

REGULATION OF THE MINISTER OF TRADE
NUMBER 68/M-DAG/PER/10/2012

CONCERNING
FRANCHISE FOR MODERN STORE BUSINESS TYPE

BY THE GRACE OF ALMIGHTY GOD,
THE MINISTER OF TRADE OF THE REPUBLIC OF
INDONESIA,

Considering:

- a. that the rapid progress of franchise development for modern store business type is expected to increase partnerships with small and medium businesses as a franchisee and increase the supply of domestically produced goods;
- b. that partnership in the franchise to modern store business type is not in accordance with the partnerships development purpose, so, to optimize the partnership, it is necessary to make arrangements for ownership of the number of outlets/stores of franchisor and franchisee;
- c. that based on the considerations as intended in paragraphs a and b, it is necessary to stipulate Regulation of the Minister of Trade concerning Franchise For Modern store business type;

In view of:

1. Law Number 3 of 1982 concerning Company Compulsory Registration (Statute Book of the Republic of Indonesia Number 7 of 1982, Supplement to Statute Book of the Republic of Indonesia Number 3214);
2. Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition (Statute Book of the Republic of Indonesia Number 33 of 1999, Supplement to Statute Book of the Republic of Indonesia Number 3817);
3. Law Number 32 of 2004 concerning Regional Government (Statute Book of the Republic of Indonesia Number 125 of 2004, Supplement to Statute Book of the Republic of Indonesia Number 4437) as amended by Law Number 12 of 2008 (Statute Book of the Republic of Indonesia Number 59 of 2008, Supplement to Statute Book of the Republic of Indonesia Number 4844);
4. Law Number 29 of 2007 concerning the Government of Jakarta Capital City Province as the Capital City of the Republic of Indonesia (Statute Book of the

Republic of Indonesia Number 93 of 2007, Supplement to Statute Book of the Republic of Indonesia Number 4744);

5. Law Number 20 of 2008 concerning Micro, Small, and Medium Businesses (Statute Book of the Republic of Indonesia Number 93 of 2008, Supplement to Statute Book of the Republic of Indonesia Number 4866);
6. Law Number 39 of 2008 concerning State Ministries (Statute Book of the Republic of Indonesia Number 166 of 2008, Supplement to Statute Book of the Republic of Indonesia Number 4916);
7. Government Regulation Number 44 of 1997 concerning Partnership (Statute Book of the Republic of Indonesia Number 91 of 1997, Supplement to Statute Book of the Republic of Indonesia Number 3718);
8. Government Regulation Number 38 of 2007 concerning Division of Administration among the Government, Provincial Government and District/Municipality Government (Statute Book of the Republic of Indonesia Number 82 of 2007, Supplement to Statute Book of the Republic of Indonesia Number 4737);
9. Government Regulation Number 42 of 2007 concerning Franchise (Statute Book of the Republic of Indonesia Number 90 of 2007, Supplement to Statute Book of the Republic of Indonesia Number 4742);
10. Presidential Regulation Number 112 of 2007 concerning Management and Development of Traditional Markets, Shopping Centers and Modern Stores;
11. Presidential Decree Number 84/P of 2009 concerning the Establishment of the United Indonesia Cabinet II as amended by Presidential Decree Number 59/P of 2011;
12. Presidential Regulation Number 47 of 2009 concerning the Establishment and Organization of State Ministries as amended by Presidential Regulation Number 91 of 2011;
13. Presidential Regulation Number 24 of 2010 concerning Position, Duties and Functions of the State Ministries and Organizational Structure, Duties and Function of State Ministries as amended by Presidential Regulation Number 92 of 2011;
14. Regulation of the Minister of Trade Number 53/M-DAG/PER/12/2008 concerning Guidelines for Management and Development of Traditional Markets, Shopping Centers and Modern Stores;

15. Regulation of the Minister of Trade Number 31/M-DAG/PER/7/2010 concerning Organization and Management of Ministry of Trade, as amended by Regulation of the Minister of Trade Number 57/M-DAG/PER/8/2012;
16. Regulation of the Minister of Trade Number 53/M-DAG/PER/8/2012 concerning Franchise Operation;

DECIDES:

To stipulate:

REGULATION OF THE MINISTER OF TRADE CONCERNING FRANCHISE FOR MODERN STORE BUSINESS TYPE

Article 1

In this Ministerial Regulation what is referred as:

1. Franchise is special rights owned by an individual or business entity to business systems with business typical characteristics in the framework to market its products and/or services that has been proven successful and can be utilized and/or used by other parties based Franchise Agreement.
2. The Franchisor is an individual or business entity that gives the rights to utilize and/or use its franchise to the Franchisee.
3. Franchisee is an individual or business entity granted the rights by the Franchisor to utilize and/or use a Franchise owned by the Franchisor.
4. Modern store is a store with self service systems, selling various kinds of goods in retail that can be in the form of mini market, supermarket, department store, hypermarket, or wholesale in retailer form.
5. Outlet/store is a place to conduct modern store business activities.
6. Minister is the Minister who held government affairs in the field of trade.

Article 2

Franchisor and Franchisee for Modern store business type can develop its business through the establishment of outlets/stores which:

- a. owned and managed their own (company owned outlets); and
- b. franchise.

Article 3

Franchisor and Franchisee for Modern Store business type can set up outlet/outlets owned and managed by them (company owned outlets) as intended in Article 2a for a maximum 150 (one hundred fifty) outlets/stores.

Article 4

- (1) In case of the Franchisor and the Franchisee for Modern Store business type already has 150 (one hundred fifty) outlets/stores and will set up additional outlet/store, the setting additional of outlets/stores shall be franchised.
- (2) Percentage of outlets/stores is franchised as intended in paragraph (1) at least 40% (forty percent) of the additional outlets/stores.
- (3) The obligation as intended in paragraph (1) applied to the Modern Store with store area:
 - a. less than or same with 400 m² for the mini market;
 - b. less than or same with 1200 m² for the supermarket; and
 - c. less than or same with 2000 m² for the department store.

Article 5

- (1) Exemption from the provisions of Article 4 in case of:
 - a. Franchisor and Franchisee has had 150 outlets/stores but does not get profit yet as evidenced by financial statements audited by a Public Accountant appointed by the Minister; or
 - b. Based on the assessment of the Assessment Team, the Franchisor that will add outlets/stores in an area, do not get local business entity to become Franchisee.
- (2) The Minister delegate authority to appoint Public Accountant as intended in paragraph (1) a to the Director General.
- (3) The Director General issue appointment of Public Accountants as intended in paragraph (1) a, for and on behalf of the Minister.
- (4) Costs are required to audit the Financial Statements as intended in paragraph (1) a are charged to the Franchisor and the Franchisee.

Article 6

Franchisor and Franchisee for Modern Store business type in setting up outlets/stores are franchised as intended in Article 4 paragraph (1) shall do it together with small and medium size business entity in the local area as Franchisee as long meet the requirements set by the Franchisor.

Article 7

- (1) Franchisor and the Franchisee for Modern Store business type are required to provide domestically produced merchandises at least 80% of the amount and type of goods are traded.
- (2) In certain case, the Minister may give permit to supply domestically produced goods less than 80% as intended in paragraph (1) after considering the recommendations of the Assessment Team.
- (3) Assessment Team as intended in paragraph (2) is an Assessment Team as governed by Regulation of the Minister of Trade concerning the Franchise Operation.

Article 8

The Franchisor for Modern Store business type is obligated to provide fostering to the Franchisee in the form of training and standard implementation guidance on the service system and quality of traded goods.

Article 9

- (1) The Minister delegates authority to the Director General of Domestic Trade to conduct supervision of franchise for Modern Store business type.
- (2) The Director General of Domestic Trade coordinates with related agencies at the center and in the regions in carrying out supervision as intended in paragraph (1).
- (3) The technical provisions of supervision implementation will be governed by the Director General of Domestic Trade.

Article 10

Franchisor and Franchisee for Modern Store business type must report any changes in the number of outlets/stores owned and managed by them (company owned outlets) and/or franchised to the Director General of Domestic Trade with attention to Director of Trading Business Development of Ministry of Trade with a copy to the Head of Agency who responsible for trade at the provincial and district/municipality.

Article 11

Franchisor and Franchisee for Shop Modern business type violating the provisions as intended in Article 3, Article 4, Article 7, Article 8 and Article 10 may be subject to administrative sanctions in stages as follows:

- a. 3 (three) times written warning in a row with an interval period of 2 (two) weeks from the date of the warning letter by the Official publisher of Franchise Registration Certificate;
- b. temporary frozen Franchise Registration Certificate for a maximum 2 (two) months if they do not comply with the provisions in written warning as intended in paragraph a; and
- c. revocation of Franchise Registration Certificate, if they do not comply the provisions as intended in paragraph b.

Article 12

- (1) Franchisor and the Franchisee for Modern Story business type have to adjust provisions on the number of outlets/stores that are owned and managed by them (company owned outlets) and franchised as intended in Article 3 and Article 4 within the maximum of 5 (five) years period since this Ministerial Regulation applies.
- (2) The adjustment as intended in paragraph (1) is done by releasing at least 20% of the number of outlets/stores shall be franchised by Franchisor or Franchisee annually.
- (3) The adjustment as intended in paragraph (2) shall be reported annually to the Director General of Domestic Trade with attention to Director of Trading Business Development.

Article 13

This Ministerial Regulation shall come into force on the date of stipulation.

For public cognizance, this Ministerial Regulation shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

on October 29, 2012

MINISTER OF TRADE OF REPUBLIC OF INDONESIA

signed,

GITA IRAWAN WIRJAWAN