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NEW REGULATION ON BENEFICIAL OWNERSHIP: MOL REGULATION NO. 2 OF 2025





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LAW OFFICES

LEGAL TALKS

Beyond Legal Solutions

MAGNUS LAW OFFICES

CONTACT DETAILS



+62 21 29398927



info@magnuslaw.co.id



www.magnuslaw.co.id



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Overview & Introduction

The Indonesian government has introduced a new regulatory framework through Minister of Law Regulation No. 2 of 2025 on the Verification and Supervision of Corporate Beneficial Owners (“**MOL Regulation No. 2/2025**”), which came into force on 4 February 2025. This regulation replaces Minister of Law and Human Rights Regulation No. 21 of 2019 and marks a significant step in enhancing corporate transparency, aligning Indonesia with international standards in combating money laundering and terrorism financing. Unlike the previous regulation, the new regulation places greater emphasis on corporate responsibility, risk-based verification, and administrative enforcement, thereby reshaping how corporations disclose, update, and verify their ultimate beneficial owners (UBOs).

Key Takeaways from MOL Regulation No. 2/2025

1. The Scope of Corporate Beneficial Owner

The new regulation expands the definition of corporations subject to beneficial ownership disclosure. Beyond traditional entities such as limited liability companies (*perseroan terbatas*), cooperatives, foundations, and associations, the regulation now expressly covers civil partnerships (*persekutuan perdata*) and further differentiates between capital partnership companies and individual companies (*perseroan perorangan*). This expansion ensures that even small-scale enterprises and sole-owned corporate vehicles must comply with UBOs disclosure obligations. The broadened scope reflects the government’s recognition that opaque ownership structures are not confined to large corporations but may also be exploited through smaller entities for illicit purposes.

A beneficial owner (*pemilik manfaat*), as reaffirmed in the regulation, is the natural person who ultimately controls, manages, or derives benefit from a corporation, whether directly or indirectly. This includes individuals who have the power to appoint or dismiss directors or commissioners, exercise effective control over decision-making, or who are the true owners of capital or shares. Importantly, beneficial ownership is dynamic; changes in control or ownership trigger immediate reporting obligations to ensure the accuracy and currency of information. This addresses longstanding gaps under the old regime, where beneficial ownership information often became outdated or incomplete.

By broadening the scope of its disclosure rules, the regulation reflects the government's intention to align corporate governance standards with international best practices and to ensure that ownership structures remain transparent and accountable. In practical terms, this means corporations must now treat beneficial ownership disclosure not as a mere administrative formality, but as a core compliance obligation embedded in day-to-day governance, carrying both legal and reputational consequences.

2. Corporations' Obligations and Verification Procedures

The MOL Regulation No. 2/2025 strengthens corporate obligations by moving from a one-time registration model to a framework of continuous compliance. Pursuant to Article 3 MOL Regulation No. 2/2025, corporations are required to update beneficial ownership information at least once annually, even when no changes occur, and must also report any change in ownership or control as soon as it arises. In addition, corporations must maintain supporting documentation and complete an official beneficial ownership questionnaire via the Ministry of Law's AHU Online system. These obligations ensure that beneficial ownership data is not only accurate at the time of registration but remains reliable throughout the corporation's lifecycle.

Pursuant to Article 5 MOL Regulation No. 2/2025, verification is conducted through a multi-layered, risk-based approach involving corporations, notaries, the Ministry of Law, and other authorized institutions. Corporations themselves are expected to verify information against supporting documents upon establishment, amendment, or update of corporate records. Notaries, acting as gatekeepers, are required to confirm and cross-check beneficial ownership data when providing notarial services for corporate acts. The Ministry of Law may then conduct further verification, prioritizing entities identified as high-risk, through both direct clarification and indirect clarification. This system enhances both accuracy and accountability by ensuring that verification is not merely procedural but substantive and risk-driven.

A key innovation is the introduction of electronic data processing and analysis. Pursuant to Article 12 MOL Regulation No. 2/2025, The Directorate General of General Legal Administration (Ditjen AHU) now operates an electronic system to cross-reference beneficial ownership data with national identification, tax identification, and other documentation. Where discrepancies are detected, the Ministry may designate an alternative beneficial owner based on analysis and verification outcomes. This reflects a fundamental shift from passive reporting to active regulatory supervision supported by technology, thereby reducing the risk of manipulation or concealment within ownership structures.

3. Sanctions and Implications for Business

The introduction of administrative sanctions under MOL Regulation No. 2/2025 marks a significant departure from the previous regulatory framework, which lacked explicit enforcement mechanisms. Corporations that fail to disclose, update, or verify their beneficial ownership information in accordance with the regulation may now face formal consequences, ranging from written warnings to blacklisting, and even restricted access to the Ministry of Law's electronic legal administration system (AHU Online). These sanctions are not merely symbolic, they are designed to create a credible deterrent effect, ensuring that corporations cannot ignore their reporting obligations without facing measurable penalties. For businesses, this development underscores the importance of proactive compliance and timely data management to avoid operational disruptions.

Importantly, the regulation distinguishes between non-compliance in larger corporations and small or micro-scale businesses. While the former may face blacklisting or AHU access restrictions, which effectively paralyze corporate actions such as filing amendments to the articles of association or registering new corporate documents, smaller entities are subjected to a softer approach, primarily through notification mechanisms. Nevertheless, even for smaller entities, compliance with beneficial ownership disclosure is a prerequisite for carrying out certain corporate actions, meaning that any failure to meet reporting obligations will indirectly result in legal and operational barriers. This dual approach demonstrates the government's attempt to balance strict enforcement with proportionality, but it also signals that no business entity is exempt from oversight.

From a governance perspective, these sanctions carry implications that extend beyond administrative inconvenience. Being blacklisted or publicly flagged as non-compliant on the Ministry of Law's platform may expose corporations to serious reputational damage, affecting their relationships with banks, investors, regulators, and even potential counterparties in commercial transactions. Financial institutions, in particular, are under strict obligations to apply customer due diligence and anti-money laundering protocols, which means that non-compliant corporations risk heightened scrutiny or outright refusal of services. In addition, counterparties in mergers, acquisitions, and joint ventures increasingly demand assurance of regulatory compliance as part of their due diligence processes. Thus, a failure to maintain up-to-date beneficial ownership records can have far-reaching consequences on both financing and growth opportunities.

On a practical level, businesses must recognize that sanctions under this regulation are not isolated punitive measures but part of a broader compliance ecosystem. Non-compliance in beneficial ownership reporting may trigger cascading regulatory risks, particularly when combined with obligations under anti-money laundering and counter-terrorism financing laws. For example, inaccurate or incomplete beneficial ownership information could expose corporations to allegations of facilitating illicit financial flows, leading to investigations that may culminate in criminal liability for responsible individuals. Moreover, given the increased emphasis

on cross-agency coordination, it is foreseeable that regulatory authorities such as the Financial Services Authority, Bank Indonesia, and the Financial Intelligence Unit may rely on the beneficial ownership database to evaluate corporate integrity and compliance in their respective domains.

4. Conclusions and Takeaways

The enactment of MOL Regulation No. 2 of 2025 marks a pivotal step in Indonesia's ongoing effort to strengthen corporate governance and combat financial crimes. By broadening the scope of regulated entities, introducing continuous reporting obligations, and establishing a clear verification framework, the regulation signals a paradigm shift from passive disclosure to proactive compliance. Corporations are no longer permitted to treat beneficial ownership reporting as a one-off formality; rather, it is now a continuing legal duty that carries direct consequences for both compliance and credibility in the business community.

At the same time, the regulation's framework on administrative sanctions highlights the government's determination to ensure accountability across all types of business entities. Blacklisting and restricted access to AHU Online are powerful enforcement tools that can paralyze corporate activities and damage reputations, while notification-based systems for small enterprises reflect an effort to balance strict supervision with proportionality. For businesses of all sizes, the key takeaway is that compliance is no longer optional, it is an operational prerequisite and a reputational safeguard in a business landscape increasingly defined by transparency and accountability.

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For further information please contact Pascal A. Hutasoit (pascal@magnuslaw.co.id) or Gilang Mursito Aji (aji@magnuslaw.co.id).

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