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LEGAL UPDATE

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Major Amendments to the Indonesia's Trade Regulatory Framework under GR No. 3 of 2026

Summary

- On 15 January 2026, the Indonesian Government issued Regulation No. 3 of 2026, which serves as the first major amendment to Government Regulation No. 29 of 2021 on the Implementation of the Trading Sector. This update synchronizes the trade regulatory framework with the latest risk-based business licensing regime.

- Among its key changes, GR 3/2026 introduces more detailed requirements for exclusive distribution agreements and the removal of the mandatory minimum five-year term and one-time extension for sole distributor appointments. In addition, GR 3/2026 broadens the scope of prohibited goods and activities applicable to direct selling businesses and the prohibitions on goods and activities within the direct selling sector, backed by an expanded regime of government coercive measures.

Background

On 15 January 2026, the Government of the Republic of Indonesia ("**Government**") issued and enacted Governmental Regulation No. 3 of 2026 on the Amendment to Government Regulation No. 29 of 2021 on the Implementation of the Trading Sector ("**GR 3/2026**"). GR 3/2026 amends several provisions of Government Regulation No. 29 of 2021 on the same subject ("**GR 29/2021**") and simultaneously revokes Government Regulation No. 33 of 2019 on the Imposition of Administrative Sanctions on Warehouse Owners for Failure to Register Warehouses.

The issuance of GR 3/2026 is primarily intended to align the regulatory framework for the trading sector with Government Regulation No. 28 of 2025 on Risk-Based Business Licensing. Beyond technical alignment, GR 3/2026 reflects the Government's strategic objective to strengthen domestic distribution networks, enhance legal certainty in the trade sector and improve the overall ease of doing business for market participants.

This legal update outlines the key amendments introduced under GR 3/2026 and provides practical guidance for businesses in assessing and managing compliance under the revised regulatory landscape.

Key Update and Changes

- ***More Detailed Requirements for Exclusive Distribution Agreements***

  While GR 29/2021 established the general framework for exclusive distribution rights based primarily on the existence of an exclusivity arrangement, GR 3/2026 introduces more detailed requirements on the specific information and documentation that must be included in such arrangement.

  Notably, the new regulation specifies that:

  1. for agreements whose parties are the direct seller and trademark owners, the agreement only needs to be accompanied with the trademark certificate or proof of trademark registration application in the relevant class; and

  2. for agreements that are not entered into directly with the trademark owner, the parties must provide a complete chain of exclusive distribution agreements from the current distributor up to the trademark owner, along with the relevant trademark documentation.

  Furthermore, GR 3/2026 provides that the exclusive distribution rights will automatically terminate upon the occurrence of any of the following: (i) expiry of the distribution agreement, (ii) lapse of the underlying trademark protection; and/or (iii) rejection of the trademark registration application.

- ***Expansion of Prohibitions Applicable to Direct Selling Companies***

  GR 3/2026 introduces a more restrictive regulatory environment for direct sellers by expanding the list of prohibited activities. Specifically, direct sellers are now prohibited from:

  1. selling goods through online marketplaces;
  2. selling services, not limited to certain niche sectors as previously governed under GR 29/2021; and
  3. using virtual offices or shared working spaces (co-working spaces) as their official business address unless that location has a permanent physical workspace.

- ***Broader Scope of Goods Prohibited from Direct Selling***

  GR 3/2026 expands the categories of goods that are ineligible for distribution through direct selling systems. The prohibited categories now include:

  1. goods subject to specific distribution regulations (e.g., pharmaceuticals or psychotropics);
  2. investment-related products such as shares or bonds; and
  3. goods that cannot be legally transferred in ownership.

- ***Removal of Mandatory Minimum Term for Sole Distributor Appointments***

  GR 3/2026 removes the restrictive requirements previously established under GR 29/2021 that required sole distributor appointments to have a minimum validity period of five years, coupled with a mandatory one-time extension.

  Principals and sole distributors from now on will have full autonomy to negotiate and determine the duration of their appointment terms and can be tailored to specific commercial objectives, project timelines, or performance-based milestones. There is also no longer a statutory requirement to provide a mandatory extension, allowing for "fixed-term" appointments that expire naturally without legal obligation to renew.

- ***Amendment to Retail Distribution Channels Requirement***

  GR 3/2026 introduces a critical amendment to the operational requirements for retailers by relaxing the mandatory sales channel rules previously set forth in GR 29/2021. Under the previous regime, retailers were generally required to distribute goods through both physical store facilities and other sales channels such as electronic systems (*e-commerce*). GR 3/2026 amends this requirement by allowing retailers to operate through either physical stores and/or other sales channels.

- ***Removal of Statutory Limitation on Ownership of Modern Retail Stores***

  GR 3/2026 removes the statutory limits on the number of modern retail outlets a single business entity may own and operate under GR 29/2021. However, despite the removal of the underlying provision in GR 29/2021, there is still regulatory uncertainty on whether such limitations continue to apply in practice. This is because the current implementing regulation, i.e. Minister of Trade Regulation No. 23 of 2021 on the Guidelines for the Development, Structuring and Supervision of Shopping Centers and Modern Retail Stores, still prescribe a specific 150-store ownership threshold, and such regulation has not yet been revoked or amended to align with the GR 3/2026. Accordingly, further clarification from the Ministry of Trade is required.

- ***Clarification and Expansion of Pyramid Scheme Criteria***

  While GR 29/2021 established a general prohibition against pyramid scheme activities, it did not provide specific legal parameters to distinguish legitimate Multi-Level Marketing (MLM) from illegitimate activities. GR 3/2026 addresses this gap by introducing a definitive "four-factor test" for identifying pyramid schemes. A marketing network is now legally categorized as a pyramid scheme if it satisfies any of the following criteria:

  1. the company derives benefits from unreasonable membership or recruitment fees;
  2. the company allows or encourages the registration of the same individual as a direct seller more than once using identical identity data;
  3. the company pays participants commissions or bonuses based on the recruitment of new members or the collection of their membership fees, rather than the movement of products; and/or
  4. the company pays to participants commissions or bonuses through marketing programs that are not based on actual sales of goods.

- ***More Detailed and Integrated Administrative Sanction***

  In addition to existing sanctions under GR 29/2021, GR 3/2026 introduces a more robust category of government coercive measures, including:

  1. seizure or confiscation of goods;
  2. closure of business premises; and/or
  3. blocking of electronic systems and/or other internet media used for online trading.

GR 3/2026 also expands the scope of licenses subject to sanctions not only to the main business licenses but to also include supporting business licenses (*perizinan berusaha untuk menunjang kegiatan usaha*) and introduces the possibility of license suspension in addition to license revocation.

Conclusion

GR 3/2026 represents a significant shift in in Indonesia's trading sector, updating and expanding the framework established under GR 29/2021 to better align with the risk-based business licensing system. These amendments reflect a strategic shift by the Government to streamline regulatory structures and modernize trade governance. While the regulation streamlines certain administrative hurdles, the regulation introduces more detailed rules and stronger enforcement mechanisms, indicating a more active regulatory posture.

For business actors, GR 3/2026 presents a mixed impact. The removal of rigid sole-distributor terms and the relaxation of mandatory dual-channel retail requirements offer companies greater autonomy to scale and adapt their business models to market demands. Conversely, the regulation imposes stricter transparency requirements for distribution chains and provides a definitive, "zero-tolerance" checklist for prohibited practices, specifically regarding pyramid schemes and unauthorized online selling. The introduction of government coercive measures, such as digital system blocking and physical seizures, significantly raises the stakes for non-compliance. What was once an administrative hurdle has now become a direct threat to business continuity

In light of these developments, businesses operating in the trading sector should conduct a comprehensive review of their business models (particularly in direct selling to ensure they do not trigger the new clarified prohibitions), contractual arrangements (to take advantage of the new contractual freedoms while ensuring "chain of continuity" documentation is complied with) and licensing positions to ensure alignment with the revised framework.

Given the current overlap where certain Ministerial Regulations have not yet been synchronized with GR 3/2026, businesses must exercise caution. Monitoring for new implementing guidelines and seeking formal clarifications will be essential to navigating this transitional uncertainty. Early compliance adjustments and close monitoring of further regulatory guidance will be essential to manage risk and maintain business continuity.

Contact

Adhika Aditya

Partner

+6221 509 046428

adhika.aditya@ditralaw.com

This Legal Update has been jointly prepared by the Partner named above, with contributions from **Michael Ho** of Ditra Law Partnership.