



Update on Beneficial Owner Requirements

Indonesia has tightened its rules on beneficial ownership – the individuals who ultimately own, control or benefit from a company – to strengthen corporate transparency and combat financial crimes such as money laundering and terrorism financing activities.

Minister of Law Regulation No. 2 of 2025 on the Verification and Supervision of Beneficial Owners of Corporations (“**Regulation 2/2025**”) introduces stricter requirements for identifying, verifying and updating beneficial owner information. It also widens the scope of entities subject to reporting, increases compliance obligations, and sets out administrative sanctions for non-compliance.

Regulation 2/2025 came into effect on 4 February 2025 and replaces Minister of Law and Human Rights Regulation No. 21 of 2019 on the Procedures for Supervising the Implementation of the Know-Your-Beneficial-Owner Principle by Corporations (“**Regulation 21/2019**”).

Following are the key points of Regulation 2/2025.

1. **Wider Range of Obligated Corporations.** The new regulation expands the types of corporations subject to the beneficial owner reporting obligation, adding civil partnerships. It also classifies capital partnership companies and individual companies as limited liability companies subject to this requirement.
2. **Additional Obligations for Corporations.** In addition to the annual update of beneficial owner information required under Presidential Regulation No. 13 of 2018 on the Implementation of the Know-Your-Beneficial-Owner Principle by Corporations for the Prevention and Eradication of Money Laundering and Terrorism Financing Crimes, Regulation 2/2025 mandates that corporations update their beneficial owner information whenever changes occur. Corporations are now also required to keep proper records and documentation of their beneficial owners and complete a related questionnaire.
3. **Risk-Based Verification Process.** Unlike Regulation 21/2019, which mainly served as a supervisory guideline for implementing the know-your-beneficial-owner principle, Regulation 2/2025 places greater emphasis on corporate responsibility and internal compliance measures. It introduces a risk-based verification process to assess the risks of money laundering and terrorism financing activities, referencing the National Risk

Assessment by the Indonesian Financial Transaction Reports and Analysis Center, or the Sectoral Risk Assessment from a specific sector.

The verification of beneficial owners is conducted by:

- a. The corporation itself, verifying the beneficial owner's information and supporting documents when establishing, amending or updating the corporation's records.
 - b. A notary, assessing and verifying the information provided by the corporation.
 - c. The Ministry of Law, assessing information submitted by the notary and the questionnaire submitted by the corporation.
 - d. Other authorized institutions.
4. **Enhanced Government Supervision.** Under Regulation 2/2025, the Minister of Law is authorized to process and analyze submitted data to ensure the accuracy of the information provided. For corporations deemed high-risk, the Minister of Law may also verify the accuracy of the beneficial owner information. If discrepancies are found, the Minister may conduct direct or indirect clarification with the corporation. Direct clarification includes summoning the company and/or conducting on-site inspections, while indirect clarification involves reviewing documents and/or making formal inquiries.
- Regulation 2/2025 also allows the Minister to designate a different beneficial owner based on the corporation's verification, analysis and data processing.
5. **Implementation of Administrative Sanctions.** Regulation 2/2025 imposes administrative sanctions on corporations that either fail to submit beneficial owner information or provide inaccurate data. These sanctions include warnings, blacklisting, and blocking access to the Ministry of Law's online system (AHU online).

Following the enactment of Regulation 2/2025, corporations are expected to accurately identify, record and document their beneficial owners in line with the updated requirements. These obligations are intended to improve transparency and strengthen corporate governance. Also, to avoid any potential sanctions being imposed, corporations must ensure timely updates to their beneficial owner whenever changes or updates occur, maintaining full compliance with this new regulation.

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A Summitmas I, 16th & 17th Floors
Jl. Jend. Sudirman Kav. 61-62
Jakarta 12190

P +6221 5080 8300
+6221 252 1272

 makarim.com  Makarim & Taira S.



Frederick Simanjuntak

Partner

frederick.simanjuntak@makarim.com



Mira Ayu Lestari

Associate

mira.ayu@makarim.com