

INDONESIA'S NEW FRANCHISE REGULATION

The recently issued Regulation of the Minister of Trade No. 53/M-DAG/PER/8/2012 regarding the Implementation of Franchising has made significant changes to Indonesia's franchise regulatory regime. With the aim of protecting the local market from foreign franchises and clarifying certain aspects relating to the licensing and registration of franchise business arrangements, Regulation 53 has caused concerns and created some uncertainties for both domestic and foreign franchise parties alike.

With a new local content requirement, stricter provisions on the prospectus/disclosure document, revised provisions concerning franchise agreements, and the introduction of so-called assessment and supervisory teams, not to mention the creation of franchise logos and a prohibition of appointing controlled franchisees, Regulation 53 will likely have a marked impact on the franchisor-franchisee relationship. As the existing regulatory regime is not currently followed by many franchise parties, it will be interesting to see if the declared intent by the relevant authorities of greater enforcement of the requirements will have the desired effect of ensuring greater compliance or whether a possible lack of resources and infrastructure will mean that Regulation 53 will not significantly change the level of compliance with the strict and wide-ranging registration and other administrative requirements.

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