

WAKE UP CALL

Welcome to issue 37 of Wake Up Call—RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, governance, internal control, management, risk, taxation.

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3-HOUR BKPM INVESTMENT LICENSE



Tri Sulistyowati, Business Services Practice

BKPM has issued four (4) new regulations as part of the Government's Economic Stimulus Package, including BKPM Regulation No. 14 Series of 2015 concerning Investment Principle License. One of the most important content of this regulation is the introduction of *Izin Investasi* (meaning Investment License).

The new license is intended to facilitate large-scale industrial investment. In promoting this concept to investors, BKPM announced that the processing period of the Investment License will only take three (3) hours, to output a Direct Construction Permit.

Application for the Investment Principle License is open to PMAs or PMDNs with minimum total investment in excess of IDR 100 billion and with a manpower plan consisting of at least 1000 employees, otherwise a lower investment will correspond to the regular Investment Principle License-*Izin Prinsip*.

The difference between an Investment License and a Principle License is presented in the table.

Based on a press release from BKPM on December 1, 2015, the Investment License application service provided by BKPM will comprise of no less than eight (8) license products including the Investment License itself and one (1)

certificate for land blocking, to wit:

1. Investment License (*Izin Investasi*)
2. Taxpayer Identity Number (NPWP)
3. Deed of Establishment (*Akta Pendirian*) Minister of Law and Human Rights Decree on Approval of the Establishment (*Surat Keputusan Kementerian Hukum dan HAM*)
4. Certificate of Company Registration (*Tanda Daftar Perusahaan* or TDP)
5. Expatriate Work Permit (*Izin Mempekerjakan Tenaga Asing* or IMTA)
6. Foreign Worker Utilization Plan (*Rencana Penggunaan Tenaga Kerja Asing* or RPT-KA)
7. Producer/Importer Identification Number (Angka Pengenal Importir Produsen or API-P)
8. Customs Identification Number (Nomor Induk

Kepabeanan or NIK)

To simplify the licensing process, BKPM provides a complete service facility for investors, from executing the incorporation documents of the company to the provision of expatriate working permits. A salient prerequisite is that BKPM can only process the application for *Izin Investasi* when investors have submitted all required documents supporting the application for the license products, including documents to apply for expatriate work permits and producer/importer identification number, apart from the standard corporate documents such as deed of establishment and domicile certificate.

On December 3, 2015, BKPM issued another press release stating that three 3 PMAs and 1 PMDN have availed of the Investment License application service. BKPM also stressed that the 3-hour application service for all 8 license products is divided into 4 phases each of which has a maximum duration of 45 minutes.

BKPM explained that there are some requirements for investors who wish to obtain the license within 3 hours, in which permission must be administered directly by investors and not by the power holders.

The investor should come directly to BKPM where a room for the purpose is provided at the 2nd floor of the premises. Another basic requirement is that the value of investment must be over IDR 100 billion and able to absorb a workforce of more than 1000. Investments must be in the value-added industrial sector, not the service sector.

Investors, including those arriving from the airport, may therefore go straight to BKPM to obtain the in-

vestment license, the deed of business establishment and the taxpayer ID at the One Stop Services (Pelayanan Terpadu Satu Pintu/PTSP).

After obtaining the license, the investor may immediately begin building a plant upon selecting land in an industrial zone set by the Government, thus eliminating the need for a construction permit. In practice, after selecting a block in an industrial area, an investor may proceed to purchase cement, steel etc., to directly construct the plant as the investment and construction licenses have been prepared at BKPM.

For further information, please contact

business@rsmindonesia.id

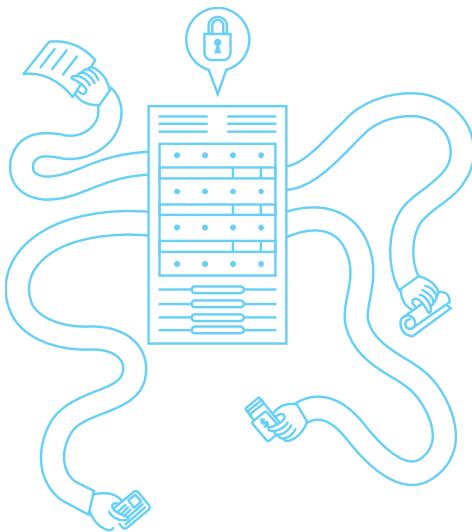


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CORPORATE ACCOUNT TAKE OVER IN CYBERCRIME

Angela Simatupang, Governance Risk Control Practice



Cyber criminals are targeting the financial accounts of owners and employees of small and medium sized businesses, resulting in significant business disruption and losses.

This is a fraud scheme known as "corporate account take over". A guideline on corporate account takeover issued by US Secret Service, Federal Bureau of Investigation, the IC-3 and FS-ISAC addressed this problem.

To obtain access to financial accounts, cyber criminals target employees - often senior executives or accounting and HR personnel and business partners and cause the targeted individual to spread malicious software (or "malware") which in turn steals their personal information and log-in credentials.

Once the account is compromised, the cyber criminal is able to elec-

Strange email from unknown sender could be simply junk or it could be malicious. If its malicious, then it pose risk to the organization.

tronically steal money from business accounts.

Cyber criminals also use various attack methods to exploit check archiving and verification services that enable them to issue counterfeit checks, impersonate the customer over the phone to arrange funds transfers, mimic legitimate communication from the financial institution to verify transactions, create un-authorized wire transfers and payments, or initiate other changes to the account.

In addition to targeting account information, cyber criminals also seek to gain customer lists and/or proprietary information that can also cause indirect losses and reputational damage.

How it is done?

Cyber criminals employ various technological and non-technological methods to manipulate or trick victims into divulging personal or account information.

Such techniques may include performing an action such as opening an email attachment, accepting a fake friend request on a social networking site, or visiting a legitimate, yet compromised, website

that installs malware on their computer.

How to manage it?

There are 3 steps to take: Protect, Detect, Respond.

Protect. Educate everyone on this type of fraud scheme.

Don't respond to or open attachments or click on links in unsolicited e-mails. Be wary of pop-up messages claiming your machine is infected and offering software to scan and fix the problem. Enhance the security of your computer and networks and enhance the security of your corporate banking processes and protocols.

Detect. Monitor and reconcile accounts regularly and note any changes in the performance of your computer such as dramatic loss of speed, unexpected rebooting, new toolbar or icon.

Pay attention to warnings on potential viruses and check your outbox folder to look for email that you did not send. Run regular virus and malware scans on your computer hard drive.

Respond. If you detect suspicious activity, cease all online activity

and disconnect your network connections to isolate your computer from jeopardizing the entire corporate network.

Assign a function within your company that is responsible to manage this issue and make sure that your employees know how and to whom

to report on this.

It is also advisable that your organization have a contingency plan that cover resolutions for a system infected by malware, data corruption, and catastrophic system/hardware failure.

For further information, please contact

grc@rsmindonesia.id



Indonesia Facts

Indonesia is the world's fourth most populous nation, the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20.

PROFILING THE EXECUTIVE: 12 COMPETENCIES

Novie Espiritu & Renato Leuterio, Business Services Practice



The competencies are aggregated as SKA: Skills, Knowledge and Attitude which will matter in work performance, further developed through training and development.

The 12 Competencies include Achievement, Integrity, Customer Service Orientation (CSO), Building Partnerships, Business Acumen, Decisiveness, Team Leadership, Impact and Influence, Initiative, Conceptual Thinking, Organizational Commitment, and Organizational Awareness. These are taken up in succession.

Achievement (Prestige/Target

Achieved)

- Perform to meet managerial standards
- Aim to meet self and peer expectations
- Focus on improvement
- Optimize resources
- Measure entrepreneurial risk

The level of work concern which drives the person to perform towards excellence and exceedingly way above standard.

Searching for the executive nowadays focuses not only on technical skills and experience but also on underlying aspects referred to as the 12 Core Competencies. The methodology in assessing these competencies will avail of recruitment procedures including behavioural interview, psycho-test and managerial simulation.

Integrity

- Understand and recognize behaviour in accordance with a code of ethics
- Action consistent with values and assurance thereof
- Action consistent with values in the face of difficulty
- Action consistent with values de-

Consistency with organizational measures and policies as well as professional ethics in the midst of difficulty. In other words "statement precipitates action." Openly communicate intention, idea and feelings, honest and direct whilst in a difficult situation, with third parties.

Customer Service Orientation

- Search for information on customer desires that match products/services
- Assume responsibility in addressing customer concerns
- Act as counsellor for the needs and concerns of customers
- Look towards a long-term horizon in addressing customer concerns

Willingness to assist and service customers/other people. A customer is one who is real in the sense of the word or an associate availing of our products/services.

Building Partnerships

- Establish formal contact with peers in the workplace
- Search information from other parties
- Coordinate work within internal and external organizational structures in a formal context;
- Develop an organization network

Capability to identify and develop key stakeholder relationships that represent a diverse function and level; utilization of informal network in achieving goals; and development of a strong external network with industry or professional peers.

Business Acumen

- How to maximize human resources as the most valuable company asset;
- Understanding how to generate and manage company revenues;
- Analyse business competition;
- Get involved in risk management with the proper entrepreneurial

Understanding financial actions and behaviour of the company in the process of decision-making.

Decisiveness

- How an executive formulates firm decisions without hesitation, consistent with the responsibility for every alternative taken
- Decisions may be controversial as long as these are objectively determined and without personal taint; decisions should be final and free from doubt

Managerial success based on firm decision-making amidst uncertainty.

Team Leadership

- Disseminate information
- Fairly treat team members
- Apply a complex strategy towards ensuring team spirit and productivity
- Ensure that team requirements are met
- Assure that each team member is in keeping with the mission, objectives and policies

Tendency to aspire for team leadership in relation to formal authority.

Impact and Influence

- Anticipate effect of action on the opinion of others
- Avail of reasoning, facts, data, real occurrence and demonstration
- Forge political coalition and provide information to generate desired results
- Utilize team capability in group leadership

Action, influence and assurance to others thus generating support towards a common goal.

Initiative

- Not to give up despite rejection
- Recognize and grab opportunity an opportunity should bring in better-than-expected results
- Anticipate and prepare for the opportunity and its related problem/s

Action to surpass expectations; the drive to perform prior to instruction; this action is necessary to improve or upgrade work results, to avoid problems, or to create new opportunity.

Conceptual Thinking

- Apply logic and common experience in identifying a problem;
- Observe the difference between a situation and issues that previously transpired;
- Actuate and modify a concept or method previously observed; and
- Identify data relationships.

Capability to understand a situation or problem with this approach: relationship of a problem or the ability to recognize the main basic problem in a complex situation.

Organizational Commitment

- Readiness to help in the workplace
- Intersperse private activities in complying with organizational requirements
- Understand work requirements in the same manner as meeting greater organizational objectives
- Opt to fulfil organizational needs rather than personal priorities

An executive's resolve and capability to adapt his/her style in keeping with a requirement, priority and organizational objective, with the aim of supporting organizational goals or providing for organizational needs.

Organizational Awareness

- Understand the informal organizational structure;
- Recognize unseen organizational limits; and
- Recognize problems and opportunities affecting the organization.

Awareness of the need to be part of an organization.

For further information, please contact

business@rsmindonesia.id

ACQUIRING DISTRESS COMPANIES



Wiljadi Tan, Corporate Finance & Transaction Support Practice

A company is considered in distress when it has financial difficulty or when it can not fulfil its financial obligations to its creditors. The chance of financial distress increases when a company has relatively high fixed costs, non-performing assets, or revenue that is sensitive to economic downturns. However, most companies were caught in financial distress because of over investment which leads to high debt and related costs.

A distress company deemed as potentially having growth opportunity – industry wise and the business itself – is still interesting in the buyer view, so long that the opportunity exceed the risks. However, buyer need to assess whether the company can be 'turned-around' or not prior to acquisition. There are several points that need to be address that plays a role in minimizing the risk and maximizing the return simultaneously.

First, there should be an appropriate acquisition structure. Buyer will be exposed to more liability risk if they acquire the business in the form of stocks or partnership interest rather than assets. Buyer prefers to buy assets and seller prefers to sell stock. While an asset acquisition is preferable from a buyer's perspective, all risk may not be eliminated, although it is likely lower compared to stock acquisition.

Second, there should be a thorough due diligence. It is better to uncover the risk as early as possible before purchasing any liability,

rather than uncover it post-acquisition, with little or no possible opportunity to recourse.

Distressed acquisitions often must be completed in a tight time frame for various reasons such as to preserve the company's business value before lenders taking any action that might harm buyer's opportunity and effort or seller's business. Concurrently, buyer should also really assess risks to the expected return, to bear force forward closing with imperfect information.

Valuation is among one of several powerful risk management tools, if a buyer is uncertain of whether it has been able to adequately address risk through acquisition structure and due diligence – buyer needs to include an appropriate risk discount into the purchase price to account for that uncertainty.

Customer and supplier relationship also play a role in distress acquisition. The risk on customer due to target or supplier's distress needs to be assessed; buyer may also consider re-source options to oth-

er supplier. While great effort is spent by buyer attempting to maintain relationship with key customers to preserve the value of an acquired business, an equal amount of attention should also be paid to key suppliers and vendors.

A distress company may have difficulty retaining key employees. Problem with employee's retention appear for various reasons such as compensation freeze or cuts, elimination, lack of bonuses and requirements for larger employee contributions toward employee benefit plans. Therefore, buyer must have a strategy to keep key employees remain in the acquired company.

After acquisition, buyer must coordinate with stakeholders to reduce any possible risks that have been explained in the previous points and focus on achieving business stability. Then, buyer can start executing their strategies and turn around the business.

For further information, please contact
corfin@rsmindonesia.id

Our activities

RSM Indonesia Economic Outlook 2016

An Afternoon Discussion with Friends of RSM Indonesia

Each year, we invited our friends—clients and network, to catch up and to discuss on pertinent matters to the economy and business in general.

On 24 February 2016, 100+ of our friends attended the event that was held at Soehanna Hall, Jakarta.

The event was opened by our Chairman, Amir Abadi Jusuf. In this occasion, he brief attendees on the journey of RSM and the usage of global name worldwide, which taken place on late October 2015, where RSM AAJ has officially been called as RSM.

Indonesian' prominent economist, Faisal Basri shared his view on the 2016 outlook. Many issues were presented to the follow from the global economic turmoil to the growth of Indonesia beyond Java, issues and challenges that need attention from business players as well as the government.

The discussion was also enriched with the tax update brought by Sentot Priyanto, one of RSM Indonesia Tax Partner. He raise the awareness of the attendees on what to expect throughout 2016 and measures that need to be taken to anticipate tax issues.



Our activities

RSM Indonesia Top Executive Gathering

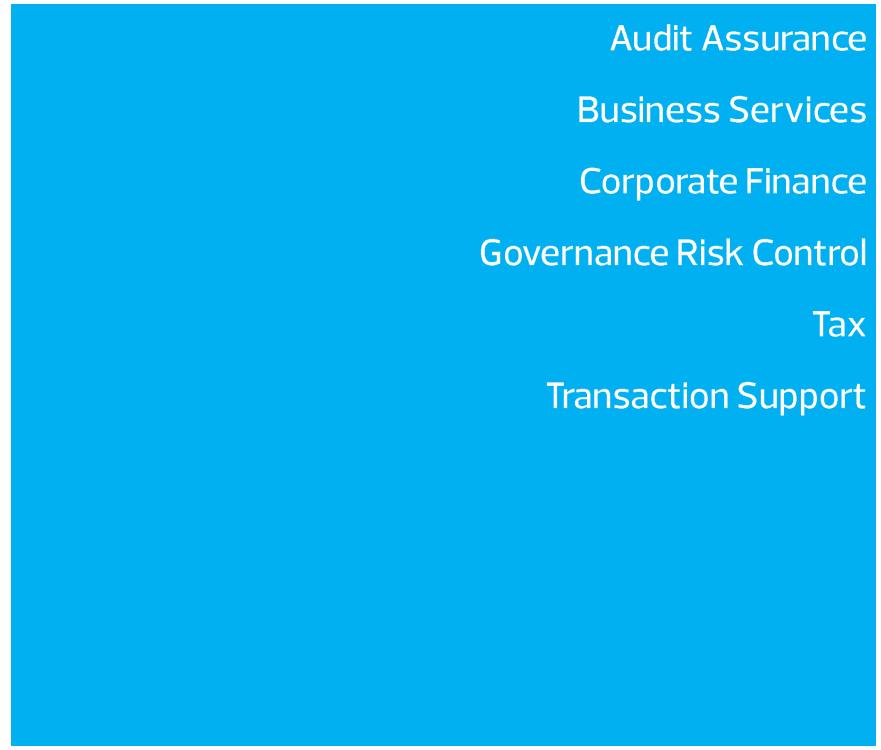
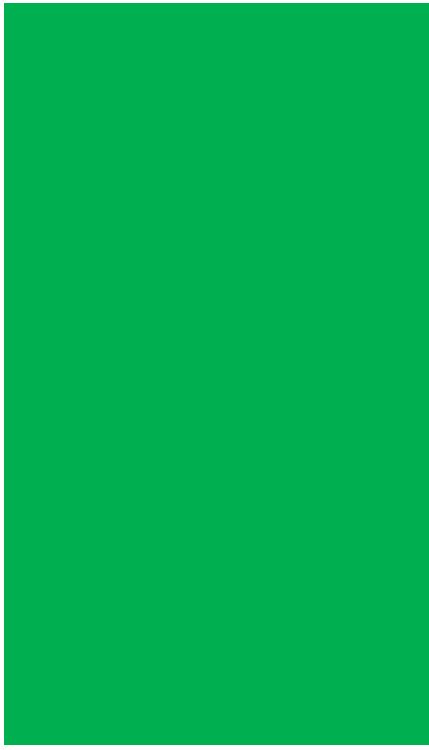
Up Close and Personal with the Minister of Finance

In conjunction with RSM member firm in Indonesia's 31st anniversary on 4 May, the Indonesia office held an Up Close & Personal event with the Minister of Finance of the Republic of Indonesia, Prof.Dr. Bambang Brodjonegoro, which was attended by 30+ C-Level executives of top companies in Indonesia at Dharmawangsa Hotel.

The Minister shared news on some of government's latest projects and policies in effort to boost the nation's economic development. As expected, the discussion session as a bridge between the Minister, as a policy maker, and the rest of the attendee, as the industries driving force. The discussion in form of direct Q&A with the Minister went really well and productive.

As one of the leading audit, tax and consulting firm in Indonesia, RSM Indonesia continuously strive to deliver values to its clients and to the nation as a whole, and this is part of our effort in delivering it to our stakeholders.





Audit Assurance
Business Services
Corporate Finance
Governance Risk Control
Tax
Transaction Support

Thank you for reading.

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RSM Indonesia

Plaza ASIA Level 10
Jl. Jend. Sudirman Kav. 59
Jakarta 12190 Indonesia

www.rsmindonesia.id