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## Ready, Set, Win! An In-Depth Look at Indonesia's New Free Prize Draw Law

Indonesia is known for its strict prohibition of gambling. But does it mean, people of Indonesia cannot win exciting prizes – through a random draw? The answer is no. It is possible and this is exactly what “free prize draws” offers. Regulated by the Ministry of Social Affairs (“**MOSA**”), free prize draws allow people to participate in lucky draws conducted by licensed organizers. It is defined as any chance to win a prize (which can be in a form of goods or money), held free of charge, and tied to other activities, where winners are determined by a random draw or other means.

The MOSA recently updated the rules governing free prize draws by issuing MOSA Regulation No. 3 of 2024 on the Implementation of Free Prize Draws (“**MOSA Reg. 3/24**”), which partially amends MOSA Regulation No. 1 of 2021 on the same topic.

This Advisory highlights the key provisions of MOSA Reg. 3/24, including changes to the free draw framework and compliance requirements.

### A. Free Prize Draw Criteria

Under MOSA Reg. 3/24, a free prize draw must meet the following elements:

1. An organizer of the free prize draw program. The organizer can be a legal entity or an organization (whether or not a legal entity), provided that for non-legal entities, they have been established for at least one year.

The organizer must have, among other things, the products to be promoted, business license etc.

In both cases, if the organizer does not have a product to be promoted, it must have a cooperation agreement with a party that owns the product.

2. The products (goods/services) being promoted, as the free prize draw program must aim to promote products.
3. The prizes must be available, limited, and predetermined.
4. The prizes cannot consist of living organisms, second-hand items, or items prohibited by law.
5. The number of participants is not limited.
6. There must be a defined period for the program.
7. The draw must be random in nature and must not involve elements of gambling.

## B. Direct and Indirect Free Prize Draw

Under MOSA Reg. 3/24, a free prize draw can be conducted as either a direct or indirect draw. The differences between the two are as follows:

No.	Element	Direct Free Prize Draw	Indirect Free Prize Draw
1	Definition	The winner is determined directly, allowing them to immediately know the prize they have won.	The winner is determined through a draw at a specified time.
2	Forms	Coupon, roll, scratch-off cards, or other types of draw.	Envelope, coupon, unique code, draw number, phone number, account number, points, or other indirect draw forms.
3	Conventional Draw Mechanisms	<ol style="list-style-type: none"> <li>a. Inserting physical prizes into packaging and/or products;</li> <li>b. Inserting scratch-off coupons or free prize draw tools (indicating the type of prize) into product packaging;</li> <li>c. Inserting rolls of coupons (indicating the type of prize) into a box/container or similar device;</li> <li>d. Arranging letters or fragmented images to form words or pictures within the prescribed number, according to established rules; or</li> <li>e. Other methods of direct free prize draws using conventional media.</li> </ol>	Participants submit proof of participation in the free prize draw to the organizer.

4	Online or Digital (Network) Draw Mechanisms	<ul style="list-style-type: none"> <li>a. Done through digital media with a claim limit;</li> <li>b. Using a unique prize code obtained by consumers from the product purchased;</li> <li>c. Submitting the unique prize code to the organizer;</li> <li>d. Submitting the unique prize code via online media to the organizer.</li> </ul>	<ul style="list-style-type: none"> <li>a. Done through a digital application available on the company's website.</li> <li>b. The application must provide transparent information accessible to participants and ensure the confidentiality of their data.</li> </ul>
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### C. Procedures for a Free Prize Draw

A free prize draw requires (i) a draw permit and (ii) a promotion permit. Below is a brief overview of the procedure for holding a prize draw in Indonesia.

#### 1. Apply for a Draw Permit

To obtain a free prize draw permit (“**Draw Permit**”), the organizer must apply online at <https://simppsdb.kemensos.go.id/index.php/site/index>. The responsible person for the application must register, provide their details to the system, and submit the request for the Draw Permit.

Next, the applicant must obtain written approval on the legality of the institution and the plan for the free prize draw program from the authorized official (“**Written Approval**”).

Subsequently, the application for the Draw Permit is reviewed by the authorized official at the provincial level. The results of this review will form the basis for a recommendation by the relevant provincial authority regarding the draw's implementation.

After receiving the provincial-level recommendation, the application will be reviewed by the drawing service verifier at the MOSA. The outcome of this review will guide the senior official responsible for prize draw implementation in deciding whether to approve the Draw Permit.

When granting the approval, the senior official may consult the advisory and supervisory team overseeing free prize draw implementation.

## **2. Payment of Draw Permit Fees**

Once the Draw Permit has been obtained, the organizer must pay the following fees:

- a. The application fees for the Draw Permit and Promotion Permit, in accordance with the applicable regulations; and
- b. A domestic direct grant in cash, amounting to at least 10% of the total value of the prizes.

All fees must be paid before the Promotion Permit is issued.

## **3. Issuance of the Promotion Permit**

To organize a free prize draw for the purpose of promoting its goods/services, the organizer must obtain a Promotion Permit. MOSA Reg. 3/24 defines 'promotion' as activities aimed at introducing or disseminating information about an item and/or service to attract consumer interest.

The Promotion Permit is issued once the Draw Permit application has been approved by the senior official responsible for prize draw affairs. This Promotion Permit specifies the time limit for the promotion period, which must not exceed one year.

The promotion of a free prize draw can be done through printed media, electronic media, online platforms and other media.

## **4. Determination of the Draw Permit Issuance**

The granting of the Draw Permit is determined by the MOSA, which may delegate this responsibility to the senior official in charge of prize draw affairs.

## **5. Sealing of the drawing device**

Sealing involves securing participants' data, as well as the drawing equipment and mechanism to determine the winners, and confirming the availability of prizes to be awarded to the winners.

## **6. Drawing**

Winners may be determined through a draw or other methods, which can be conducted offline or online. The process of determining the winners must be witnessed and validated by:

- a) an official of the MOSA (from the central, provincial, or municipal/district level, according to their authority); and
- b) a notary,

either in person or online (with the MOSA's approval). This process may also involve the local police.

## 7. Minutes of the drawing

The notary who witnesses the drawing must prepare and certify the minutes of the drawing.

## 8. Announcement of the winners

The winners may be publicly announced by the organizer through printed media, electronic media, online media, or other media.

## 9. Submission of a written report to the MOSA

Within 60 days of the determination date of the winners, the organizer must submit a report on the indirect free prize draw process to the MOSA.

## D. Sanctions for Non-Compliance

Organizers who fail to follow the rules for free prize draws may face administrative sanctions, ranging from a written warning to suspension or revocation of the permit.

A written warning may be issued up to three times, with a maximum of seven working days between each warning. If the organizer fails to comply after receiving a warning, the permit may be suspended. If the organizer continues to violate the regulation after the suspension, the permit may be revoked. Administrative sanctions may be determined with input from an advisory and oversight team.

## E. Conclusion

Organizing a free prize draw in Indonesia can only be done as part of a product promotion, requiring multiple permits and approvals from officials at various levels. There is considerable bureaucracy involved and obtaining the necessary permits may require some time, for which close coordination with the MOSA for practical advice is recommended. However, companies willing to make the effort may benefit from increased sales and enhanced brand awareness, as prize draws and the excitement they generate resonate strongly with Indonesian consumers.

### ABOUT M&T ADVISORY

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It informs generally on the topics covered and should not be treated as legal advice or relied upon when making investment or business decisions.

Should you have any questions on any matter contained in M&T Advisory, or other comments in general, please contact us at the emails provided at the end of this article.

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