Asia Pacific Guide to Lending and Taking Security - Indonesia

If taking security

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# 1. Are there any classes of unsecured and unsubordinated creditor whose claims against a debtor would rank equally with or above those of the debtor’s secured creditors?

There are some claims that rank higher than those of the debtor's secured creditors. Please see the answer to question 10 of the "When Lending to Indonesian Borrowers" section.

# 2. May security given by a company rank in a specified order so as to secure liabilities owed to different creditors of the company in that order and, if that is not possible, is it viable for parties to enter into a contractual arrangement for the purposes of moderating this order?

Only a hak tanggungan (a security right over a land right) and hypothec over a vessel given by a company may rank in a specified order. If a plot of land is subject to more than one hak tanggungan, they are ranked according to their respective dates of registration. If more than one hak tanggungan is registered on the same date, they are ranked according to the number written on their respective deeds of hak tanggungan. A vessel can be encumbered by more than one hypothec, and they are ranked according to their respective dates and numbers written on their respective deeds of hypothec.

Other than a hak tanggungan and hypothec as described above, it is not possible to enter into a separate security agreement to specify the ranks of the security for other security rights as the law prohibits having double security on certain security rights. In addition, certain security rights such as a hak tanggungan, hypothec and fiducia security will come into existence and they will become perfected when they are registered in accordance with their respective regulations. Without this registration, the security holder will not have a priority right against other security holders. However, it is possible for the creditors to enter into a security sharing agreement where the parties, among other things, contractually agree to the following: (i) to have different classes of creditors; and (ii) to have a priority mechanism over the proceeds' distribution upon the enforcement of such security.

# 3. Does this jurisdiction recognise the concept of floating security or similar equivalent (i.e., security over a changing pool of assets that the company giving the security is free to buy, sell and generally deal with)?

Indonesian law does not recognize the concept of floating charge per se. However, under Indonesian law, there is the concept of fiducia security. Fiducia security is the granting of security by which the ownership title of the secured object is transferred by way of fiduciary to the fiducia security holder, but the fiducia security grantor is allowed to use (or continue to use) the secured object. In relation to an item of inventory, the fiducia security grantor is allowed to sell the inventory as long as it is replaced with an object of equal value.

Fiducia security must be registered at a fiducia registration office. Fiducia security can be established in relation to fiducia objects that exist now or that will exist in the future. Therefore, a fiducia security agreement usually includes provisions that oblige the fiducia grantor to provide a periodic update of the fiducia objects and obliges the fiducia security holder to register the fiducia security on receipt of the update. Further details in relation to fiducia security are set out in the answer to question 11 of this section.

# 4. If so, are there any practical reasons why floating security is difficult to take, maintain or enforce?

Not applicable.

# 5. May security be granted to a trustee to be held on trust for the lenders from time to time, in such a way that a change of lenders does not require new security to be taken?

Except for the concept of: (i) trustee (wali amanat) as stipulated under Law No. 8 of 1995 on Capital Markets and Law No. 19 of 2008 on Sovereign Sukuk (Surat Berharga Syariah Negara); and (ii) special purpose vehicle (badan pengelola instrumen keuangan) and trust fund manager (pengelola dana perwalian) established to carry out securitization and trust fund activities as stipulated under Law No. 4 of 2023 on Development and Strengthening of the Financial Sector, Indonesian law does not recognize equitable principles in general, including, without limitation, the relationship of a trustee and beneficiary or other fiduciary relationships. Nevertheless, security may be granted to a trustee to be held in trust. However, enforcement of the provisions granting security in favor of third-party beneficiaries and otherwise relating to the nature of the relationship between a trustee (in its capacity as such) and the beneficiaries of a trust in the loan and security documents in the Republic of Indonesia will be subject to an Indonesian court accepting both of the following:

Foreign law as the governing law of those documents

Proof of the application of equitable principles under those documents

# 6. If not, are there any techniques that can be used to achieve substantially the same effect (e.g., parallel debt structures)?

In practice, the parties incorporate the following into the facility agreement:

A provision stipulating that in relation to a jurisdiction in which the courts would not recognize or give effect to the trust, the relationship of the finance parties to the security trustee will be construed as one of principal and agent.

A parallel debt provision.

Furthermore, for an onshore security holding in Indonesia under a facility agreement, the parties would typically appoint a security agent rather than a security trustee since the concept of trust is not recognized in Indonesia.

# 7. If an agent holds security for the lenders rather than a trustee, is it necessary to take new security on a change of lenders? If no, why not? If yes, are there ways to structure the transaction to avoid such a requirement?

Under Indonesian law, a change of lender by way of a transfer certificate or a novation agreement is considered a novation, the effect of which is that the existing security (as an accessory to the facility agreement) would cease to exist. However, Article 1421 of the ICC provides the option for the new lender and any remaining existing lenders to explicitly state that they retain the security created under the security documents to secure the secured liabilities.

Therefore, the parties usually include a provision in the facility agreement that provides that, on the transfer date, each security document and guarantee will be, and the borrower irrevocably confirms that each security document and guarantee continues to be, the legally valid, binding and enforceable obligations of each party to the facility agreement, and the security and guarantee created by each security document and guarantee respectively will continue to be valid and effective.

Please note that there are multiple interpretations of the effect of the application of Article 1421 of the ICC on the security documents. One of the interpretations is that upon the novation, the underlying agreement should be terminated and therefore the security created under the security document should be deemed to be terminated given the accessory nature of the security documents under Indonesian law.

# 8. Under the laws of this jurisdiction, is there any class of asset over which it is difficult or impossible to grant effective and perfected security, or in relation to which any security granted will be of limited effect?

Generally, there is no class of assets over which it is difficult or impossible to grant effective and perfected security. However, please note the limitations set out below.

Personal rights

It is not possible to grant security over a personal right that cannot be transferred to another person, such as a license.

Pledge

There is still uncertainty in relation to the enforceability of a pledge over a bank account in Indonesia due to the following:

Fluctuating balance in a bank account.

The fact that the pledgor still controls the bank account.

Uncertainty about whether a bank account can be the object of a security right under Indonesian law.

The ICC specifies that a pledgee cannot own the pledged assets. The underlying principle is that a creditor may only obtain the proceeds of the pledged object to repay the debt. To the extent that any of the provisions in a pledge bank account agreement gives a security agent the right to appropriate or own money in the account, the provisions could be construed as inconsistent with the literal meaning of Article 1154 of the ICC. In our view, the underlying presumption of the ICC stipulation is that the pledged object has a market value and that value can only be determined by public auction. In the case of a bank account, the value of the pledged object is the same as the value of the money in the bank account.

There is no concept of second ranking in relation to a pledge. Therefore, it is not possible to create another pledge over an object that has been subject to a pledge.

Fiducia security

Any fiducia security (please see the answer to question 11 for the explanation on fiducia security) over receivables or insurance proceeds will not prevent the obligor(s) or the insurer(s) from the following:

Discharging their obligations to the fiducia grantor.

Exercising any set-off rights they may have.

This is until a receipt of acknowledgment is given from the obligor(s) of the granting of the fiducia security by the fiducia grantor to the fiducia grantee or, alternatively, by proper service by a court server of a notice on those obligor(s) in relation to the granting of the fiducia security.

Any fiducia security over receivables or insurance proceeds is enforceable only to the extent that the fiducia security relates to claims arising from an existing contractual relationship between the fiducia grantor and its obligor(s) at the time of execution of the fiducia security. It may not be enforceable to the extent that the fiducia security relates to future claims that do not have their basis in a contractual relationship between the fiducia grantor and its obligor(s) existing at the time of execution of the fiducia security, unless those future claims (which arise from a new contractual relationship) are specifically assigned by the fiducia grantor. The assignment can be effected by notifying the obligors of the receivables of the existence and the granting of the fiducia security over those future claims and the fiducia grantee registering the fiducia security over the future claims in a fiducia registration office.

# 9. Under the laws of this jurisdiction, are there any restrictions on offshore lenders taking security over any class of asset?

Generally there are no such restrictions.

# 10. Must a company receive a corporate benefit in return for giving a guarantee or security? In particular, are there restrictions on the grant of upstream and cross-stream guarantees and security? If yes, briefly what is the effect of these laws?

Best interests of the company

There is no restriction on the grant of upstream and cross-stream guarantees and security. However, under the Company Law, the members of the board of directors (BOD) of a company have a duty to manage the company in its best interests. Therefore, there must be a corporate benefit for the company before the BOD can direct the company to grant a guarantee or a security to a third-party borrower.

If there is no corporate benefit to the company in granting a guarantee or security to a third-party borrower and in the future the company suffers a loss due to the granting of the guarantee or security, the directors may be jointly and severally liable for that loss.

Typically, because whether a corporate benefit exists in any particular set of circumstances is an issue of fact, it is prudent for there to be a "whitewash" procedure by which all organs of the guarantor company (i.e., BOD, the Board of Commissioners (BOC) and General Meeting of Shareholders (GMS)) approve the granting of the guarantee.

Another regulatory process may need to be conducted if the guarantor or the borrower is a publicly listed company or a (directly or indirectly) controlled subsidiary of a publicly listed company (referred to below).

Affiliated party transactions

**General rule**

Under OJK Rule 42, unless exempted, the following are required of a publicly listed company or its (directly or indirectly) controlled subsidiary that carries out an affiliated party transaction (as defined in OJK Rule 42) ("**Affiliated Party Transaction**"):

Undertake a "procedure" in accordance with the publicly listed company's internal policy to ensure that the Affiliated Party Transaction is implemented according to common business practice (i.e., the transaction must be done at arm's length) ("**Internal Procedure**") and keep the documents that are related to the implementation of the transaction.

Use an independent appraiser to determine the fair value of the object as well as the fairness of the Affiliated Party Transaction.

Disclose to the public information regarding the Affiliated Party Transaction in accordance with OJK Rule 42.

Report the transaction (including submitting the disclosure evidence) to the OJK.

In addition, unless exempted, certain Affiliated Party Transactions would require approval from the independent shareholders in a GMS in accordance with OJK Rule No. 15/POJK.04/2020 on Planning and Conducting General Meetings of Shareholders of Public Companies ("**OJK Rule 15**") in the following circumstances:

The value of the Affiliated Party Transaction exceeds the threshold of a material transaction that requires GMS approval as stipulated in OJK Rule No. 17/POJK.04/2020 on Material Transactions and Change of Business Activity.

The Affiliated Party Transaction may potentially disrupt the continuity of business of the publicly listed company.1

The OJK deems that the Affiliated Party Transaction requires approval from the independent shareholders.

The disclosure and reporting to the OJK above must be made, at the latest, by one of the following:

Two business days after the Affiliated Party Transaction has been conducted.

On the same day as the GMS announcement, if the Affiliated Party Transaction needs to be approved by a GMS.

**Exemptions**

The following exemptions are available under OJK Rule 42:

The following Affiliated Party Transactions are some of those that do not need to go through the Internal Procedure, obtain a fairness/valuation from an independent appraiser or be disclosed to the public or reported to the OJK, among other things:

A transaction between the following, as long as the transaction has the same terms and conditions as a transaction that has been approved by a GMS:

The publicly listed company and its employees, members of the BOD or members of the BOC, or any employees, members of the BOD or members of the BOC of a publicly listed company's controlled company (as defined in OJK Rule 42) ("**Controlled Company**").

The Controlled Company and its employees, members of the BOD or members of the BOC, or any employees, members of the BOD or members of the BOC of the publicly listed company.

An ongoing transaction commenced after the publicly listed company conducted its public offering or after the registration statement submitted by the publicly listed company has been declared effective, provided the following conditions are met:

The transaction has satisfied the requirement under OJK Rule 42.

The terms and conditions of the transaction do not change, or if there are changes to the terms and conditions, those changes may not cause losses to the publicly listed company.

The following Affiliated Party Transactions are some of those that do not need to go through the Internal Procedure, obtain a fairness/valuation from an independent appraiser, or be disclosed to the public, but still need to be reported to the OJK within two business days after the transaction:

A transaction whose value does not exceed 0.5% of the paid-up capital of the publicly listed company or does not exceed IDR 5 billion, whichever is lower.

A transaction carried out by a publicly listed company as a result of the implementation of applicable regulations or court decisions.

A transaction between a publicly listed company and its Controlled Company whose shares are at least 99% held by the publicly listed company or between Controlled Companies whose shares are at least 99% held by the publicly listed company.

Affiliated Party Transactions that are considered "business activities"2 of the publicly listed company are exempted from a fairness assessment by an independent appraiser, as well as from a disclosure and reporting obligation, although they still need to do the following: (i) go through the Internal Procedure the first time the transaction is conducted; and (ii) report the transaction in the publicly listed company's annual report or annual financial statements (with a reference in the annual report). If there is a change to the terms and conditions of such an Affiliated Party Transaction that potentially may cause losses to the publicly listed company, the Internal Procedure must be redone.

Conflict of interest transactions

Under OJK Rule 42, in carrying out a conflict of interest transaction (as defined in OJK Rule 42) ("**Conflict of Interest Transaction**"), a publicly listed company must obtain prior approval from the independent shareholders of a company in a GMS in accordance with OJK Rule 15, in addition to securing a fairness opinion from an independent appraiser, disclosing the transaction to the public and reporting the transaction to the OJK. There are certain Conflict of Interest Transactions, however, that are fully exempted from Conflict of Interest Transaction procedures, including the following:

A transaction between the following, as long as the transaction has the same terms and conditions as a transaction that has been approved by a GMS:

The publicly listed company and its employees, members of the BOD or members of the BOC, or any employees, members of the BOD or members of the BOC of a Controlled Company.

The Controlled Company and its employees, members of the BOD or members of the BOC, or any employees, members of the BOD or members of the BOC of the publicly listed company.

An ongoing transaction that commenced after the publicly listed company conducted its public offering or after the registration statement submitted by the publicly listed company has been declared effective, provided that the following conditions are met:

The transaction has satisfied the requirements under OJK Rule 42.

The terms and conditions of the transaction do not change or, if there are changes to the terms and conditions, those changes do not cause losses to the publicly listed company.

There are also other exemption criteria where the Conflict of Interest Transactions are exempted, but they still must be reported to the OJK, at the latest, two business days after the transaction occurs, including the following:

A transaction whose value does not exceed 0.5% of the paid-up capital of the publicly listed company or does not exceed IDR 5 billion, whichever is lower.

A transaction carried out by a publicly listed company as a result of the implementation of applicable regulations or court decisions.

A transaction between a publicly listed company and its Controlled Company whose shares are at least 99% held by the publicly listed company or between Controlled Companies whose shares are at least 99% held by the publicly listed company.

Subsidiary companies

If the guarantee is provided by a publicly listed company to its subsidiary (whose shares are at least 99% held by that publicly listed company) or provided by that publicly listed company's subsidiary (whose shares are at least 99% held by that publicly listed company) to that publicly listed company, the granting of the guarantee only needs to be reported to the OJK no later than two working days after the Affiliated Party Transactions have been conducted.

The guarantee is provided by a publicly listed company to its subsidiary (whose shares are less than 99% held by that publicly listed company) or provided by that publicly listed company's subsidiary (whose shares are less than 99% held by that publicly listed company) to that publicly listed company, the Affiliated Party Transaction procedures as elaborated above must be conducted, assuming that there is no other exemption that would be applicable. A further conflict of interest assessment must be done to check whether the Conflict of Interest Transaction procedures must be followed.

1 Disruption to the continuity of business" means, for instance, if the proposed transaction, in pro forma, causes the publicly listed company to experience a decrease of 80% or more in its revenue or suffer a net loss (rugi bersih).

2 OJK Rule 42 does not provide a definitive definition on what is considered a "business activity," but the transaction should be a business activity that is conducted to generate revenue and should be conducted in a routine, repeated and continuous manner. OJK Rule 17 provides a hint of the definition when it says that "business activities" are business activities that are stated in the public company's articles of association and that have been conducted.

# 11. What type of security interests does your jurisdiction recognise, e.g., pledge, charge, mortgage, hypothecation? In relation to each type of security interest, please state the formalities required to create and perfect that security.

The types of security recognized under Indonesian law are set out below.

Hak tanggungan

A hak tanggungan is a security right over a land right as security for a debt. A land right may include objects that are inseparable from the land (such as buildings and plants). This security right grants a priority right to certain creditors in relation to other creditors.

**The creation of a hak tanggungan**

The grantor must execute a deed of hak tanggungan (APHT) in Indonesian in favor of the grantee before a PPAT (land deed official). The APHT must clearly mention the identity of the parties, their domiciles in Indonesia, the secured debt, the value of the hak tanggungan, and a description of the land.

A hak tanggungan registration can be made online.

The PPAT is obliged to register the APHT with the Land Office (Kantor Pertanahan) within seven working days from the signing of the APHT. The Land Office must register the hak tanggungan in the hak tanggungan land book on the seventh day after it receives a completed application. On the registration date, the hak tanggungan comes into existence, is perfected, and the grantee becomes a priority creditor.

As evidence of the registration of the hak tanggungan, the Land Office issues to the grantee a certificate of hak tanggungan (which will have executorial power equivalent to a valid and binding court decision). If a plot of land is subject to more than one hak tanggungan, they are ranked according to their respective dates of registration. If more than one hak tanggungan is registered on the same date, they are ranked according to the number written on their respective APHTs.

As of July 2020, lenders and land deed officers may register the hak tanggungan through an online system called the HT-el system.

To be able to become a user of the HT-el system, lenders and PPATs must first register their accounts.

Before a lender submits the application for the registration of the hak tanggungan in the HT-el system, several steps need to be conducted by the PPAT, as follows:

Land certificate check, which can also be conducted manually if the land data is not yet available in an electronic form and has not yet been provided in the database of the Ministry of Agrarian and Spatial Planning/National Land Agency.

Reporting of APHT, which includes creating a deed code as an identification of the deed, inputting the data of the deed, uploading the APHT and its supporting data, downloading the deed cover note, and scanning and uploading the signed and stamped cover note.

In general, each of the HT-el services is carried out through the same steps, as follows:

Submitting a request for the HT-el services by entering certain data according to the service required.

Uploading the required documents (if any) and confirming the compatibility of the data uploaded by the PPAT and those of the physical document.

Confirming the request.

Paying the PNBP based on the transfer order letter.

Reviewing the draft of the HT-el services output.

There are three types of output produced by the HT-el services, as follows:

HT-el certificate

Notes (catatan) of the hak tanggungan on the e-land book

Notes (catatan) of the hak tanggungan on the land rights certificate

**Costs and time frame**

The costs for registering a hak tanggungan are as follows:

The PPATs fee for preparing the APHT would be approximately up to 1% of the transaction value.

The maximum amount of PNBP to be paid is IDR 50 million (approximately USD 3,300 using the currency rate of USD 15,000/IDR) for a secured value above IDR 1 trillion.

The period from the registration to the issuance of the certificate of hak tanggungan varies between one week and six months, depending on the Land Office and the status of the land.

Hypothec over a vessel

Hypothec over a vessel is a collateral right over a vessel to secure certain loan payments and gives priority rights to certain creditors over other creditors. The definition of "vessel" includes water vehicles of a certain shape or type that move by wind power, mechanical power or other energy, pulled or tugged, including vehicles with dynamic support power, submarine vehicles, and floating tools and fixed floating buildings (such as oil rigs).

**The creation of a hypothec over a vessel**

Only a vessel that has been registered in the Indonesian Vessel Registry (Daftar Kapal Indonesia) is permitted to be the subject of a hypothec. The main requirements for registration are as follows:

The vessel has a size of at least seven gross tonnage.

The vessel is owned by an Indonesian citizen residing in Indonesia or an Indonesian company that is established under Indonesian law.

If it is owned by a joint venture company, the majority of the shares are owned by an Indonesian citizen.

A hypothec is created by a hypothec deed in Indonesian made before the ship registration and recording official at the place where the vessel is registered and recorded in the Main List of Vessel Registration (Daftar Induk Pendaftaran Kapal). After the registration, the hypothec will constitute a valid priority security interest over the vessel, securing up to the value stated in the hypothec deed.

A grosse deed of hypothec will be issued to the holder of the hypothec, which will have executorial power equivalent to a valid and binding court decision. One or more hypothecs can be created over a vessel. The rank of each hypothec is determined based on the date and number of the hypothec deed.

**Costs and time frame**

The registration costs for a hypothec include the notary fee, which is calculated from the value of the hypothec stated in the grosse deed of hypothec, and the PNBP, which is calculated from the gross tonnage of the vessel. The process of registration of a hypothec usually takes three to seven days.

Pledge

A pledge is a right of a creditor (pledgee) to movable property that is delivered into the possession of the pledgee by a debtor at the time that the pledge is created, and it gives the pledgee a preferential right to the proceeds from the sale of the pledged property over other creditors. Since the pledged property must be in the possession of the pledgee, the right of the pledgee will terminate if the pledged property is no longer in the possession of the pledgee, except if it is lost or stolen from the pledgee.

**The creation of a pledge**

The parties enter into a pledge agreement, and the pledgor delivers the pledged goods to the pledgee. There is no public registration. However, for a pledge over intangible property, there is a requirement to notify the party against which the pledge is to be enforced. The perfection of the pledge depends on the type of pledged property, i.e., the perfection of a pledge over intangible goods is done by way of delivery and the perfection of a pledge over intangible goods is done by way of notification.

For a pledge over shares, in addition to the pledge agreement, there is also typically an irrevocable power of attorney, a power of attorney to sell shares, and various notices or forms.

**Costs and time frame**

The costs for establishing a pledge depend on how the pledge agreement is drawn up and which related steps are taken. The costs increase in the following order, depending on how the pledge agreement is drawn up:

Drawn up privately

Drawn up privately and registered with a notary public to evidence that the document already existed at the time of registration

Drawn up privately and legalized by a notary public to evidence that the signatures are the signatures of the signatories

Drawn up in notarial deed form as prima facie evidence that the persons executing the agreement are the persons they claim to be and that the content of the agreement is as stated

There is no statutory timetable in relation to the documentation and registration of a pledge.

Fiducia security

Fiducia security is regulated under Law No. 42 of 1999 on Fiducia Security. The fiducia grantor transfers title to its asset in a fiduciary capacity to the fiduciary grantee (secured party). A fiducia security is a security right securing the repayment of a debt over the following:

Tangible or intangible movable goods.

Immovable goods that exist now or will exist in the future, can be owned and transferred, registered or unregistered, and cannot be encumbered by a hak tanggungan or hypothec ("**Fiducia Property**").

The Fiducia Property, unless otherwise agreed by the parties, also includes the following:

The products resulting from the Fiducia Property.

Insurance claims of the Fiducia Property.

Unlike a pledge, Fiducia Property remains in the possession of the fiducia grantor. This security right will grant the fiducia grantee a priority right over other creditors.

**The creation of a fiducia security**

To establish a fiducia security, the fiducia grantor and fiducia grantee execute the fiducia agreement in Indonesian and in a notarial deed form.

The fiducia grantee (through a notary) registers the fiducia security at the relevant fiducia registration office through an online registration system. The registration office then records the fiducia security in the Registration Book of Fiducia on the same day as the online registration statement is submitted and when the registration fee has been paid. The fiducia security is established on the date it is recorded in the Registration Book of Fiducia.

**Costs and time frame**

The costs incurred in the registration of fiducia security are as follows:

The notary's fee for the preparation of the notarial deed, which is calculated as follows:

Fiducia security with a value of less than or equal to IDR 100 million and the maximum cost is 2.5% of the fiducia security value.

Fiducia security with a value above IDR 100 million and less than or equal to IDR 1 billion and the maximum cost is 1.5% of the fiducia security value.

Fiducia security with a value exceeding IDR 1 billion and the maximum cost is 1% of the Fiducia Property.

The maximum amount of PNBP to be paid, which is IDR 13.3 million (approximately USD 880 using the currency rate of USD 15,000/IDR).

The fiducia security must be registered within 30 days of the date of the deed of the fiducia security agreement. If there is an error on the fiducia security certificate (except in relation to the security value), a request for correction may be submitted no later than 30 days after the fiducia security certificate is issued. For errors or changes to the security value stated on the fiducia certificate, the fiducia certificate will need to be replaced. There is an amendment fee for such request.

Security over warehouse receipts

Security over warehouse receipts is the newest type of security available in Indonesia under Law No. 9 of 2006 on the Warehouse Receipt System as amended by Law No. 9 of 2011 ("**Warehouse Receipt Law**"). It defines a "warehouse receipt" as a document issued by a warehouse manager evidencing the ownership of goods (any movable goods that can be stored for some time and are generally traded) stored in the warehouse. The warehouse receipt is a certificate of title, and it is therefore transferable and can be provided as security. This security grants priority rights to a certain creditor over other creditors. The warehouse receipt can only be encumbered with one security right. The security also includes any insurance claim.

However, due to the lack of implementing regulations, security over warehouse receipts is rarely used in the market.

**The creation of a security over warehouse receipts**

Under the Warehouse Receipt Law, security over warehouse receipts is created as follows:

The creditor and the borrower enter into a loan agreement and a deed of security agreement.

The creditor notifies the Registration Center (currently under PT Kliring Berjangka Indonesia (Persero)) and the warehouse manager that the warehouse receipt has been encumbered with a security to secure the loan.

After receiving the completed security notification documents, the Registration Center records the security over warehouse receipt in the Registry Book of Security (Buku Daftar Pembebanan Hak Jaminan) and issues a confirmation on the notification of the security encumbrance over the warehouse receipt and a written confirmation to the security grantee, the security grantor and the warehouse manager, the day after the notification at the latest.

The security grantee holds the warehouse security receipt, and therefore the warehouse receipt cannot be doubly encumbered.

**Costs and time frame**

The cost for establishing security over warehouse receipts mainly comprises the fees payable to the notary and the Registration Center. This includes the fees for the preparation, execution and notification of the deed of security agreement.

There is no statutory timetable for the notification of security over warehouse receipts.

# 12. Are there any registration, translation or notarization requirements in relation to security, guarantees, subordination or intercreditor documents?

Please see the answer to question 7 of the "When lending to borrowers" section for registration or notarization requirements in relation to security and guarantee documents. With regard to subordination or intercreditor documents, there is no regulatory requirement for registration or notarization. The answer to question 7 of the "When lending to borrowers" section for translation requirement is also applicable to the security, guarantee and subordination or intercreditor documents.

# 13. Are there any stamp, documentary, registration, notarization or other taxes, duties or fees chargeable in respect of security, guarantees, subordination or intercreditor documents? If yes, what are the amounts and when are they payable?

Other than the registration fees set out in the answer to question 8 of the "When lending to borrowers" section, no documentary, registration, notarization or other similar taxes, duties or fees are payable under the laws of the Republic of Indonesia in relation to the loan and security documents, except that stamp duty at the rate of IDR 10,000 is payable on each of the documents.

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