts or offenses committed not only by the parties or market participants as individuals or people. It is also done by a Futures Trading Service Company which has been in the form of a legal entity (*rechts person*). In accordance with Article 61, Law no. 32/1997, new criminal sanctions can be applied if all forms

of consensus resolution are not reached. Various forms of unlawful acts that may be subject to criminal sanctions may be directed either to individuals or individuals or to groups / some persons or legal persons (*rechts person*).

Some forms of acts that may be subject to criminal sanctions as stipulated in Law no. 32 of 1997 concerning Commodity Futures Trading as amended by Law no. 10/2011, are as follows:

- Conducting Futures Trading activities without having a business license, actors act as; A futures broker, a dealer of a client's mandate on an overseas exchange, a futures advisor, a central fund management manager subject to imprisonment of a maximum of 5 (five) years and a maximum of 10 (ten) years and a fine of at least Rp. 10,000,000,000.00 (ten billion rupiah) and a maximum of Rp. 20,000,000,000.00 (twenty billion rupiah) vide Article 71 paragraph (1).
- Conducting activities without any requirement, approval or determination shall be subject to imprisonment of a maximum of 5 (five) years and a maximum of 10 (ten) years, and a fine of at least Rp. 10,000,000,000.00 (ten billion rupiah) and a maximum of Rp. 20,000,000,000.00 (twenty billion rupiah) vide Article 71 paragraph (2).
- Conducting activities without permission or without having a registration certificate shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 3 (three) years, and/or a fine of at least Rp. 500,000,000.00 (five hundred million rupiah) and at most Rp. 1.500.000.000,00 (one billion five hundred million rupiah) vide Article 71 paragraph (3).
- Leaking confidential, sentenced to imprisonment of minimum 1 (one) year and maximum 3 (three) years, and / or a fine of at least Rp. 500,000,000.00 (five hundred million rupiah)

and a maximum of Rp. 1,500,000,000.00 (One billion five hundred million rupiah) vide Article 73.

- Does not guarantee the confidentiality of financial position information and business activities of the Futures Exchange Member shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and most Many Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73A paragraph (1).
- Does not guarantee the confidentiality of data and information concerning the customer, the client, or the Sentra Fund Futures participants, and discloses data and information subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000. 000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73A paragraph (2).
- Does not depositing funds received from Clearing Member in an separate account from the account of the Clearing House at a approved bank by CoFTRA shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000 (One billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73B paragraph (1).
- Does not store all the wealth of Futures Fund Centers on a bank shall be punished with imprisonment for a minimum of 1 (one) year and 4 (four) years at the minimum, and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000.000.000,00 (four billion rupiah) vide Article 73B paragraph (2).
- Does not keeping the Compensation Fund in an separated account from the Futures Exchange account at a bank approved by CoFTRA shall be subject to imprisonment of a

maximum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000.00 (One billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73B paragraph (3).

- Receiving and / or granting loans and using Futures Fund Centers funds to purchase Certificate of Participation from other Futures Fund Centers shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000. 000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73C paragraph (1).
- Saving the wealth of the Futures Fund Centers on the bank affiliated with it and/or using the services of a Futures Broker affiliated with it shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000, 00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73C paragraph (2).
- Withdrawing or receiving certain money and/or securities from his client, except for the payment of services on the advice given to the client concerned, shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a minimum fine Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73C paragraph (3).
- Conduct offers of Futures Contracts, Syariah Derivative Contracts and/or other Derivative Contracts with or without promotional activities, recruitment, training, seminars and/or raising Margin funds, guarantee funds and/or equivalent for purposes of transactions related to Futures Trading except with permission from CoFTRA shall be subject to imprisonment of a maximum of 5 (five) years and a maximum of 10 (ten) years, and a fine

of at least Rp. 10,000,000,000.00 (ten billion rupiah) and a maximum of Rp. 20,000,000,000.00 (twenty billion rupiah) vide Article 73D paragraph (1).

- Distributing the mandate to conduct Futures Contract, Syariah Derivative Contract and/or other derivative contracts from third parties which is done not in accordance with the provisions of this Act and/or its implementing regulations shall be subject to imprisonment of a minimum of 1 (one) year and the longest 4 (four) years, and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73D paragraph (2).
- Accepting an illicit mandate of customer shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 3 (three) years, and / or a fine of at least Rp. 500,000,000.00 (five hundred million rupiah) and a maximum of Rp. 1,500,000,000.00 (one billion five hundred million rupiah) vide Article 73D paragraph (3).
- Conducting Futures Contracts, Syariah Derivatives Contracts and/or other Derivative Contracts for the Customer's account without receiving orders for each transaction from the Customer or its proxies appointed in writing to represent the interests of the Customer concerned shall be punished with imprisonment of at least 1 (one) year And for a maximum of 3 (three) years, and/or a fine of at least Rp. 500,000,000.00 (five hundred million rupiahs) and a maximum of Rp. 1,500,000,000.00 (one billion five hundred million rupiah) vide Article 73D paragraph (4).
- Own, directly or indirectly, open positions on Futures Contracts, Syariah Derivative Contracts and/or other Derivative Contracts exceeding the maximum limit shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and A

fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73D paragraph (5).

- Does not submitting the Company's Document of Information and Document of Risk Notification and to enter into an agreement with the Customer before the respective Brokerage may receive Customer's funds for Futures Trading, Syariah Derivative Contract and/or other Derivative Contracts shall be punished by imprisonment of at least 1 (one) Years and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73E paragraph (1).
- Does not submit the Company's Document of Information and Document of Risk Notification to the client before the two parties bind themselves in a service agreement or not to notify the interest of the relevant Futures Advisor, shall be punished with imprisonment for a minimum of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73E paragraph (2).
- Does not submit the Company's Document of Information and Document of Risk Notification to Future Fund Futures Participants before the two parties bind themselves in a centers futures fund management agreement shall be subject to imprisonment of minimum 1 (one) year and 4 (four) years and fine At least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73E paragraph (3).
- Does not reporting to CoFTRA through its market futures an contract open positions if it reaches a certain limit set by CoFTRA shall be subject to a maximum imprisonment of 1

(one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000, 00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73E paragraph (4).

- Does not submit a report of imprisonment with a maximum imprisonment of 1 (one) year and a maximum of 4 (four) years, and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (Four billion rupiah) vide Article 73E paragraph (5).
- Does not treating the Customer's Margin, including any additional funds resulting from the Customer's transaction, as the Customer's fund or not depositing the Customer's Fund in an account separate from the Broker's account at a bank approved by CoFTRA or withdrawing the Customer's funds from a separate account, for payment Commissions and other fees and/or for other purposes without written orders from the respective Customer, in connection with Futures Contract transactions, Syariah Derivative Contracts and/or other Derivative Contracts, shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 5 (Five) years and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 5,000,000,000.00 (five billion rupiah) vide Article 73F paragraph (1).
- Does not managing any Centers Futures Fund in an institution separate from the Central Futures Manager of the Futures Fund, or not placing joint funds collected from the prospective Centers Futures Fund Participants in a separate account from the account of the Central Futures Manager of the Futures Fund at a bank approved by CoFTRA, shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 5 (five) years,

and a fine of at least Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 5,000,000,000.00 (five billion Rupiah) vide Article 73F Paragraph (2).

- Does not reporting any other Derivative Contract transactions to the Futures Exchange and/or failing to register any other Derivative Contract transactions to the Clearing House of Futures Clearance shall be subject to imprisonment of a maximum of 1 (one) year and a maximum of 4 (four) years, and a minimum fine of Rp. 1,000,000,000.00 (one billion rupiah) and a maximum of Rp. 4,000,000,000.00 (four billion rupiah) vide Article 73G.
- Does not obeying or impeding the execution of official orders from authorized officials, threatened with a maximum of one-year imprisonment and a maximum fine of Rp. 1,000,000,000.00 (one billion rupiah) vide Article 75.

Some of the above offenses are perpetrated by perpetrators using various modes or modus operandi, so there needs to be a vigilance in the conduct of transactions. The usual modus operandi performed by principals is packaged in such a way by using certain techniques that are constantly evolving. As for the pattern of crimes committed, among others in the form as follows: Bucketing, Prearranged trading, misuse of accounts, and Fraud, and not report bilateral transactions on the Futures Exchange and register it at the Clearing House.

## Regulatory and Supervision of Commodity Futures Exchange Industries

Commodity Futures Trading Regulatory Agency (CoFTRA) of the Ministry of Trade had the principle task and function to exercise development, regulation, expansion and supervision in the field of Commodity Futures Trading, Warehouse Receipt System and Commodity Auction Market.

With the amendment of Law No. 32/1997 become Law No, 10/2011 there is several substantial change regarding terminology such as Commodity Futures Trading, Commodity, Futures Contract, Futures Exchange and many others. The main core of the regulation change in the new Law of Commodity Futures Trading are the development and supervision. From the development side, the regulation covers many important elements for the development of futures trading in the future, among others it covers an extension understanding of commodity, commodity futures trading and futures contract, besides there is and understanding of derivative contract and Syariah derivative contract. Moreover, there can be found several new regulations about alternative trading system, futures market demutualization, futures trading industrial association and futures trading electronic transaction. With such development, there is an extension of terminology from several aspects with the purpose to following the change of business world and the needs of market players.

### Institution

Institutions listed in the Futures Trading industry in 2016 consist of the Supervisory Board (CoFTRA) as the highest authority in the field of Futures Trading; 2 (two) Futures Exchanges namely PT Futures Exchange Jakarta - BBJ (Jakarta Futures Exchange - JFX) and PT Bursa Commodity and Derivatives Indonesia - BKDI (Indonesia Commodity and Derivative Exchange - ICDX); 2 (two) Clearing Agencies namely Indonesian Derivatives Clearing House (KBI) and PT

Indonesia Clearing House (ICH); 68 (sixty eight) Futures Brokers; 120 (one hundred and twenty) Futures Traders; 19 (nineteen) SPA Organizing Merchants; 237 (two hundred and thirty seven) Branch Offices; 6 (six) Margin Holding Banks; 2571 (two thousand five hundred and seventy one) Deputy Brokerage Agent; 1 Association of Indonesian Commodity Futures Trading Association (ASPEBTINDO); and the Indonesian Commodity Futures Trading Arbitration Agency (BAKTI) established at the end of 2008.

#### Futures Trading Performance

The supervised and scouted transactions activities by CoFTRA includes the Futures Trading transactions traded on the Exchange (multilaterally); Distribution of Customer's order to Foreign Exchange (PALN); Derivative Contract transactions that are traded bilaterally under the Alternative Trading System or SPA; and organized physical trading.

During 2016, the volume of Commodity Futures Trading transactions was recorded at 7.01 million lots or 6.4% growth compared to 2015. Meanwhile, the value of CPI transactions recorded amounted to Rp. 95.2 Trillion or decreased by 3.82%. The volume of CPK transactions during 2016 recorded at 7.01 million lots consisted of 1.44 million lot futures contracts and 5.56 million lots of other Derivative Contracts (SPAs). The highest growth was achieved by Multilateral Futures Contracts which increased by 12.97% compared to 2015, while the other Derivative Contracts only increased by 4.81%. The volume of transactions in PBK is still dominated by SPA transactions with 79.37% share and multilateral transactions of 20.63%.

Table 1

## Commodity Futures Trading Transaction Volume

Contract Type	2014		2015		2016	
	Volume (LOT)	Enhancem ent	Volume (LOT)	Enhancem ent	Volume (LOT)	Enhance ment
BBJ Multilateral Contract	412.199	26,11%	700.261	69,88%	882.755	26,06%
BKDI Multilateral Contract	696.976	-25,51%	580.540	-16,71%	564.198	-2,81%
<b>Total Contract Multilateral (BBJ + BKDI)</b>	1.109.175	-12,15%	1.280.801	15,47%	1.446.953	12,97%
SPA BBJ Contract	3.192.699	-23,90%	3.604.889	12,91%	4.145.962	15,01%
SPA BKDI Contract	1.851.135	30,72%	1.704.640	-7,90%	1.419.305	-16,75%
<b>Total Contract SPA (BBJ + BKDI)</b>	5.043.834	-10,11%	5.309.729	5,27%	6.565.267	4,81%
Total BBJ Transaction Volume	3.604.898	-20,28%	4.305.150	19,43%	5.028.717	16,81%
Total BKDI Transaction Volume	2.548.111	8,34%	2.285.380	-10,31%	1.983.503	-13,21%

Contract Type	2014		2015		2016	
	Volume (LOT)	Enhancem ent	Volume (LOT)	Enhancem ent	Volume (LOT)	Enhance ment
<b>Total PBK Transaction Volume</b>	6.153.009	-10,49%	6.590.530	7,11%	7.012.220	6,40%

Source: PT. BBJ & PT BKDI (processed by CoFTRA)

To improve the integrity of the Futures Trading industry, CoFTRA has taken steps to foster public confidence in the Futures Trading industry, for example through the signing of an Integrity Pact by the Director of Futures Exchange, Clearing House, Futures Broker, and SPA Organizer. CoFTRA also publishes a package of Trade Futures policies aimed at fostering confidence in the Futures Trading industry through strict regulation. In order to monitor the futures broker's compliance with financial reporting obligations, CoFTRA has established a monitoring system through e-reporting that is directly and real-time connected with the Financial Broker reporting system and banking system. This is done in order to supervise the more efficient and effective SPA transaction.

## Know Your Customer Principle

Commodity Futures Trading is a complex and risky business activity. This is partly due to the presence of leverage elements, where small placements of funds (margin) can earn large profits or suffer huge losses. Therefore, before deciding to enter or engage in this Futures Trading business, the perpetrators, especially prospective customers and the public, are required to have sufficient knowledge and a correct understanding of the Futures Trading.

The most basic provisions when a Futures Broker Company searches for a prospective Customer is a Futures Broker must first know the background of a prospective customer who will enter or engage in Know Your Customer (KYC) business including the source of funds to be used. Brokers are also required to submit a Company Information Document to their prospective Clients, which include information on the organization and management of their company. Brokers shall also explain any risks that may be encountered, as contained in the Risk Notification Document. If the prospective Customer understands and accepts the risk, the customers must sign the document indicating that it has understood the risks they will face and agree to become the Customer of the Broker. It is also important that Futures Brokers are required to know the background, reputation and good behavior of their employees (Know Your Employee), because employees are the spearhead of the company in promoting its activities and or assisting customers in providing advice when necessary.

## Regulation and Supervision of Money Laundering Regime

Furthermore, with the enactment of Presidential Regulation No. 117/1986 on the National Coordinating Committee for the Prevention and Eradication of Money Laundering (Amendment to Presidential Regulation No. 6 of 2012), by affirming the Minister of Trade, Minister of

Cooperatives and UMKM, and Chairman of the Board of Commissioners of the Financial Services Authority, as Member of the Money Laundering Crime Committee (TPPU), and confirmed the Head of CoFTRA to be a member of the Implementation Team.

Inauguration of the Minister of Trade c.q. CoFTRA, because of the CoFTRA field of task as the Supervisory and Regulatory Agency in Commodity Futures Trading in the implementation of Law no. 8 on Prevention and Eradication of Money Laundering Crime. In connection with this, several action plans have been prepared:

- Conducting regulatory regulation regarding Knowledge Service Principles (PMPJ) with FATF Recommendations, by issuing Head of CoFTRA Regulation No. 2 of 2016;
- Develop and implement Risk Based Supervision through the preparation of the Sectoral Risk Assessment of all categories of Reporting Parties, and Individual Risk Assessment Development in the context of implementing risk-based compliance supervision;
- Regulate and oversee the obligation of the reporting party to develop risk based approach (risk appetite) in determining the risk of money laundering and terrorism financing of the Customer, delivery channels and the country;
- Preparing guidelines for the development of Risk Based Approach (risk appetite) in determining the risk of money laundering and terrorism financing for the reporting party;
- Improving the effectiveness of remedial action (remedial measures) related to the application of APU / PPT provisions;
- Preparing statistics related to compliance supervision, including remedial action statistics and sanctions; and
- Establish a Task Force or Anti Money Laundering Task Force (APU) and Terrorism Financing Prevention (PPT) in Commodity Futures Trading, which among others will

coordinate compliance controls in the framework of information sharing and policy and operational discussions related to compliance supervision.

## Effectivity of Regulation and Supervision of APUPPT regime on the Commodity Futures Trading Industry.

In order to prevent the entry of crime money into the Commodity Futures Trading industry, CoFTRA has issued a regulation concerning the Application of Know Your Customer Principles by the Futures Broker by adopting a more comprehensive international standard recommendation to prevent and eradicate money laundering and/or terrorist financing issued by the Financial Action Task Force (FATF), known as the FATF Recommendation 40 + 9. The recommendations are also used by the international community in the assessment of state compliance with the implementation of Anti Money Laundering (APU) and Terrorism Funding Prevention (PPT) programs.

The Role of Futures Brokers in applying the optimal and effective APU and PPT Program is expected to reduce or prevent the Futures Trading as a means of money laundering and terrorist financing. This is in line with the development of products, activities and information technology in the field of futures trading which increasingly to be complex and feared to increase the opportunity for the parties who are not responsible for using products in the field of Commodity Futures Trading in helping the criminal act.

Some of the principal of the regulation of the Head of CoFTRA Regulation are: First, the use of Customer Due Diligence (CDD) terms for Know Your Customer Principles in the identification, verification and monitoring of the Customer. Second, the Futures Broker must prepare, confirm,

and implement and comply with the guidelines of the Know Your Customer Principles. Third, the use of Risk Based Approach in the implementation of APU-PPT Program, so that there are rules of CDD for high risk areas, Politically Exposed Persons, Low risk, middle, and high-risk customers.

With the promulgation of Head of CoFTRA Regulation No. 2 of 2016 concerning Know Your Customer Principles by Futures Broker, all Futures Brokers shall implement all the provisions stipulated in the Regulations. For Futures Brokers who do not comply with this Head of CoFTRA Regulation will be subject to administrative sanction by CoFTRA.

#### Risk Based Audit

Along with the rapid public s and the business community demands on information disclosure, as well as in order to avoid harmful practices for society, as well as limited resources of CoFTRA both in terms of Human Resources (HR) and budget in conducting supervision, so to anticipate developments that occur in In the field of futures trading in particular to improve the effectiveness and efficiency in supervision, CoFTRA has issued Head of CoFTRA Regulation No. 1 of 2016 on Guidelines for Technical Inspection in the Framework of Audit in the field of Futures Trading.

This Regulation is prepared in order to increase the legal certainty for perpetrators in the field of Futures Trading and effectiveness in order to conduct guidance and supervision of the activities of market participants in the field of Futures Trading, by stipulating provisions on Technical Inspection Guidelines for Future Trading Audit, which have adopted the application of "Risk Based Supervision" in the audit. The implementation of supervision of APU/PPT program implementation in the field of Futures Trading will, at the most, use these guidelines as instruments, by making adjustments. Such adjustments shall be made, among others, by

considering the results of the Sectoral Risk Assessment and the provisions of laws and requiring the implementation of the APU/PPT program, including the report obligations by the Futures Broker. With this instrument CoFTRA can prioritize the owned resources, both Human Resources (HR) and budget in accordance with the results of the calculation of compliance monitoring programs APU/PPT (Risk Based Supervision).

CoFTRA has also distributed questionnaires to all Brokerage Agencies in order to measure the risk level of each Individual Risk Assessment. With the spread of this questionnaire, CoFTRA can know the risk level of each Futures Broker, especially the risk level of Futures Broker against money laundering and terrorist financing for the days to come.

#### More Effective Supervision

Amendment of Law no. 32/97 on PBK becoming the Law no. 10/2011 on Amendment to Law no. 32/97 on PBK is driven by the fact that bilaterally conducted derivative contract transactions or known as SPA over the past few years strongly dominate the Futures Contract transactions on the Exchange. Besides, the coverage of commodities that are the subject of Futures Contracts traded has also grown broader. SPA transactions during 2016 reached 79.37% of all transactions that occur in the Exchange, while in 2015 reached 80.57%, therefore SPA needs to be regulated to provide protection and legal certainty to the community and business actors.

With the development of SPA transactions, it is necessary to have a supervisory system that can counter the existence of Market Fraud and Financial Fraud in the futures trading industry in Indonesia. This monitoring system is an application which is integrated with the SPA application used by each organizer merchant so that CoFTRA and SRO can control and supervise the ongoing transaction. To that end, in fiscal year 2015 CoFTRA has established a new SPA transaction

supervision system and can be used in an integrated manner by the Authority and SRO, in this case the Exchange and Clearing Futures. With the newly built monitoring system it is expected there will be an improvement of supervision that has been running for this. It is hoped that not only CoFTRA and SRO can immediately detect any deviations that occur and as soon as possible to take the necessary steps, but it is also expected to detect before such irregularities occur and take the necessary precautions.

In order to improve the supervision of financial integrity, the development of electronic financial reporting system for business actors (Futures Broker, SPA Organizer, Futures Exchange and Clearing House), and financial reporting through MT940 application from Margin Holding Bank in the form of daily mutation of Brokerage Account Futures, and report on the fulfillment of 70% margin placement at Clearing Agencies supervised by Futures Clearing and CoFTRA Institution in accordance with Head of CoFTRA Decree No. 117/Bappebti /2015.

#### Indonesian Risk Assessment against TPPU

In order to comply with the FATF Recommendation No. 1, the PPATK together with all stakeholders of the APU-PPT Regime has published the Indonesian National Risk Assessment document on the TPPU and TPPT (National Risk Assessment on Money Laundering and Terrorist Financing) in October year 2015 through the Coordinating Minister for Political, Legal and Security Affairs as the Chairman of the Committee of Prevention and Eradication of TPPU and TPPT Indonesia. In the preparation of the NRA on ML and TF, a comprehensive and structured evaluation of the various threats, vulnerabilities and impacts of the national TPPU has occurred. The results of the National Risk Assessment are as follows:

1. The main threat of TPPU in Indonesia is related to narcotics crime, criminal acts of corruption, and criminal acts in the field of taxation. These three offenses are the riskiest fund of TPPU in Indonesia.
2. The threat of TPPU in Indonesia originating from abroad is mainly related to the criminal acts of taxation. Iran, North Korea, Syria, Myanmar, Afghanistan, Sudan, Cuba and countries that the OECD is categorized as tax-haven countries are the most high-risk countries of TPPU.
3. In view of the TPPU area of occurrence, DKI Jakarta becomes a high-risk province of TPPU in Indonesia, followed by East Java, Papua, North Sumatera, Riau, West Kalimantan, West Java, South Sulawesi, Bengkulu and Bali at the middle risk of TPPU occurrence.
4. Capital Market Industry, Banking, Company/Property Agent, and Motor Vehicle Owners have the highest risk of being used as a means of TPPU perpetrators in Indonesia. Meanwhile, Money Services Business (KUPVA Business Activity and Money Transfer Operations/KUPU now called Fund Transfer Providers/PTD) has an intermediate risk to be a means of TPPU perpetrators in Indonesia.
5. Corporate Service User/Corporation, especially foundation, and Non-SME Corporations are at higher risk of becoming TPPU players than Individual Service Users.
6. Viewed from the side of the culprit profile, it is known that the profiles of individuals that have the most at risk of becoming TPPU perpetrators are entrepreneurs, Politically Exposed Persons (PEPs), and employees of BUMN/BUMD. As for corporations/non-individuals, the riskiest profiles of TPPU are NPO/NGO, company, and micro businesses.

7. Use of Bitcoin and other virtual currency in conducting financial transactions become one of the emerging threats TPPU in Indonesia.

Based on the results of the identification of vulnerabilities/gaps in the regulation, prevention policies, cross-border transaction monitoring and law enforcement, relevant recommendations have been developed in order to minimize the risk of TPPU in Indonesia by considering PESTEL (Political, Economic, Social, Environment, and Legislation), including:

1. Periodic improvements in governance of legislation and regulation;
2. Rescue the assets of the proceeds of crime by pushing the Asset Looting Law
3. Encourage the criminalization of *illicit enrichment* incorporated into the TPPU Law;
4. Encouraging the implementation of SIN (Single Identity Number);
5. Encouraging the acceleration of the RPP regarding the limitation of cash transactions, the carrying of cross-border transfers, and NPOs;
6. Increasing public awareness to TPPU and risk of hedonic lifestyle;
7. Increasing coverage of Reporting Parties to become active reporters in identifying risk-based TKM;
8. Improvement of LPP awareness, understanding, and competence;
9. Enhancing capacity and capability of law enforcers to enforce risk-based law enforcement;
10. Integrated money laundering handling pattern;
11. The need for a program of risk-based supervision and supervision by law enforcement at the regional level;
12. Encouraging remuneration improvement efforts on high-risk profiles, including units that handles APUPPT;

13. Optimizing the role of units/functions of internal audit at various stakeholders in the implementation of the APUPPT regime;

14. The need to build integrated national statistics on prevention and eradication of TPPU.

## Chapter 3

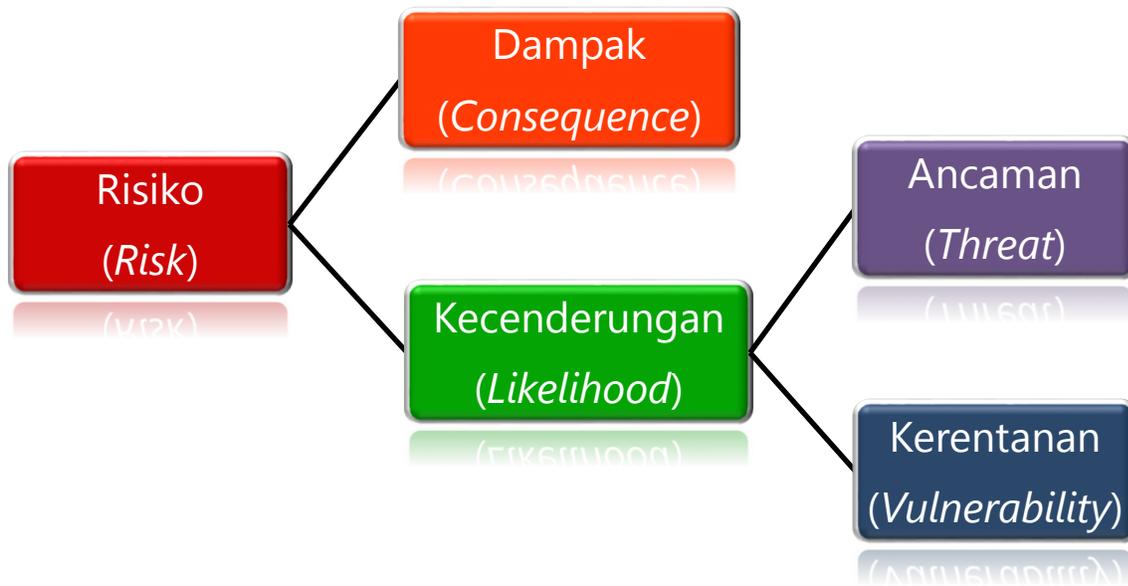
### Methodology of Sectoral Risk Assessment on the Sector of Commodity Futures Trading

#### Work frame

The SRA TPPU framework in the Industrial Sector of Commodity Futures Trading is developed comprehensively by the PPATK and CoFTRA referring to the FATF guidelines. Based on these documents it is known that Risk is a function of 3 (three) factors: Menace, Vulnerability and Consequence as follows:

Chart 1

#### Formulation of Risk Assessment



- a. Threat is a person or set of people, objects or activities that have the potential to cause harm. In the context of money laundering, threats include perpetrators of criminal acts, related parties, sources of funds and so forth
- b. Vulnerability is what things can be exploited by threat factors in doing their activities. In the context of the TPPU, vulnerability factors illustrate the weaknesses in anti-money laundering/terrorist financing, whether in the form of financial products or services of interest for money laundering and terrorist financing purposes.
- c. The impact (Consequence) is the result of the occurrence of the threat of criminal acts both to the financial system, the financial industry and to the economy and social broadly.
- d. Risk is a function of threat, vulnerability and impact. Risk assessment is the result or process based on methodology agreed by related parties to identify the risk of TPPU.

The stages in determining the risk of money laundering and financing of terrorism in the commodity futures sector are done through several stages, including the process of identification, analysis and evaluation.

Chart 2

Stages of Risk Assessment



1. Identification Step

This stage is done to identify the risk factors to be analyzed. In the SRA of this Commodity Futures Trading industry, 3 (three) aspects (Point of Concern/PoC) have been determined which need to be assessed at risk level: Products and Services, Region and Profile.

a. Services and Product

In this aspect, the risk level of TPPU in the Commodity Trading Industry is assessed or mapped based on the type of products and services contained in the Commodity Futures Trading industry. The products and services contained in the Commodity Futures Trading industry are regulated in Head of CoFTRA Regulation No. 114 of 2014 on Commodities That Can Be Used as Futures Contract Subject, Syariah Derivative Contracts, and/or Other Derivative Contracts Traded in Futures Exchange. Article 1 states that commodities which may be subject to Futures Contracts traded on futures exchanges include:

- 1) In the field of agriculture and plantation;
- 2) In the field of mining and energy;
- 3) In the field of industry;
- 4) In the field of fishery and marine; and

5) In finance.

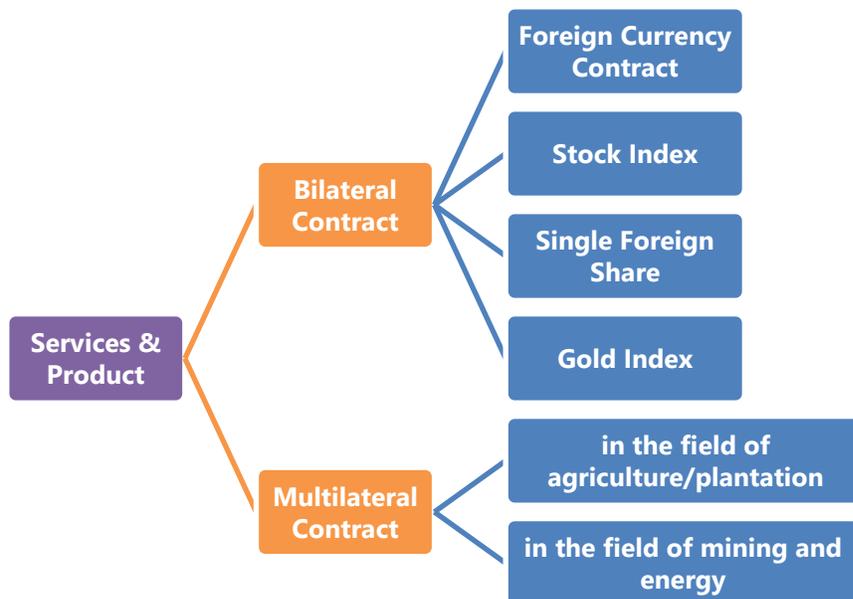
and Article 3 states that commodities which may be subject to Derivative Contracts other than Futures Contracts and/or Syariah Derivative Contracts traded outside the Futures Exchange are:

- 1) Stock Index;
- 2) Gold Index;
- 3) Foreign Currency; and
- 4) Single Foreign Share.

Based on CoFTRA data, commodities that are actively traded in Indonesia are only a few, and those products will be assessed risk in this sectorial risk assessment, such as:

Chart 3

Futures Commodity Product which will be assessed risk



The factors that are agreed upon as a form of risk are as follows:

**Threat**

No	THREAT <i>KEY FACTOR</i> OF PRODUCTS & SERVICES
1	Numbers of Court Decree TPPU/TPPT in accordance to product
2	Numbers of Peoples complaint related to Product
3	TPA Corruption Potential Perception related with product by Regulation and Supervision Institution
4	TPA Narcotics Potential Perception related with product by Regulation and Supervision Institution
5	TPA Taxation Potential Perception related with product by Regulation and Supervision Institution

**Vulnerability**

No	VULNERABILITY <i>KEY FACTOR</i> OF PRODUCTS & SERVICES
1	Contract Variation which been offered related to product
2	Contract Position Limit related to product
3	Foreign Currency Denomination within the Contract

No	VULNERABILITY KEY FACTOR OF PRODUCTS & SERVICES
4	Implementation of Customer Due Diligence and Enhanced Due Diligence related to product
5	Illegal Operational Commodity Futures Trading Supervision related to product

- Limit of Contract Position, becomes a variable in the vulnerability rating parameter because the contract position limit reflects the maximum amount of contract value, the greater the value of the contract position limit the greater the risk.
- Contract Variation, a variable within the parameter of vulnerability assessment because the more vary the contract then the greater the value of the risk.
- Foreign currency denominations in contracts, being variables within the vulnerability assessment parameter are influenced by the number of contract variations that use foreign currency, so that the more contracts that use foreign currency the greater the risk.

### Consequence

No	CONSEQUENCE KEY FACTOR OF PRODUCTS & SERVICES
1	Average Number of Transactions (Lot) per year related to the product

No	CONSEQUENCE KEY FACTOR OF PRODUCTS & SERVICES
2	Average Annual Fund Margin Income related to the product
3	Nominal Losses Commodity Futures Cases related to the product
4	Nominal Loss of Public Complaint related to the product
5	TPPU Scale of Indication related to Products by Supervisory and Regulatory Agency
5	TPPT Scale of Indication related to Products by Supervisory and Regulatory Agency

b. Region

In this aspect, the risk level of TPPU in industrial sector of Commodity Futures Trading is assessed by region (province) so it can be known which province having the high risk of TPPU in Commodity Futures Trading industry sector. The areas assessed are only 5 (five) regions with the greatest transaction value, including DKI Jakarta, West Java, East Java, Central Java and North Sumatra. The factors that form the agreed risks include

## Threat

No	<i>THREAT KEY FACTOR IN REGION</i>
1	Numbers of Suspicious Financial Transaction per region
2	Numbers of Investigation Cases related to Commodity Futures Sector
3	Numbers of Customer Complaint per region
4	Numbers of TPPU Court Decree per region
5	Potential Threat related to Illegal Commodity Futures Broker

## Vulnerability

No	<i>VULNERABILITY KEY FACTOR IN REGION</i>
1	Internal Control at Branch Office
2	HR Compensation related to implementation of APUPPT in branch
3	APU-PPT provision Implementation at branch
4	Numbers of Branch Office

## Consequence

No	<i>IMPACT KEY FACTOR IN REGION</i>
1	Nominal of Suspicious Financial Transaction per region
2	Nominal of Margin-In Transaction (lot) per year per region
3	Nominal of Customer Complaint Loss per region
4	Nominal of Cases based on the TPPU Court Decree per region
5	Nominal of Cases Investigation related with Commodity Futures Sector

### c. Profile

In this aspect, the risk level of TPPU in the Commodity Futures Trading sector is assessed based on the profile of the service user so that it can be known which profile is at the most risk of doing the TPPU in the Commodity Futures Trading sector so that it can be done more in-depth mitigation in the process of identifying service users on the riskiest profile. Based on the identification of several profiles conducting transactions in the Commodity Futures Trading industry, an agreed profile will be assessed at the level of risks:

- 1) self-employed;
- 2) Private Employees;
- 3) Housewife;
- 4) Bank employees;

- 5) Civil Servants;
- 6) BUMN/D employees;
- 7) Professional;
- 8) Foundation Board;
- 9) Political Party Management; and
- 10) Corporations / entities.

The factors that form the agreed risks include:

**Threat**

No	<i>THREAT KEY FACTOR OF PROFILE</i>
1	Numbers of TPPU/TPPT Court Decree
2	Numbers of Cases Investigation related to Futures Trading Sector
3	Numbers of Customer on each of Futures Broker
4	Numbers of Suspicious Financial Transaction Report per profile

## Vulnerability

No	<i>VULNERABILITY KEY FACTOR OF PROFILE</i>
1	Operational Standard and Regulation related to profile
2	Provision on non-face to face meeting
3	PJK Capabilities on identification of Beneficial Owner profile based

## Consequences

No	<i>IMPACT KEY FACTOR OF PROFILE</i>
1	Nominal of TPPU/TPPT Court Decree
2	Nominal of Case Investigation related with Futures Trading Sector
3	Nominal of Customer Fund with managed on each of Commodity Futures Broker
4	Nominal of Suspicious Financial Transaction Report per profile

## 2. Analysis Phase

The analysis phase is a continuation of the risk identification stage using threat variables, vulnerabilities and impacts that have been agreed. Each risk factor that has been analyzed can be displayed in the form of scale 1-9 as follows:

Chart 4

Scale of Threat, Vulnerability and Impact



For each risk-generating factor, the data of each aspect PoC (Point of Concern) is transformed to a scale of 1-9 where the data with the smallest value automatically becomes a scale of 1, while the data with the greatest value automatically becomes a scale of 9. Appropriate with the risk assessment framework, after obtaining the value of threats and vulnerabilities, they are then summed to obtain a likelihood value and then multiplied by the impact scale to obtain the value of risk.

Risk value of each PoC that has a range between 1-9 is then divided into three levels, as follows:

Table 2

Division of Risk Level

Range of Risk Value	Risk Level
<b><math>1 \leq x &lt; 3,67</math></b>	Low
<b><math>3,67 \leq x &lt; 6,33</math></b>	Medium

$6,33 \leq x \leq 9$	High
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To facilitate a comparison between the risk, inclination and impact of each PoC, each PoC is inserted into the risk graph, where the x axis represents the likelihood value while the y-axis represents the consequence value.

Chart 5

Matrix of Risk Level

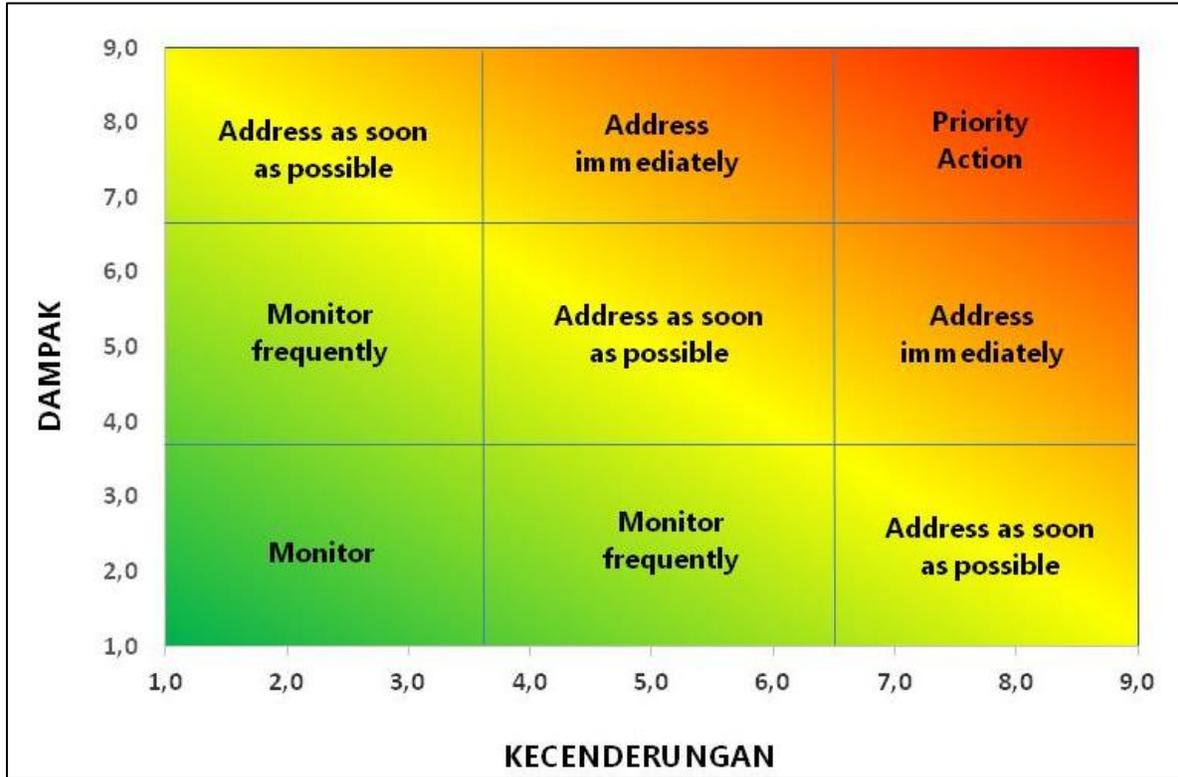
9.0										
8.0	Medium Risk			High Risk			Very High Risk			
7.0										
6.0	Low Risk			Medium Risk			High Risk			
5.0										
4.0	Very Low Risk			Low Risk			Medium Risk			
3.0										
2.0	Very Low Risk			Low Risk			Medium Risk			
1.0										
	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	
	Tendencies									

**3. Evaluation Phase**

This evaluation stage is a decision-making process/priority in addressing risks based on the process of analyzing threats, vulnerabilities, trends and impacts. This stage also contributes to the development of a strategy for risk mitigation of any Point of Concern that is potentially linked to money laundering. An overview of this risk evaluation matrix can be illustrated in the following chart:

Chart 6

Matrix of Risk Evaluation



From the risk evaluation matrix above, it appears that each level of risk has different handling strategies. Aspects that enter into high and very high-risk levels need to be formulated priority actions policies and must be dealt with promptly. Aspects that fall into moderate risk levels need to be addressed quickly according to conditions. Whereas aspects entering into low risk levels need to be monitored either through periodic oversight or off-site or on-site supervisory.

## Source and Method of Data Collection

TPPU Sectorial Risk Assessment on Industrial Sector of Futures Trading Commodity uses primary and secondary data. Primary data collected in order to obtain expert view judgment from competent authority that is: level of potential threat, vulnerability and impact of TPPU based on experience in conducting operational audit of commodity futures broker related to financial transactions indicated by TPPU/TPPT by Commodity Futures Trading Auditor. The secondary data obtained from 3 (three) sources with data coverage period 2014-2016 namely:

### 1) Questionnaire submitted to Futures Broker

Respondents were selected to fill out the SRA questionnaire is 14 (fourteen) Broker Commodity obtained by a combination of Broker Commodity by percentage of LTKM by 90% of the total LTKM submitted to the financial intelligence unit (PPATK) and Commodity Futures Broker which manage Customers Fund greater than 4% total Customer Funds throughout the Commodity Futures Broker in Indonesia.

### 2) Internal Data of Commodity Futures Trading Regulatory Agency

- a) Nominal Amount and Customer Complaints regarding the case of the Commodity Futures Trading
- b) Number and Nominal investigation regarding the case of the Commodity Futures Trading
- c) Nominal Volume and Transactions, as well as the amount of Margin in Futures Trading in Indonesia

### 3) External Data of the Commodity Futures Trading Supervisory Agency

INTRAC statistics on the number and nominal value based on the type of profile that LTKM reported, provincial loci related transactions incident to the Commodity Futures Trading Industry.

## Chapter 4

### Results of Risk Assessment on the Sector of Commodity Futures Trading

Landscape of TPA, TPPU and TPPT Risk on the Commodity Futures Trading Industry.

As mandated in the provision of Article 68 paragraph (1) of Law no. 32 of 1997 concerning Commodity Futures Trading as amended by Law No. 10 Year 2011, investigators related to criminal acts in the field of Futures Trading, is Civil Servant Investigator of CoFTRA. Namely certain Civil Service Officials within CoFTRA who are given special powers as investigators to conduct criminal investigations in the field of Futures Trading under the provisions of the Criminal Procedure Code. During the period of 2014-2016, there were 4 (four) cases involving futures brokers and service users or customers who were still under investigation by PPNS from CoFTRA and other law enforcement officers. The several cases of alleged violations:

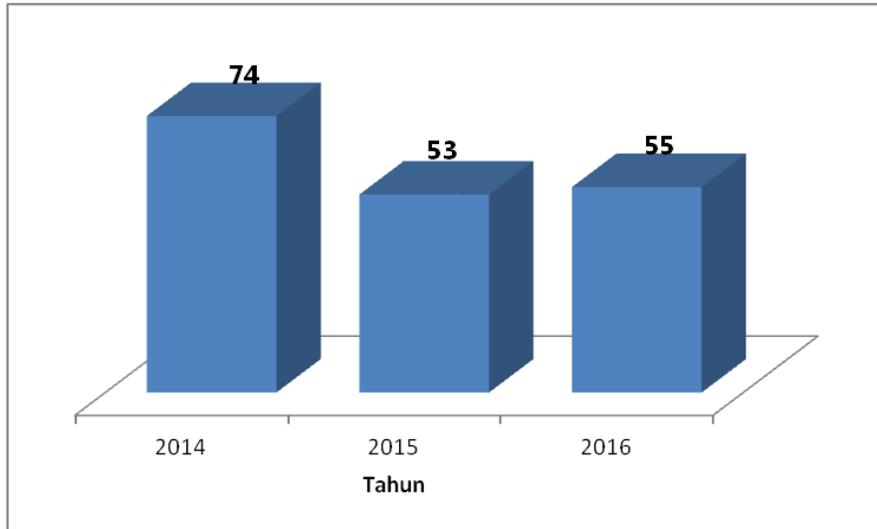
- Article 51 paragraph (4) Jo. Article 73F paragraph (1) and / or Article 13 jo. Article 71 paragraph (2) of Law no. 32 of 1997 as amended by Law no. 10 of 2011 on Commodity Futures Trading
- Article 50 paragraph (2) Jo. Article 73E paragraph (1) and / or Article 49 paragraph (2) Jo. Article 73D paragraph (2) of Law No. 10 Year 2011 on Amendment to Law No. 32 Year 1997 About Commodity Futures Trading.
- Article 50 paragraph (2) jo. Article 73E paragraph (1) of Law no. 32 of 1997 as amended by Law no. 10 of 2011 on Commodity Futures Trading
- Article 51 paragraph (4) Jo. Article 73F Paragraph (1) of Law No. 10 Year 2011 on Amendment to Law No. 32 Year 1997 About Commodity Futures Trading

Judging from the violation of the provisions of criminal offense in the field of Futures Trading, it is known there are some cases that are being investigated by CoFTRA. One of the cases under investigation, which is related to the misuse of a separate account. The crime is committed by the Suspect when the Suspect becomes the President Director of PT. DF and Major Shareholder of PT. DF. Criminal acts committed by the Suspects by ordering to all marketing PT. DF to offer prospective Customers a foreign exchange trading investment product/forex by using a robotic system or trading signal that is transacted to an Exchange or an overseas Broker without the consent of CoFTRA. When a prospective Customer becomes a Customer, PT. DF requests its Clients to deposit their funds on behalf of PT. DF, where the account has not been approved by CoFTRA as a Segregated Account. The account is used as a depository account of all Clients who invest in foreign exchange trading/forex by using robotic system or trading signal that is transacted to the Exchange or Broker abroad.

In addition to the authority to conduct investigations related to criminal offenses in the field of Futures Trading. CoFTRA as the Regulatory Supervisory Agency of the Futures Brokerage Company may also receive complaints related to the misuse of the Commodity Futures Trading sector.

Chart 7

Numbers of Service User/Customers Complaint



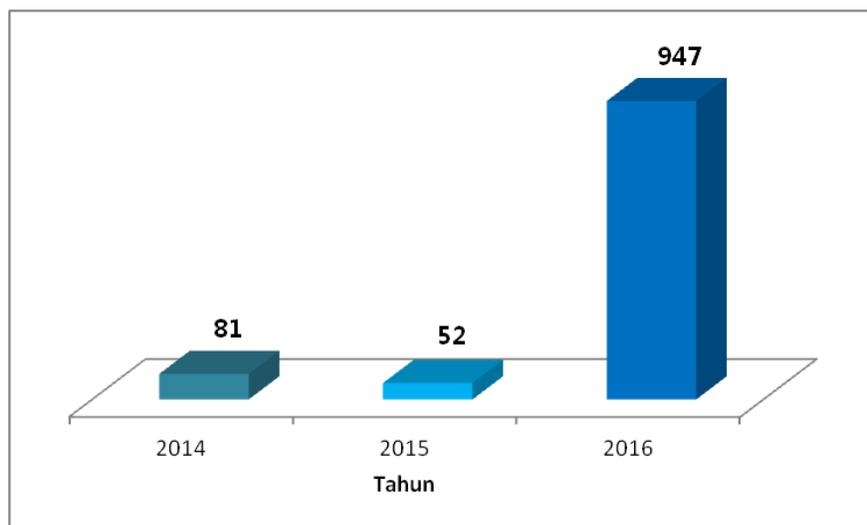
Majority of Customer's complaints related to Customer's acceptance, Customer's transactions submitted to Brokers, and the of problem of margin withdrawal. Based on data obtained from CoFTRA internal, it is known that there is a trend of decreasing customer complaints during 2014 to 2016. This is due, among others, with the firmness of CoFTRA in enforcing the law, as well as by optimizing the dispute settlement mechanism between Broker and Customer, by utilizing various means of dispute settlement as mandated in Article 61 of Law no. 32 of 1997 concerning Commodity Futures Trading as amended by Law no. 10 of 2011. This dispute settlement mechanism, affirmed in Head of CoFTRA Regulation No. 125 of 2015 on Guidelines for Handling Customer Complaints. The settlement of disputes shall be conducted in stages, first through deliberations provided by the Futures Broker, and if no agreement can be proceeded through the medium of mediation held by the Futures Exchange. In the case of mediation, when there is no agreement, then it can be reached through Arbitration Agency, through the Commodity Futures Trading Arbitration Agency (BAKTI). With this mechanism, the complaints received by CoFTRA

are expected to decrease further, because they can be resolved at Broker and Futures Exchange level.

In addition to criminal offenses in the field of commodity futures, the Commodity Futures Trading sector also has the potential to be used in money laundering and criminal acts of terrorist financing. Therefore, to keep this sector maximally protected from money laundering practices, the government through Law No. 8 of 2010 Article 17 mandates that companies engaged in Commodity Futures Trading become the party to the anti-money laundering regime and The prevention of terrorism financing so that all obligations of the reporting parties contained in the Act must be implemented either from the Application of Know Your Customer Principles in accordance with article 18 of the Act to submit the report to PPATK as stated in article 23 of Law number 8 of 2010 The report statistics submitted by Futures Brokers to PPATK during 2014 to 2016 are as follows.

Chart 8

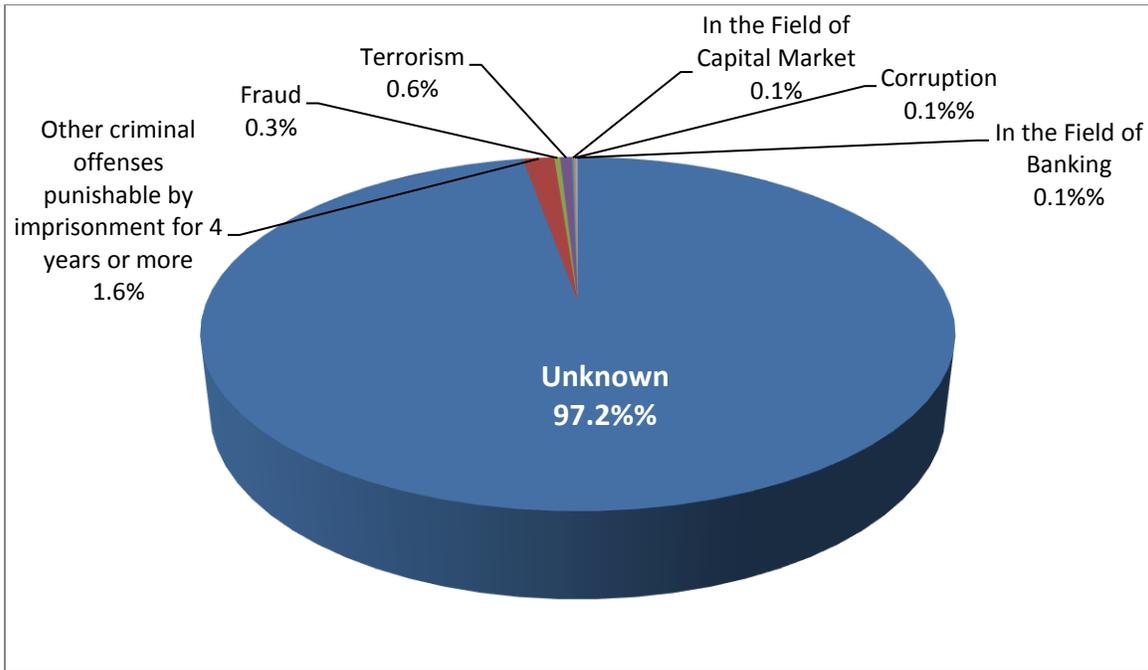
LTKM Numbers that deliberated by Commodity Futures Broker



From the above chart, it is known that the number of LTKM delivered by commodity futures brokers during 2014 to 2015 is still low compared to the number of commodity futures brokers in Indonesia and the number of service users. However, there is a significant increase in 2016, this can be caused by the Head of CoFTRA Regulation No. 2 of 2016 on Know Your Customer Principles by Futures Brokers, so that commodity futures brokers are more aware of the anti-money laundering and terrorist financing regimes by reporting the reports as required in Law Number 8 Year 2010. Based on LTKM data, it is known that commodity futures brokers as the reporting party identify the criminal act of the suspicious financial transactions as follows:

Chart 9

Indiciation Presentation of TPA based on the LTKM Data which been deliberated by  
Commodity Futures Broker

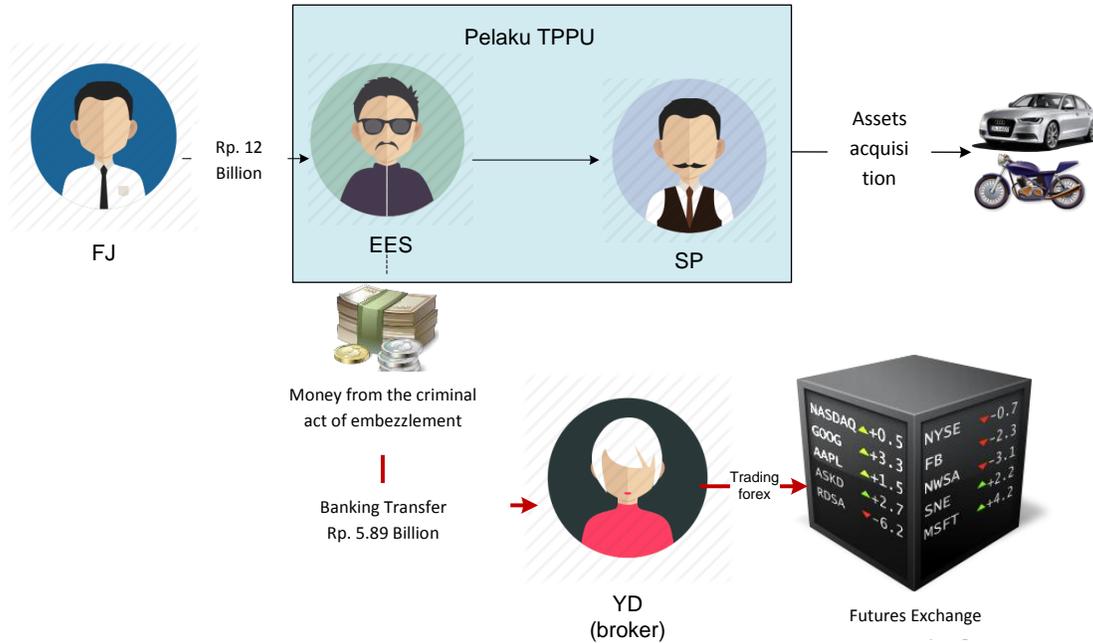


Judging from the number of court decisions on money laundering and terrorist financing during the period of 2014-2016, it is known that there is 1 (one) decision of TPPU which has permanent legal force (*inkracht van gewisdje*) utilizing Commodity Futures Trading sector in conducting its financial transactions. This case occurred in Semarang, Central Java based on the ruling of the High Court of Semarang No. 198/Pid/2016/PTSMG Jo 56/Pid.Sus/2016/PN.SMG. The perpetrator of EES, known as a civil servant along with his father, SP committed a crime of embezzlement on the client's funds from the Umrah travel agency run by FJ. During 2014 to 2015 the TP handed out the funds of its Umrah travel agency service provider to EES approximately 12 billion through bank transfer or handed over directly to EES or SP. A portion of the money earned from FJ is used by EES to invest in foreign currency bilateral contract products (forex) and other unauthorized

funds to dispatch cheap Umrah pilgrims and special packages by EES to be used for advance payments and installments of motor vehicles, Motor and bus). As for the case picture, as in the picture below:

Image 1

Mindmap of TPPU Case



### Risk Level of TPPU and TPPT based on Product and Services

To analyze product and service risk in the commodity futures sector, the PPATK and CoFTRA SRA team identifies Threat, Vulnerability and Consequence factors to identify which products and services are at high risk or low. The products and services to be assessed at risk level consist of bilateral contracts namely foreign currency, stock index, foreign sole stock and gold index and multilateral contract consisting of mining commodities and agricultural/plantation commodities.

#### a) Threat Level

Threats can be interpreted as external conditions that have and potentially lead to money laundering in Indonesia. In the SRA results in the commodity futures trading sector, 6 (six) products and services are identified which will be assessed for potential threats of TPPU

and TPPT. The threat factor is divided into two namely the real threat and potential threats. Based on the results of the following assessment of threat level of TPPU and TPPT on commodity futures trading sector:

Table 3

Threat Level Based on Product and Services Types

Threat Rank	Product	Real Threat			Potential Threat			Total Threat Level	
		Numbers of TPPU Decree	Numbers of PPNS Investigation	Numbers of Customer Complaint	Perception of Potential CA of Corruption	Perception of Potential CA of Narcotics	Perception of Potential CA of Taxation		
1	Billateral Foreign Currency	9.0	9.0	9.0	6.0	5.0	4.0	9.0	High
2	Billateral Gold Index	1.0	1.0	2.9	6.0	5.0	4.0	2.0	Low
3	Billateral Stock Index	1.0	1.0	2.0	6.0	5.0	4.0	1.7	Low
4	Multilateral Agriculture/Plantation Commodity	1.0	3.7	1.0	4.0	5.0	4.0	1.6	Low
5	Billateral Single Foreign Stock	1.0	1.0	1.0	6.0	5.0	4.0	1.4	Low
6	Multilateral Mining Commodity	1.0	1.0	1.8	4.0	5.0	4.0	1.0	Low

Source: Processed on the Working Paper of SRA

Based on the table above, it is known that the Risk Factors to the Real Threat, the Number of Customer Complaints Related to Products and Services is the most influential indicator

in determining the risk because the number of threats is greater than the threat of TPPU decision factor and PPNS investigation so that more attention is needed in handling Customer complaints cases over a product or service. The Risk Factors for Potential Threats are determined on 3 (three) crimes of origin that are most at high risk based on the National Risk Assessment result of potential threat of TPPU on the potential misuse of products and services of Commodity Futures Trading sector in criminal acts of corruption, narcotics and taxation. On the view of experts, it is known that the most influential threat factor based on experts' views on products and services in the Commodity Futures Trading sector is the potential for products and services to be used in criminal acts of corruption, due to high valuations for the Forex Bilateral Contracts, Futures Stock Index, Single Shares, and Gold Index compared to Multilateral Contracts are used in corruption. Overall, foreign exchange bilateral contracts (forex) are the risk of the highest commodity futures trading sector in threat analysis, while other products have low threats utilized in TPPU and TPPT. This Foreign Currency Contract Bilateral Product has a high level of threat due to money laundering cases that have been disconnected and proven to use this product in money laundering and the number of investigations conducted by PPNS CoFTRA and the high number of customer complaints compared to other products.

b) Vulnerability Level

Vulnerability can be interpreted as an internal condition of the Commodity Futures Trading sector which has the potential to affect the occurrence of TPPU. The Product and Service Vulnerability reviewed in this section is the internal vulnerability of the Commodity Futures Trading Industry as measured by assessing the extent to which the Bilateral

Contract and Multilateral Contracts are used as a means of TPPU and TPPT. The results of Risk Factors analysis on the vulnerability of products and services in the Commodity Futures Trading sector can be explained in the following table:

Table 4

Vulnerability Level Based on Product and Service Type

Vulnerability Rank	Product	Contract Variation	Contract Position Limit	Foreign Currency Denomination in Contract	CDD/EDD Implementation	Operational Supervision of Illegal PBK	Total of Vulnerability Rank	
1	Billateral Single Foreign Stock	9.0	1.3	9.0	6.0	4.0	9.0	High
2	Billateral Gold Index	1.3	9.0	1.4	6.0	5.0	6.5	High
3	Billateral Foreign Currency	1.7	3.3	1.9	6.0	7.0	5.5	Medium
4	Billateral Stock Index	1.6	5.6	1.4	6.0	5.0	5.3	Medium
5	Multilateral Mining Commodity	1.1	1.1	1.0	4.0	1.0	1.1	Low
6	Multilateral Agriculture/Plantation Commodity	1.0	1.0	1.0	4.0	1.0	1.0	Low

Source: Processed on the Working Paper of SRA

From these tables, the key risk to real vulnerability is the Limit of Contract Position, due to the high Limit Value of Contract Position for the type of Bilateral Contract Gold Index. This is because basically the position limits for Bilateral transactions are subject to Trading Rules and the financial capabilities of Clients and Traders of Alternative Trading System. Meanwhile, potential vulnerability analysis suggests that the application of Customer Due Diligence/Enhanced Due Diligence is a key risk that causes the products and services of the commodity futures trading sector to be vulnerable to use in money laundering and terrorism financing. This is due to the high vulnerability assessment for the types of Bilateral Contracts Forex Trading, Stock Index Futures, Single Shares, and Gold Index, considering the new application of Head of CoFTRA Regulation No. 2 Year 2016 on Know Your Customer Principles by the Futures Broker. Meanwhile, overall products and services that have the highest vulnerability are single bilateral share contracts due to the high variety of contracts and foreign currency denominations in the contracts offered so as to provide greater opportunities for money laundering and terrorism financing compared to other products. In addition, the Gold Index's bilateral product also has a high degree of vulnerability.

c) Impact Level

Impact is defined as a consequence of the possibility of TPPU occurring in the commodity futures trading sector. The Risk Factors on the impact of products and services on the commodity futures trading sector can be explained in the following table:

Table 5

### Impact Level Based on Product and Service Type

Impact Rank	Product	Real Impact					Potential Impact		Total Impact Level	
		Average Numbers of Lot Transaction	Average Numbers of Fund Raising	Nominal of TPPU Court Decree Cases	Nominal of Case Investigation Loss	Nominal of Customer Complaint Loss	TPPU Indication Scale	TPPT Indication Scale		
1	Billateral Foreign Currency	4.6	4.0	9.0	9.0	9.0	8.0	1.0	9.0	High
2	Billateral Gold Index	9.0	9.0	1.0	1.0	1.9	8.0	1.0	5.9	Medium
3	Billateral Stock Index	2.6	2.7	1.0	1.0	3.4	8.0	1.0	3.3	Low
4	Billateral Single Foreign Stock	1.0	1.0	1.0	1.0	1.0	6.0	1.0	1.6	Low
5	Multilateral Mining Commodity	1.9	1.1	1.0	1.0	2.4	3.0	1.0	1.4	Low
6	Multilateral Agriculture/Plantation Commodity	1.4	1.0	1.0	1.1	1.0	3.0	1.0	1.0	Low

Source: Processed on the Working Paper of SRA

Based on the real impact analysis it is known that foreign currency bilateral contracts have big consequences on all factors related to real condition which have happened, such as the

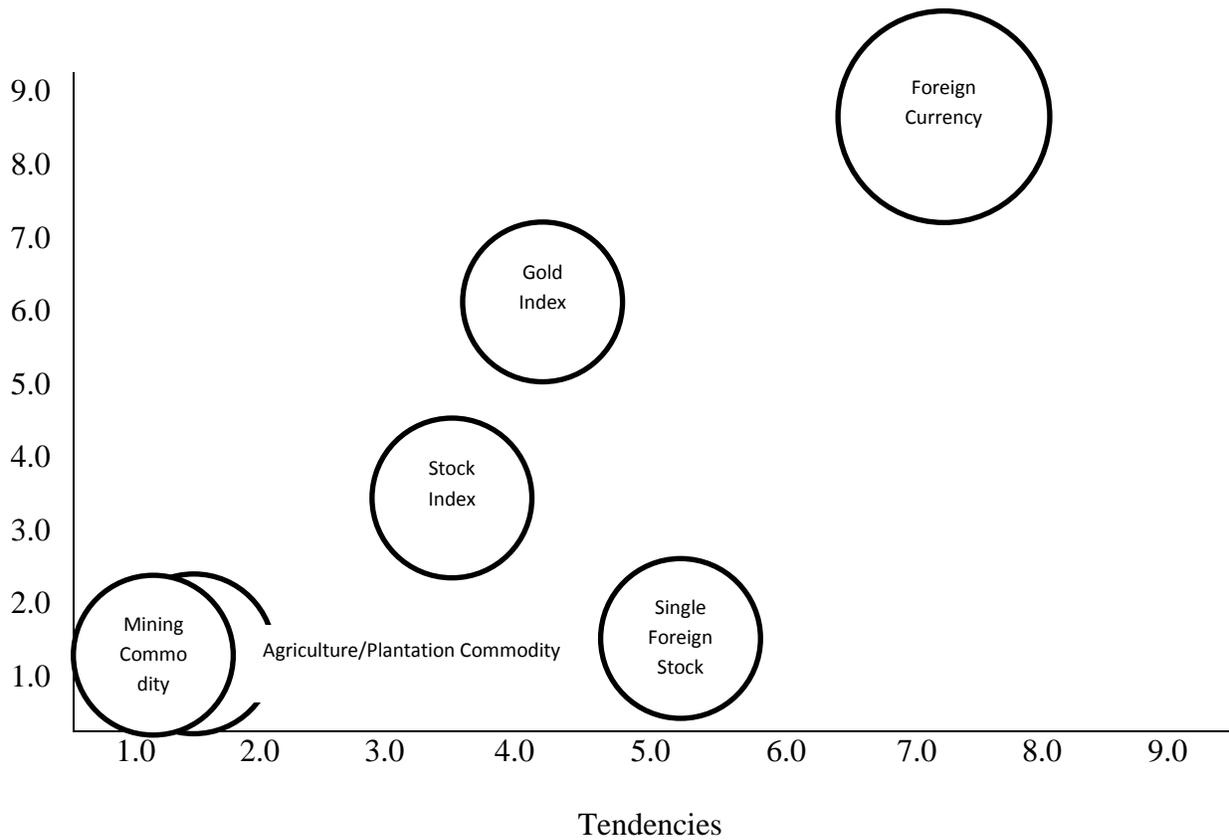
nominal of case loss based on TPPU court decision, the nominal of loss based on CoFTRA PPNS investigation case and the nominal of loss based on Customer complaints. Based on the analysis of potential impacts such as TPPU and TPPT indication scale, it is known that foreign exchange contracts (forex), stock index futures and gold indexes have the highest potential impact. Overall, it can be concluded that foreign currency contracts have the highest impact compared to other products and services so special attention is needed to this product in the application of anti-money laundering and financing of terrorism programs to narrow the space for TPPU and TPPT players.

d) Risk Level

Based on the measurement of all risk factors on threats, vulnerabilities and impacts, we have obtained a risk map of TPPU and TPPT based on the types of products and services in the commodity futures sector as follows:

Image 2

Map of TPPU/TPPT Risk based on Product & Service Type in the Commodity Futures Sector



Source: Processed on the Working Paper of SRA

Table 6

Risk Level of TPPU/TPPT based on Product and Service in the Commodity Futures Trading Sector

Risk Rank	Product	Type	Total Threat Level	Total Vulnerability Level	Tendencies Level	Total Impact Level	Risk Level	
1	Bilateral	Foreign Currency	9.0	5.5	7.2	9.0	8.1	High
2		Gold Index	2.0	6.5	4.2	5.9	5.0	Medium
3		Stock Index	1.7	5.3	3.5	3.3	3.4	Low
4		Single Foreign Stock	1.4	9.0	5.2	1.6	2.9	Low
5	Multilateral	Mining Commodity	1.0	1.1	1.0	1.4	1.2	Low
6		Agriculture/Plantation Commodity	1.6	1.0	1.3	1.0	1.1	Low

Source: Processed on the Working Paper of SRA

Note:

- Risk level of TPPU and TPPT with value of 1 - 3,67 are categorized as having "Low" risk level.

- Risk level of TPPU and TPPT with value of 3,68 - 6,33 are categorized as having "medium" risk level.
- Risk Level of TPPU and TPPT with value of 6,34 - 9,00 is categorized as having "High" risk level.

From the above figures and table, it is known that the products and services that have high risk level to TPPU and TPPT are foreign currency bilateral contracts. The medium-risk products are bilateral gold index products so that they need to be handled quickly in accordance with the conditions, while Bilateral contracts of stock indices, single foreign shares, multilateral contracts of mining commodities and multilateral contracts of agriculture-plantation commodities have a low risk to TPPU and TPPT.

Overall, foreign currency bilateral contract products (forex) have the highest value, especially from threat and impact factors compared with other products. This makes the tendency of foreign currency bilateral contract products and services to be high, which means the possibility of being used in TPPU and TPPT is the highest. Considering that the position of this foreign currency bilateral contract is in the "Very High Risk" quadrant, it is necessary to priority actions policy and must be dealt with promptly including the provision and application of APUPPT for the product.

## Risk Level of TPPU/TPPT Based on Region

Risk assessment of the region in the Commodity Futures Trading sector is conducted to determine which areas or provinces are most at high risk of TPPU and TPPT. The area of interest in this sectorial assessment is only 5 (five) provinces with the highest bilateral and multilateral contract value. The measurement of risk level is obtained based on calculation of risk level, vulnerability level and impact level of each region or province.

### a) Threat Level

Measurement of threat level based on this region using statistical data related to criminal cases in Commodity Futures Trading sector. The factors that affect the level of the threat are:

- The amount of LTKM is related to the Futures Broker
- Number of cases based on TPPU court decision
- Number of Investigations conducted by PPNS
- Number of customer complaints
- Potential of Illegal Futures Brokers in the region

Based on the measurement of TPPU and TPPT threat levels by region, the following results are obtained:

Table 7

Threat Level Based on Region

Threat Rank	Region	LKTM Total	Numbers of TPPU Court Decree Cases	Numbers of PPNS Investigation	Numbers of Customer Complaint	Potential of Illegal PBK	Threat Level	
1	DKI Jakarta	9.0	1.0	9.0	9.0	9.0	9.0	High
2	Central Java	1.1	9.0	1.0	1.0	5.0	3.9	Medium
3	East Java	1.1	1.0	1.0	5.3	5.0	3.0	Low
4	North Sumatra	1.0	1.0	3.7	2.0	5.0	2.8	Low
5	West Java	1.3	1.0	1.0	1.4	1.0	1.0	Low

From the table, it is seen that only DKI Jakarta has a high threat level. This is due to the high number of cases that have occurred as well as indications of criminal acts that are represented based on Suspicious Financial Transactions Report submitted by Commodity Futures Brokers in the area of DKI Jakarta. The Central Java is at the level of intermediate threats, this is due to money laundering cases that serve the commodity futures trading sector in this region, while the other three areas of East Java, North Sumatra and West Java are at a low threat level.

b) Vulnerability Level

The measurement of vulnerability based on this region uses statistical data and expert view judgments from competent authorities. The factors that affect the level of the threat are:

- Number of branch offices per region
- Internal Control in branch offices
- Competence of APUPPT related human resources in branches
- Implementation of APUPPT provisions in branches

Based on the measurement of the level of vulnerability of TPPU and TPPT by region, the following results are obtained:

Table 8

Vulnerability Level Based on Region

Vulnerability Rank	Region	Numbers of Branch Offices	Internal Control at Branch Offices	HR Competencies related to APUPPT at Branch Offices	APU PPT Implementation	Vulnerability Level	
1	East Java	5.2	7.0	7.0	8.0	9.0	High
2	West Java	9.0	5.0	4.0	7.0	8.3	High
3	Central Java	1.0	7.0	7.0	8.0	6.9	High
4	DKI Jakarta	8.6	6.0	5.0	8.0	4.5	Medium
5	North Sumatra	1.0	7.0	7.0	8.0	1.0	Low

Based on the results of the measurement of vulnerability, it is known that the areas that have "High" vulnerability of the occurrence of TPPU and TPPT respectively based on the vulnerability value is East Java, West Java and Central Java. This is due to the application of APUPPT regime in the branch to the Broker is still low, related to internal control in the branch, human resource competence and APUPPT program implementation. Meanwhile, the vulnerability of "moderate" occurrence of TPPU and TPPT is DKI Jakarta, while regionally has "Low" vulnerability is North Sumatra.

c) Impact Level

Measurement of the Level of Impact is obtained based on statistical data of nominal cases that have occurred and nominal indications of criminal acts represented by the nominal of suspicious financial transactions reports. The factors that influence the level of impact are:

- Nominal LTKM is related to the Futures Broker
- Nominal case based on TPPU court decision
- Nominal Investigations conducted by PPNS
- Nominal Potential Losses on customer complaints
- Nominal Average transaction (lot) per year

Based on the measurement of the impact of TPPU and TPPT by region, the following results are obtained:

Table 9

Impact Level Based on Region

Threat Rank	Region	LKTM Total	Numbers of TPPU Court Decree Cases	Numbers of PPNS Investigation	Numbers of Potential Loss of Customer Complaint	Average Lot Transaction per Year	Threat Level	
1	DKI Jakarta	9.0	1.0	9.0	9.0	9.0	9.0	High
2	North Sumatra	1.1	1.0	8.3	8.1	1.0	3.5	Low
3	East Java	3.9	1.0	1.0	7.4	3.4	2.7	Low
4	Central Java	2.5	9.0	1.0	1.0	3.1	2.6	Low
5	West Java	3.1	1.0	1.0	4.7	1.5	1.0	Low

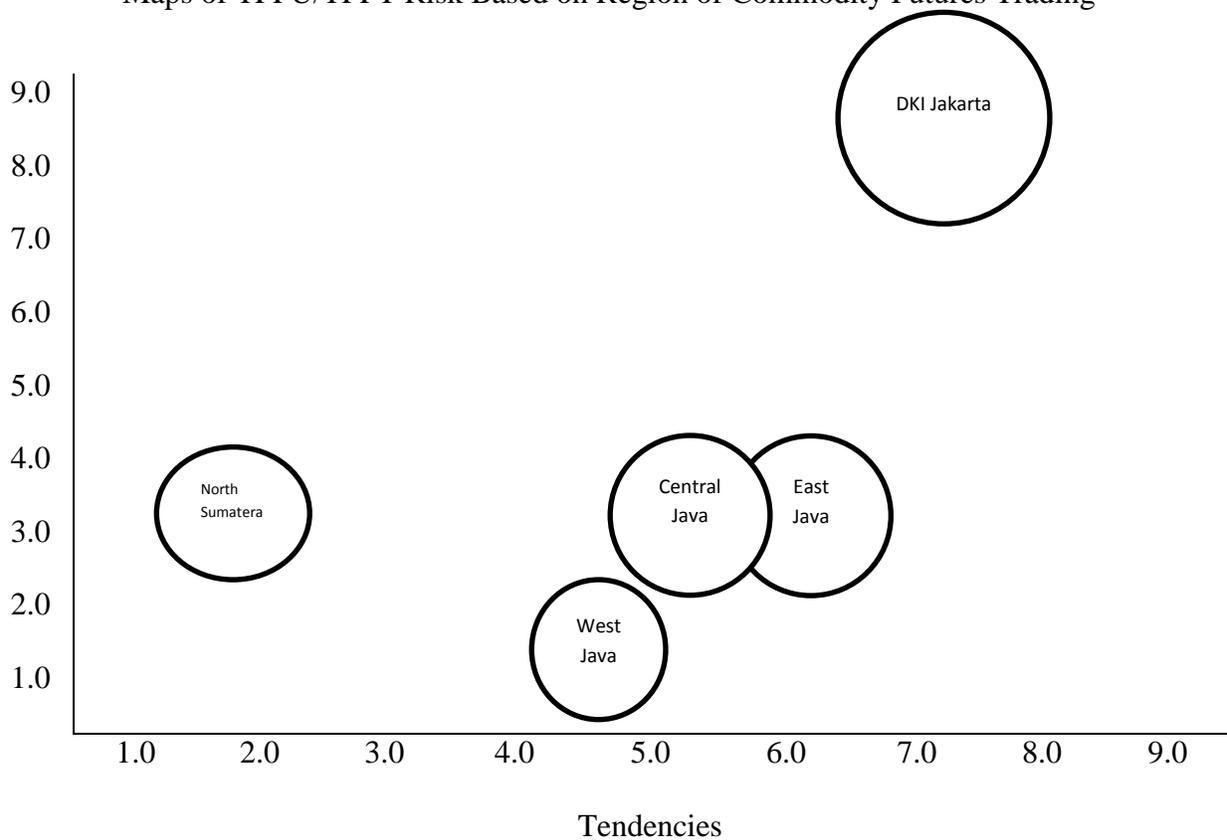
From the table, it is known that DKI Jakarta has a high impact level this is influenced by the nominal case mainly based on the investigation of civil servants CoFTRA and complaints of customers as well as nominal related to indications of crime on the report of suspicious financial transactions. While the other four regions namely North Sumatra, East Java, Central Java and West Java have a low impact level. This is also related to the nominal transactions managed by the branches in these areas is not too large compared with transactions conducted in Jakarta, so the impact is not as big in the area of Jakarta.

d) Risk Level

Based on the measurement of all risk factors on threat, vulnerability and impact, we have obtained the risk maps of TPPU and TPPT by region in the commodity futures sector as follows:

Image 3

Maps of TPPU/TPPT Risk Based on Region of Commodity Futures Trading



Source: Processed on the Working Paper of SRA

Table 10

TPPU/TPPT Risk Level Based on Region of Commodity Futures Trading

Risk Rank	Region	Total Threat Level	Total Vulnerability Level	Level of Tendencies	Total Impact Level	Risk Level	
1	DKI Jakarta	9.0	4.5	6.7	9.0	7.8	High
2	East Java	3.0	9.0	6.0	2.7	4.0	Medium
3	Central Java	3.9	6.9	5.4	2.6	3.8	Medium
4	North Sumatra	2.8	1.0	1.9	3.5	2.6	Low
5	West Java	1.0	8.3	4.7	1.0	2.2	Low

Source: Processed on the Working Paper of SRA

Note:

- Risk level of TPPU and TPPT with value of 1 - 3,67 are categorized as having "Low" risk level.
- Risk level of TPPU and TPPT with value of 3,68 - 6,33 is categorized as having "medium" risk level.
- Risk Level of TPPU and TPPT with value of 6,34 - 9,00 is categorized as having "High" risk level.

Based on the above figures and tables, it is known that the provinces that are at high risk are DKI Jakarta. This is due to the high level of trend and impact level, thus making DKI Jakarta is at a very high-risk quadrant. Therefore, a priority actions policy is required and must be dealt with promptly by minimizing cases involving Commodity Futures Brokers,

especially those related to cases of customer complaints, this can be prevented by tightening regulations and provisions of APUPPT on the territory or in the branch offices of Commodity Futures Brokers.

#### TPPU/TPPT Risk Level Based on User Services Profile

Risk profile assessment on the Commodity Futures Trading sector is conducted to determine which profiles are most at high risk of becoming TPPU and TPPT perpetrators. The profiles (jobs) that are the object of this sectorial assessment are only 12 (twelve) profiles included in the high and medium risk levels based on the results of the National Risk Assessment on Money Laundering. The measurement of risk level is obtained based on calculation of risk level, vulnerability level and level of impact of each profile

##### a. Threat Level

Measuring the threat level of the perpetrator profile is based on the statistics of the number of cases and the potential number of events indicating the crime. The factors that affect the level of threat include:

- The number of LTKM associated with commodity futures brokers
- Number of cases based on TPPU Court Decree
- Number of Investigations conducted by PPNS
- Number of customers with the profile

Based on the measurement of TPPU and TPPT threat levels based on the profile, the following results are obtained:

Table 11

Risk Level Based on Profile

Threat Rank	Region	Total LKTM	Numbers of TPPU Court Decree Cases	Numbers of PPNS Investigation	Numbers of Customer	Threat Level	
1	Entrepreneur	9.0	1.0	1.0	9.0	9.0	High
2	Private Employee	8.6	1.0	1.0	6.4	7.5	High
3	Civil Servant	2.6	9.0	1.0	1.9	6.3	Medium
4	Corporation/Entity	1.0	1.0	9.0	1.0	5.0	Medium
5	Professionals	1.6	1.0	1.0	1.9	1.7	Low
6	Housewife	1.8	1.0	1.0	1.4	1.6	Low
7	SOE's Employee	1.3	1.0	1.0	1.3	1.3	Low
8	Bank Employee	1.0	1.0	1.0	1.3	1.2	Low
9	PEPS	1.0	1.0	1.0	1.0	1.0	Low
10	Foundation Management	1.0	1.0	1.0	1.0	1.0	Low
11	PVA Employee	1.0	1.0	1.0	1.0	1.0	Low
12	Political Party Management	1.0	1.0	1.0	1.0	1.0	Low

Based on the above table, it is known that the profile of self-employed and private employees has a high level of threat to TPPU and TPPT compared with other profiles. This is also in line with the National Risk Assessment result that places both profiles as high-risk profiles. Entrepreneurs and Private Employees enter into high risk levels because they

are influenced by the number of suspicious financial transactions and the number of customers in the commodity futures sector for both profiles is higher than other profiles.

While civil servants (including pensioners) are included in the level of intermediate threats. This is caused by the case of TPPU court decision which is known that the civil servant (including pensioner) is involved in TPPU. Corporations/entities are also at the level of intermediate threats this is caused by an investigation conducted on the profile. It is known that corporations in this case become internal actors who practice the TPPU and TPPT.

b. Vulnerability Analysis

Vulnerability by Service User Profile to be reviewed in this section is the internal vulnerability of Commodity Futures Brokers in terms of implementing the beneficial owner regulation, procedure and identification capabilities of each service user profile. In the risk assessment sector, there are 3 (three) vulnerability factors that are factors in assessing the vulnerability of Service User Profiles:

- Regulation of Human Resources (HR) profile;
- Doing no face-to-face meetings;
- Beneficial Owner (BO) identification capability.

Based on the results of vulnerability analysis on User Profile Profiles, it is known that Entrepreneurs have the highest vulnerability. This is because the achievement of all factors of entrepreneur vulnerability is higher than other profiles. Meanwhile, the lowest vulnerability is owned by Corporations / Entities. The following is a comparison chart of the Service User Profile vulnerability by its constituent factors.

Table 12

Vulnerability Level Based on Profile

Vulnerability Rank	Region	HR Profil Regulation	Does the Face-to-face meeting	BO Identification Capabilities	Vulnerability Level	
1	Entrepreneur	8.0	4.0	6.0	9.0	High
2	Private Employee	7.0	3.0	6.0	7.2	High
3	Housewife	7.0	3.0	6.0	7.2	High
4	Bank Employee	6.0	2.0	6.0	5.4	Medium
5	Civil Servant	6.0	2.0	6.0	5.4	Medium
6	Professionals	6.0	2.0	6.0	5.4	Medium
7	SOE's Employee	6.0	2.0	6.0	5.4	Medium
8	PEPS	5.0	2.0	6.0	4.6	Medium
9	Political Party Management	5.0	2.0	6.0	4.6	Medium
10	PVA Employee	3.0	1.0	6.0	1.9	Low
11	Foundation Management	3.0	1.0	6.0	1.9	Low
12	Corporation/Entity	3.0	1.0	5.0	1.0	Low

From these tables, the key risk to vulnerability is Beneficial Owner Identification Capability, due to the low ability of Futures Brokers to identify Beneficial Owners on profiles for entrepreneurs, private employees, bank employees, housewives, PVA employees, PEPs, Politics, Civil Servants (including pensioners), professionals, foundation managers, employees of BUMN / D.

c. Impact Analysis (Consequence)

Measurement of the level of impact based on the profile of the service user is based on statistical data relating to the nominal over the case and the nominal transaction indicating a crime based on the suspicious transaction report submitted by the Commodity Futures Broker to the PPATK. The factors that affect the level of the threat are:

- Nominal LTKM is linked to commodity futures brokers
- Nominal case based on TPPU court decision
- Nominal potential of case loss based on Investigation
- Nominal Third Party Funds (service users) related to the profile

Based on the measurement of the impact of TPPU and TPPT based on the profile it is obtained the following results:

Table 13

Impact Level Based on Profile

Impact Rank	Region	LTKM Nominal	Numbers of TPPU Court Decree Cases	Numbers of Potential Loss per Case per Profile	DPK Per Profile	Impact Level	
1	Entrepreneur	9.0	1.0	1.0	5.3	9.0	High
2	Private Employee	4.9	1.0	1.0	9.0	8.7	High
3	Civil Servant	1.4	9.0	1.0	2.0	7.1	High
4	Corporation/Entity	1.0	1.0	9.0	1.0	6.2	Medium
5	Housewife	1.8	1.0	1.0	5.0	4.1	Medium
6	Professionals	2.1	1.0	1.0	1.4	2.0	Low
7	SOE's Employee	1.2	1.0	1.0	1.1	1.2	Low
8	Bank Employee	1.0	1.0	1.0	1.0	1.0	Low
9	PEPS	1.0	1.0	1.0	1.0	1.0	Low
10	Foundation Management	1.0	1.0	1.0	1.0	1.0	Low
11	PVA Employee	1.0	1.0	1.0	1.0	1.0	Low
12	Political Party Management	1.0	1.0	1.0	1.0	1.0	Low

Based on the above table, it is known that the profile of entrepreneurs, private employees and civil servants have a high level of impact. This is mainly influenced by the nominal factor of transactions related to cases and managed funds associated with the profile. The profiles that have intermediate impact levels include corporations / entities and housewives. For corporate profiles in particular is affected by the nominal potential loss of

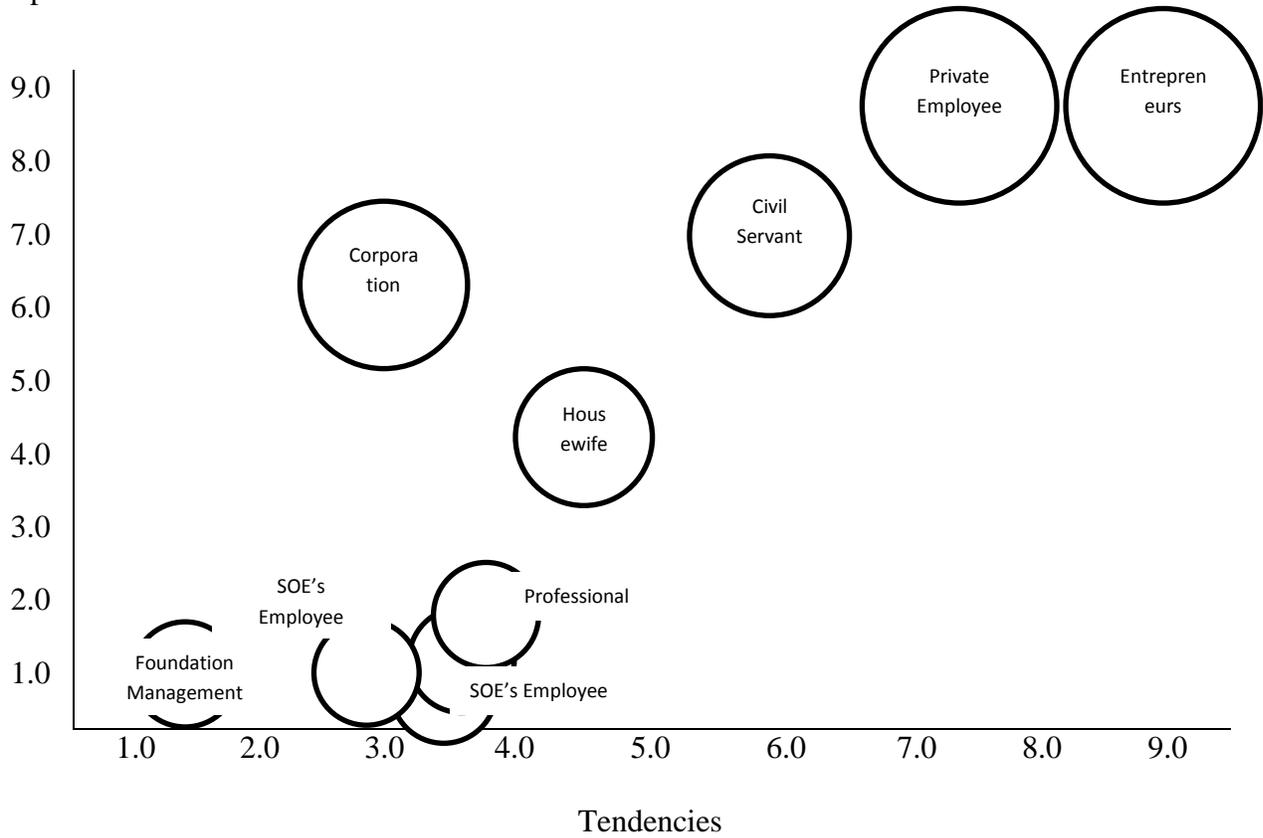
cases based on investigations in which the corporation acts as an internal actor in the case thus resulting in a medium-risk profile. While other profiles have a low impact level, including professionals, employees of BUMN / D, Bank Officer and PVA, Politically Exposed Person, Foundation management, and Management of Political Parties.

d. Risk Level

Based on the measurement of all risk factors on threat, vulnerability and impact, we have obtained the risk maps of TPPU and TPPT based on the profile on the commodity futures sector as follows:

Image 4

Map of TPPU/TPPT Risk Based on Profile



Source: Processed on the Working Paper of SRA

Table 14

Risk Level of TPPU/TPPT Based on Profile

Impact Rank	Region	LTKM Nominal	Numbers of TPPU Court Decree Cases	Numbers of Potential Loss per Case per Profile	DPK Per Profile	Impact Level	
1	Entrepreneur	9.0	9.0	9.0	9.0	9.0	High
2	Private Employee	7.5	7.2	7.4	8.7	8.0	High

3	Civil Servant	6.3	5.4	5.8	7.1	6.5	High
4	Corporation/Entity	5.0	1.0	3.0	6.2	4.3	Medium
5	Housewife	1.6	7.2	4.4	4.1	4.3	Medium
6	Professionals	1.7	5.4	3.6	2.0	2.7	Low
7	SOE's Employee	1.3	5.4	3.4	1.2	2.0	Low
8	Bank Employee	1.2	5.4	3.3	1.0	1.8	Low
9	PEPS	1.0	4.6	2.8	1.0	1.7	Low
10	Political Party Management	1.0	4.6	2.8	1.0	1.7	Low
11	Foundation Management	1.0	1.9	1.4	1.0	1.2	Low
12	PVA Employee	1.0	1.9	1.4	1.0	1.2	Low

Source: Processed on the Working Paper of SRA

Note:

- Risk level of TPPU and TPPT with value of 1 - 3,67 are categorized as having "Low" risk level.
- Risk level of TPPU and TPPT with value of 3,68 - 6,33 are categorized as having "medium" risk level.
- Risk level of TPPU and TPPT with value of 6,34 - 9,00 is categorized as having "High" risk level.

Based on the picture above, it is known that high-risk profiles are self-employed, private employees and civil servants (including pensioners). This is due to the high level of threats, vulnerabilities and impacts on the profile, including the many cases related to the

commodity futures trading sector from investigations, customer complaints to TPPU cases that have been terminated by courts. While corporate profile/entity and housewife have medium risk and other profile including professional, BUMN / D employee, bank clerk and PVA, Politically Exposed Person, Management of political party and board of foundation have low risk.

## Chapter 5

### Closing

#### Conclusion

Based on the literature review, the results of identification, analysis, and evaluation on potential variations of threats of TPPU, vulnerability, and the impact that can be caused, it can be concluded that:

1. Products and services that are at high risk for the occurrence of TPPU and TPPT in the commodity futures trading sector are foreign currency bilateral contracts (forex). This is because the level of threat and impact of this product is highest compared to other products as well as the level of trend of this product that has the highest value so it is more likely to be used by TPPU and TPPT actors. The bilateral contract product of the gold index has medium risk and four other products namely bilateral contracts of stock index, bilateral single foreign share contract, multilateral commodity mining contract and multilateral contract of agricultural commodities/plantation have low risk level.
2. Areas that are at high risk for the occurrence of TPPU and TPPT in the commodity futures trading sector is DKI Jakarta. This is due to the high level of threats and impacts on cases that have occurred either based on CoFTRA PPNS investigation and customer complaints. The areas of East Java, West Java and Central Java are included in medium-risk areas that are affected by high levels of vulnerability of human resources, Internal control and APUPPT implementation in the region.

3. Profiles of service users at high risk for the occurrence of TPPU and TPPT are entrepreneurs, private employees and civil servants (including pensioners). This is due to the high level of threats, vulnerabilities and impacts on the profile, including the many cases related to the commodity futures trading sector from investigations, customer complaints to TPPU cases that have been terminated by courts. While corporate profile / entity and housewife have medium risk and other profile including professional, BUMN / D employee, bank clerk and PVA, Politically Exposed Person, Management of political party and board of foundation have low risk.

## Recommendations

In preparing recommendations related to the findings of the SRA, the SRA CoFTRA Team and the PPATK, have evaluated the risk factors of TPPU as described above. From the evaluation, the team has developed some key recommendations to be the stakeholder's concern, which includes:

1. Products and Services:
  - The need to improve the capability of Human Resources of Futures Brokers supported by effective internal control by implementing the Customer Acceptance Guidelines (owned by the Futures Broker) and the application of the Know Your Customer's Know Your Customer Principles by Broker, especially related to the products traded by the Client;
  - The need for risk assessment independently and periodically by the Futures Broker related to the risk of money laundering, especially related to products and services;

- The need for a perception equation between the Supervisory and Futures Brokers in order to establish a risk-based approach in identifying, evaluating and monitoring taking into account the degree of risk of each Contract;
- There is a need to classify products and services performed by the Futures Broker by dividing into 6 (six) categories of products, namely Agriculture, Mining, Forex, Stock Index, Gold Index, and Single Shares;
- There is a need for stricter provisions concerning the position limit of the number of lot transactions that can be made in bilateral contracts;
- It is necessary to prepare the red flag of Suspicious Financial Transactions (TKM) in the Futures Trading sector related to products and services;

## 2. Territory

- There is a need to classify the Customer and the transactions, based on the area conducted by the Business Actor and reported to CoFTRA on a regular basis;
- Increasing the capability of Human Resources of Futures Brokers in areas prone to complaints, particularly in relation to the Client's Acceptance and application of the Know Your Customer's Know Your Customer Principles by the Futures Broker, so that the Customer's complaint in the intended territory can be further suppressed;
- There needs to be a more effective action from Law Enforcement Officials to prevent and/or crack down on illegal Futures Trading activities in high risk areas in the futures trading sector;
- It is needed to increase public awareness, at risk of illegal Futures Trading activities in high risk areas in the futures trading sector;

- There is a need for guidance related to the implementation of APU/PPT program to Business Actors conducted by the Supervisory Board, as well as the obligation to transfer knowledge and training by Business Actors to their working areas, in order to bring about uniformity of application throughout the region;
- There is a need for more effective internal supervision from Broker, related to Customer acceptance and execution of transactions taking into account the level of risk of the region, which is expected to decrease the number of Customers who feel disadvantaged especially in the risk areas;
- Need to improve the effectiveness of supervision and imposition of sanctions that can cause deterrent effects, so as to reduce the number of violations, especially in the areas at risk;

### 3. User Profile Services

- Customer classification is required by Futures Broker, based on his profile (12 kinds of Customer profile);
- There is a need to improve the capabilities and methods that can be used by the Futures Broker to be able to identify whether or not Beneficial Owner is from the Customer;
- There needs to be an increase in capabilities and methods that can be used by Futures Brokers to be able to know the source (origin) of funds;
- A Futures Broker needs to establish a risk-based approach to identify and monitor the Customer, including updating of the Customer profile based on the risk level;

- Regular reporting and evaluation of Customer Due Diligence/Enhanced Due Diligence implementation in accordance with the Head of CoFTRA Regulation No. 2 of 2016;

Based on the above recommendation, it is necessary to have a Key Priorities Action as soon as possible by CoFTRA:

**Short Term (less than 6 (six) months)**

- Publish the results of SRA to stakeholders in the Futures Trading industry, so that it can be used as input for all stakeholders to formulate the implementation strategy of the APUPPT Regime and the allocation of risk-based resources.
- Develop, establish, and publish guidelines on the implementation of Risk Based Approach for Futures Brokers to have minimum standards of application of APUPPT regime provisions in the Futures Trading Industry;
- Make improvements to several Head of CoFTRA Regulation, especially Head of CoFRRA Regulation that can regulate or mitigate the risks that exist in accordance with the SRA results, such as position limits in a Contract for Bilateral transaction;
- Conduct risk-based supervision to the Futures Brokers, taking into account the results of the CFS so that the number of reports to the PPATK can be increased;
- Immediately conduct education and training related to the implementation of APUPPT Regime for CoFTRA officials and officials/employees of Commodity Futures Companies, to improve the quality and quantity of APUPPT Regime implementation.

### **Term and Medium Term (more than 6 (six) months)**

- Require preparation of red flag Suspicious Financial Transactions (TKM) in Futures Trading sector;
- It is necessary to design the perception index of TPPU and TPPT in the Futures Trading Industry, to monitor follow-up on the basic recommendations of CFS;
- It is necessary to formulate the Head of CoFTRA Regulation which regulates obligations and reporting guidelines periodically to the application of the regulation of APUPPT Regulation, which is used as the material for the evaluation and the preparation of risk based supervisions on an ongoing basis.