

## Newsletter

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# Revamping of Verification and Supervision Procedures of Corporate Beneficial Owner Information



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## Introduction

On 4 February 2025, the Minister of Law ("**MOL**") (previously Minister of Law and Human Rights or "**MOLHR**") has issued and enacted its Regulation No. 2 of 2025 on Verification and Supervision of Corporate Beneficial Owner ("**MOL Reg. 2/2025**" or the "**Regulation**"), which revokes the previous Minister of Laws and Human Rights No. 21 of 2019 on the Guidelines of Supervision for the Implementation of Corporate Beneficial Owner Principle ("**MOLHR Reg. 21/2019**").

MOL Reg. 2/2025 is issued with the intention to enhance compliance and data accuracy in the verification and supervision of beneficial owner identification and reporting obligation for corporations. Furthermore, MOL Reg. 2/2025 is also intended as part of a broader effort to combat money laundering and terrorist financing, aligning with international standards set by the Financial Action Task Force (FATF).

We have outlined below key items that are worth noting for relevant stakeholders in light of the new MOL Reg. 2/2025:

**1. Scope of Corporation:**

Previously, “corporation” under MOLHR Reg. 21/2019 includes:

- a) limited liability company (perseroan terbatas);
- b) foundation (yayasan);
- c) association (perkumpulan);
- d) cooperation (koperasi);
- e) limited partnership (persekutuan komanditer or CV); and
- f) firm (firma)

MOL Reg. 2/2025 now includes civil partnerships under the definition of “corporation”, making them subject to beneficial owner reporting. Furthermore, the definition of limited liability company is now extended to include individual companies, meaning those owned by a single shareholder, as introduced under the Job Creation Law in 2021.

**2. Mandatory Identification and Reporting:**

Similar to the previous MOLHR Reg. 21/2019, MOL Reg. 2/2025 requires corporations to identify and report their beneficial owners; however, it now includes an additional obligation to ensure the accuracy of, and update, such information on beneficial owners annually.

**3. Verification Process:**

MOL Reg. 5/2025 introduces a detailed verification process involving corporations, notaries, the Minister of Law, and other relevant authorities to ensure the accuracy of beneficial owner information.

To ensure the accuracy of beneficial owner information, corporations must first verify such information when submitting reports on establishment, changes, and updates.

**4. Questionnaire on Beneficial Ownership Information:**

Previously, under MOLHR Reg. 21/2019, information on beneficial owners needs to be filled out in a questionnaire and must be carried out by corporations annually between 1 - 31 December.

Under MOL Reg. 2/2025, filling out questionnaires on beneficial ownership information may now be carried out by corporations and/or the notary. Furthermore, the questionnaire filing must be conducted at the time of

- a) the establishment, registration, or ratification of the corporation;
- b) the amendment of the AOA of the corporation
- c) the change of corporation data; and/or
- d) the reporting, change, or update of the beneficial owner information, with the update conducted annually.

The above timing requirement for filing questionnaires reflects the existing practice by notaries in submitting information on beneficial owners.

In addition, it is important to note that MOL, based on its assessment of the information provided by corporations, now has the authority to determine a different beneficial owner than those that have been determined by the corporation.

## **5. Supervision by MOL:**

Under the previous MOLHR Reg. 21/2019, MOLHR has the authority to conduct on-site and off-site supervisions to verify the documents and information related to the beneficial owner of a corporation, and issue supervision recommendations to the corporation.

Under MOL Reg. 2/2025, supervisions over information on beneficial owner reported by corporations are now conducted by MOL through the Director General of General Legal Administration ("**Director General**"), based on the findings of the Director General or at the request of relevant authorities.

## **6. Administrative Sanctions:**

MOL Reg. 2/2025 establishes administrative sanctions towards non-compliance, which includes warnings, blacklisting, and blocking access to the AHU Online system.

Previously, MOLHR 21/2019 allows the possibility for the Ministry of Law and Human Rights to issue a recommendation to the relevant license-issuing authority for delays, revocation, or cancellation of business license if a corporation fails to implement MOLHR's supervision recommendations. Nevertheless, MOL Reg. 2/2025 no longer includes the possibility for sanctions related to business licenses for non-compliance with the reporting obligation.

The administrative sanctions introduced under MOL Reg. 2/2025 are generally applied in a tiered manner, starting with warnings and escalating to blacklisting and access blocking if the corporation fails to comply after the initial warning. In certain cases, the Minister of Law may impose sanctions directly without following the tiered approach, especially in cases of severe non-compliance.

In light of the new provisions on beneficial owner information reporting, it is important for corporations and stakeholders to continue ensuring the accuracy of information relating to its beneficial owners and adjust to the new procedures as outlined and discussed above, particularly considering that MOL now has the authority to determine a different beneficial owner different from those determined by the corporation.

If you have any questions in relation to the topic raised in this briefing, please contact the authors listed above.