

# Indonesia

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## Approaches and developments

The Indonesian financial technology (“**Fintech**”) sector has witnessed rapid expansion, with the number of active players increasing six-fold over the last decade.<sup>1</sup> While the initial growth was dominated by payment solutions, the ecosystem has evolved to encompass lending, wealth management, insurance, and other segments. Customer engagement with Fintech offerings has surged, reflecting the growing digital adoption in Indonesia. Notably, the payment segment boasts over 60 million active users, while the lending space has more than 30 million active peer-to-peer (“**P2P**”) borrower accounts.<sup>2</sup> Wealthtechs and insurance activities are also gaining traction, signalling the future of Indonesia’s Fintech ecosystem.

The regulatory oversight of Indonesia’s Fintech industry is primarily managed by two key entities: Bank Indonesia (“**BI**”); and the Financial Services Authority (“**OJK**”). BI regulates the payment ecosystem, while OJK oversees peer-to-peer lending, crowdfunding, digital banking, insurance technology, and financial consumer protection. Both institutions maintain long-term strategies to encourage the development of the Fintech sector and engage regularly with industry stakeholders. Recent regulatory initiatives include the implementation of the Indonesia Payment Systems Blueprint 2025 by BI and updated regulations by OJK in an effort to promote a supportive and comprehensive digital financial ecosystem, enhance competitiveness, and support post-pandemic economic recovery.

Several Fintech sub-sectors are driving growth in Indonesia, including e-money digital wallets, P2P lending, digital banking, and digital assets. Regulatory measures have been introduced to promote responsible lending practices, consumer protection, and cybersecurity. For instance, OJK has implemented interest rate caps and regulations on late payment fines for online P2P lending platforms. Additionally, initiatives such as the implementation of anti-money laundering programmes and the issuance of sandbox regulations for Fintech innovation aim to enhance regulatory compliance and mitigate financial risks.

Recent regulatory changes, such as the issuance of OJK Regulation No. 3 of 2024 on the Implementation of Technology Innovation in the Financial Technology Sector (“**POJK 3/2024**”), reflects effort to refine the regulatory sandbox framework and accelerate innovation in digital financial products and services. Moreover, updates to regulations on online lending, Anti-Money Laundering (“**AML**”) and Prevention of Financing of Terrorism (“**PPT**”) programmes, and cybersecurity underscore the government’s commitment to strengthening consumer protection and fostering sustainable growth in the Fintech sector. These regulatory developments are expected to facilitate greater innovation, enhance market integrity, and improve financial inclusion in Indonesia.

## Fintech offering in your jurisdiction

In 2023, the number of Fintech companies in Indonesia has reached 366 active players, consisting of 102 online lending companies, 84 digital financial innovation companies, 39 payment system companies, five capital market companies, four digital asset companies, 13 technology partner companies, six financial institutions, and 113 other companies.<sup>3</sup> The Indonesian government acknowledges the importance of Fintech in driving the financial inclusion and economic growth in Indonesia, however, they are also aware of the need to safeguard consumer interests and maintain financial stability. As such, Indonesia has implemented various regulatory frameworks to govern the operations of Fintech companies in Indonesia, including:

### Digital payment system

In 2020, BI as the main regulatory authority of the payment transaction processing business, introduced a significant reformation in Indonesia’s digitalisation of payment system through the issuance of BI Regulation No. 23/6/PBI/2021 of 2021 on the Payment Services Provider (“**PJP Regulation**”), where the regulatory change aims to simplify the payment system landscape by introducing a clear classification for payment service providers and infrastructure providers.

PJP Regulation outlines payment service providers (“**PJP**”) as an institution, whether a bank or non-bank, that offers services aimed at facilitating payment transactions for users. To ensure the standardised framework for the operations of PJP, BI has initiated clear provisions governing the activities permissible for PJP. Under the PJP Regulation, PJP are authorised to engage in activities of providing information on the source of the fund, payment initiation and/or acquiring services, administration of source of fund, and/or remittance services. Within the specific scope of activities as set out by BI, PJP companies are making significant strides in providing innovative solutions to meet diverse consumer needs as they encompass a wide range of transaction including electronic money, electronic wallet, and payment gateway.

While BI acknowledges the digitalisation of the payment system has enhanced the efficiency in the payment system industry, as well as accelerating digital economy and finance inclusion, it also raises a number of risks derived from the complexity of the industry itself and the variety of models used by the actors in the payment systems.<sup>4</sup>

### Digital banks

In the era of digital transformation, the banking sector has witnessed a profound evolution, offering consumers innovative solutions that redefine the way they manage their finances. From mobile banking and internet banking to online account opening, digital innovations have revolutionised the banking experience, providing convenience and better accessibility.

In Indonesia, the emergence of digital banks has further offered a new paradigm of banking services regulated under specific regulations set forth by OJK, including OJK Regulation No. 12/POJK.03/2021 on Commercial Banks (“**POJK 12/2021**”) and OJK Regulation No. 21 of 2023 on the Digital Services by Commercial Banks (“**POJK 21/2023**”).

Under POJK 12/2021, digital banking services are restricted to entities registered as legal entities in Indonesia. While the regulations impose restrictions on the scope of digital banking operations, it also incorporates provisions that enhances consumer protection and promotion of innovation. Digital banks are expected to adhere to stringent standards of security, transparency, and customer service, ensuring that consumers’ financial interests are safeguarded in the digital realm. Moreover, said regulations encourages digital banks to innovate and leverage technology to deliver innovative products and services that meet the evolving needs of consumers.

### **Fund transfer**

Following the e-retail and marketplace industries as a very traditional service, the fund transfer business has found enormous new market expansion potential. Most established marketplace and e-retail providers include fund transfer capabilities as part of its overall services to its customers. The current regulation on fund transfer is BI Regulation No. 14/23/PBI/2012 on Fund Transfer (“**Fund Transfer Regulation**”). The Fund Transfer Regulation defines a fund transfer as a series of activities that begins with an instruction from an originator, with the purpose of transferring a certain fund to the beneficiary as stated in the instruction and ends when the fund is received by the beneficiary.

### **Capital raising (P2P lending and equity crowdfunding)**

OJK has regulated two forms of tech-enabled capital raising in Indonesia: (i) OJK Regulation No. 10/POJK. 05/2022 (“**P2P Regulation**”); and (ii) OJK Regulation No. 57/POJK.04/2020 as amended by OJK Regulation No. 16/POJK.04/2021 of 2021 on the Securities Offering Through Information Technology-Based Crowdfunding Services (“**Crowdfunding Regulation**”).

In the P2P Regulation, OJK regulates the efforts that can be used in developing the financial industry in order to provide access to funding for the community and business actors and encourage the development of information technology-based funding service providers. In addition, the new regulation provides that OJK places certain restrictions on legal entities, share ownership, and capital requirements of organisers where OJK only allows limited liability company as the only organising entity, efforts of conventional funding companies that wish to become funding companies based on sharia principles, the access and use of personal data, and equity and funding quality level of the organiser.

OJK’s new regulations for online P2P lending Fintech platforms, effective as of 1 July 2024, aims to enhance consumer protection and promote responsible lending practices. The regulations include capping P2P lending interest rates and regulating other economic benefits. In addition, debtors are now limited to borrowing from a maximum of three P2P lending platforms, a measure designed to prevent overborrowing and ensure debtors ability to repay. OJK will also regulate that the collection time for organisers to debtors and organisers are prohibited from using threats, intimidation, or negative actions during the collection process. The organisers must be responsible for all collection processes. This means that debt collectors or collection services that have a contract with the providers are under the responsibility of the organiser. Additionally, P2P lending providers must collaborate with licensed insurance or guarantee companies to provide risk mitigation

facilities. These comprehensive regulations are intended to safeguard consumers and promote sustainable growth in the online lending sector.

According to the Crowdfunding Regulation, technology-based fundraising services, also known as “*Layanan Urun Dana*”, refers to the provision of securities offerings conducted by issuers to sell securities directly to investors through an open electronic system network. This innovative approach leverages digital platforms to facilitate direct transactions between issuers and investors, bypassing traditional intermediaries and enhancing accessibility to investment opportunities. Within the context of technology-based fundraising services, the term “securities” encompasses various financial instruments, including debt instruments, commercial papers, shares, bonds, promissory notes, collective investment contract units, derivative contracts, and other financial derivatives. These securities represent tangible assets or rights that investors can acquire, trade, or hold for investment purposes, offering diverse opportunities for portfolio diversification and wealth accumulation.

While both P2P lending and crowdfunding offer alternative avenues for raising capital, they differ significantly in their mechanisms. Nevertheless, both Crowdfunding Regulation and P2P Regulation stipulates the obligation for crowdfunding and P2P lending service providers to be registered as Electronic System Organizers (“**PSE**”) with the Ministry of Communications and Informatics, wherein the crowdfunding service providers are prohibited from serving securities offerings by issuers before submitting a registration mark as a PSE to OJK.

## Regulatory and insurance technology

In the era of digital innovation, Insurance Technology, or “Insurtech”, holds immense promise for transforming the insurance landscape in Indonesia. However, compared to the rapid growth of Fintech, particularly in online lending platforms, Insurtech’s development in Indonesia remains relatively slow.

OJK has first introduced OJK Regulation No. 13/POJK.02/2018 of 2018 on the Digital Financial Innovation in the Financial Services Sector (“**POJK 13/2018**”) which has now been replaced by OJK Regulation No. 3 of 2024 on the Implementation of Financial Sector Technology Innovation (“**POJK 3/2024**”) as provisions governing the supervision and regulation of the Insurtech. Further, OJK has issued OJK Regulation No. 28 of 2022 on the Amendment to OJK Regulation No. 70/POJK.05/2016 on the Business Implementation of Insurance Brokerage Companies, Reinsurance Brokerage Companies, and Insurance Loss-Appraisal Companies (“**POJK 28/2022**”) which specifically regulates the scope of digital insurance broker services. However, POJK 28/2022 only addresses Insurtech for insurance brokers and does not extend to insurance companies.

Despite its potential, Insurtech in Indonesia faces regulatory hurdles that hinder its growth and development, as it lacks comprehensive regulatory frameworks that governs its operations. The absence of clear regulations creates uncertainty for Insurtech startups and inhibits innovation in the sector.

## Regulatory bodies

OJK in accordance with its authority stipulated in Law Number 21 of 2011 on OJK, has further prepared a number of regulations to regulate and supervise the development of the financial services sector business types that utilises technological advances or Fintech(s).

In terms of reviewing and studying the development of Fintech, preparing regulations, and development strategies, OJK formed the “Digital Economy and Financial Innovation Development Team” which consists of a combination of several work units within OJK. The classification of Fintech companies that are included under OJK authorisations can consist of various types of businesses such as banking, insurance, investment, financing, lending and borrowing (P2P), crowdfunding, credit channelling, and so on.

On the other side, BI takes the lead in regulating tech and payment systems such as e-money, e-wallets and other unclassified payment system Fintech providers, including but not limited to providers which utilise QR code-based services and mobile transaction providers.

BI plays a pivotal role in regulating the Fintech sector in Indonesia, particularly through initiatives like BI-FAST, the new real-time retail payment service launched in December of 2021. As part of the Indonesian Payment System Blueprint (“**BSPI**”) 2025, BI-FAST aims to modernise the country’s retail payment system, offering fast, affordable, and reliable payment solutions. Utilizing the ISO 20022 message format, BI-FAST ensures interoperability for both domestic and cross-border transactions, fostering financial inclusion and digitalisation initiatives. By transitioning from the legacy of the Bank Indonesia National Clearing System to BI-FAST, the central bank enhances the resilience of the national retail payment system, strengthens fraud detection, and supports AML efforts.

## Key regulations and regulatory approaches

There are no supra national regulatory regimes or one specific regulation that directly regulates all Fintech activities in Indonesia, but rather a multitude of laws and regulations to ensure efficient and definitive monitoring, control, and assurance of trust. Rather, Indonesia has a regulatory sandbox that aims to assess the reliability of business processes, business models and financial instruments, and for the governance of unrecognised or unregulated Fintech providers. BI maintains a regulatory sandbox for payment system Fintech providers, while the OJK has a regulatory sandbox for providers of non-payment system Fintech. The regulations regarding the use of regulatory sandboxes originating from the Fintech sector was first regulated by BI and OJK through BI Regulation No. 19/12/PBI/2017 of 2017 on the Implementation of Financial Technology which now has been replaced by PJP Regulation, and POJK 3/2024.

The current regulation on sandbox(es) for Fintech in Indonesia is the Fund Transfer Regulation in conjunction with Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (“**P2SK Law**”). To follow up on the mandate of the P2SK Law, OJK has issued several regulations, one of which is OJK Regulation No. 22 of 2023 on the Consumer and Community Protection (“**POJK 22/2023**”). POJK 22/2023 stipulates that Financial Services Businesses must ensure information system security and cyber resilience for consumer protection. OJK’s issuance of POJK 22/2023 underscores its commitment to enhancing consumer cybersecurity by requiring Financial Services Institutions (*Pelaku Usaha Jasa Keuangan* or “**PUJK**”) to safeguard consumer data and transactions. PUJK are mandated to implement robust cybersecurity measures, conduct regular risk assessments, and establish comprehensive incident response procedures to swiftly address cyber threats or breaches.

As the Fintech industry continues to flourish, fuelled by technological advancements and digital innovation, Fintech providers are categorised as data controllers due to their corporate structure and the nature of their operations and thus must comply with their obligation to protect users’ personal data, which refers to the Law No. 27 of 2022 on the

Personal Data Protection (“**PDP Law**”). As data controllers, Fintech providers must uphold the principles of data protection, including obtaining explicit consent from data subjects for the processing of their personal data.

Furthermore, OJK has introduced the implementation of AML, PPT and Prevention of Financing of Proliferation of Weapons of Mass Destruction (“**PPSPM**”) by the issuance of OJK Regulation Number 8 of 2023 on the Implementation of Anti-Money-Laundering and Prevention of Terrorism and Proliferation of Weapons of Mass Destruction Funding Programs within the Financial Services Sector (“**POJK 8/2023**”). POJK 8/2023 aims to mitigate the risk of money laundering, criminal acts of financing terrorism and/or funding the proliferation of weapons of mass destruction that are developing and becoming a serious threat to the country. POJK 8/2023 is in line with international principles such as the Financial Action Task Force on Money Laundering, as well as the development of innovation and technology that must be followed by maintaining security and confidentiality aspects. POJK 8/2023 introduces several key provisions. Firstly, it expands the scope of Financial Service Providers (*Penyedia Jasa Keuangan* or “**PJK**”) required to implement the AML, PPT and PPSPM programmes, including the imposition of obligations such as risk assessment, mitigation, and reporting. It also affirms immediate blocking without prior notice and the authority to impose sanctions for violations.

## Restrictions

In addition to the various restrictions and limitations to the digital banks, payment services provider, P2P lending and equity crowdfunding as set out above, BI through PJP Regulation has prohibited Fintech companies in Indonesia from using any virtual currency as an instrument of payment in all their activities. Additionally, BI prohibits any form of Fintech company from utilising a foreign currency within their services. OJK and BI further limits the foreign ownership of Fintech companies, as follows:

No.	Fintech Companies	Foreign Ownership Limitation
1.	P2P Lending	85%
2.	Payment Services Provider	85%
3.	Digital Bank	99%
4.	Crowdfunding	49%

Furthermore, for the PJP, BI (as the supervisory body for this type of Fintech activities) prohibits any payment service provider from storing virtual currency together with fiat currencies. P2P lending companies (supervised by OJK) also cannot act as lenders and borrowers in their services. They are only allowed to become the providers for the lenders and borrowers.

## Cross-border business

The legal landscape and regulations surrounding Fintech in Indonesia have evolved significantly in recent years, particularly in the context of cross-border transactions. The introduction of cross-border payment systems based on Quick Response Code Indonesia Standard (“**QRIS**”) codes, spearheaded by BI, has opened new growth avenues for Indonesian Fintech companies and transformed the local market dynamics.

One of the most notable developments in this regard is the memorandum of understanding signed by BI with central banks in the Philippines, Malaysia, Singapore, and Thailand.<sup>5</sup>

This agreement paved the way for the implementation of cross-border payment systems utilising QRIS Cross-Border codes, enabling Indonesians to transact in participating countries without the need for foreign banknotes.<sup>6</sup> The adoption of QR standards and fast payment mechanisms has interconnected local currencies, facilitating seamless transactions across borders.

The impact of Fintech on the local markets in Indonesia has been multifaceted. On one hand, it has fostered innovation and competition domestically, driving the growth of local Fintech players such as Dana and LinkAja. These companies have capitalised on the evolving regulatory landscape to expand their services and customer base. However, this emergence of cross-border payment systems has intensified competition due to the influx of foreign players, presenting both challenges and opportunities for domestic Fintech companies.

In response to these developments, BI has taken proactive measures to regulate and oversee the Fintech sector, ensuring compliance with relevant laws and regulations. Collaborative efforts with global regulators have also been initiated to address the challenges posed by new technologies and market disruptions. By partnering with central banks in neighbouring countries, BI aims to promote cross-border collaboration and harmonise regulatory frameworks to facilitate the growth of Fintech ecosystems in the region.

However, the expansion of cross-border fintech services also raises important legal and regulatory considerations, particularly concerning data protection, privacy, and security. As transactions become more interconnected across borders, regulators must address potential risks such as money laundering, terrorism financing, and unauthorised data transfers. Close coordination and cooperation between regulators, industry stakeholders, and international partners are also vital in the mitigation of these risks and ensure the integrity and stability of the financial system.

Looking ahead, the future of cross-border fintech in Indonesia hinges on continued innovation, collaboration, and regulatory alignment. As the country strives to position itself as a leading fintech hub in Southeast Asia, policymakers must strike a balance between fostering innovation and safeguarding consumer protection and financial stability. By leveraging cross-border collaboration and regulatory harmonisation, Indonesia will continue to unlock the full potential of fintech to drive inclusive economic growth and financial inclusion across the region.



## Endnotes

- 1 Sumit Kumar, *et al.* "Indonesia's Fintech Industry Is Ready to Rise", Report, Boston Consulting Group, <https://www.bcg.com/publications/2023/fintech-industry-indonesia-growth>
- 2 *Ibid.*
- 3 Annual Members Survey 2022–2023, Asosiasi Fintech Indonesia.
- 4 "Indonesia - New Regulatory Framework on Payment System", BE Partners Counselors at Law, <https://www.bepartners.co.id/file/download/1008833be%20partners%20-%20bi%20regulations%20on%20payment%20system.pdf>
- 5 "Central Banks of Indonesia, Malaysia, Philippines, Singapore and Thailand seal cooperation in regional payment connectivity", 14 Nov 2022, News Release, Bank Indonesia.
- 6 Win-Win Solution QRIS Cross-Border" 21 Feb 2024, BI Story, Bank Indonesia.



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Debu’s recent representations include advising Malaysian holding company in the development and construction of mini hydro power plant (including the preparation of EPC contract, electro-mechanical and civil construction agreements), advising major Malaysian insurance companies in the potential acquisition of general insurance business in Indonesia, and representing some Indonesian major property players in various land acquisition transaction and issuance of offshore senior notes.



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Jeany is heavily involved in various transactions with the focused areas in insurance, multi-finance, real estate, and the property industry.

Over the years, she holds extensive contributions in representing various international financial institutions, especially in insurance. Her assistance includes structuring transactions of acquisitions from the Indonesian law perspective, advising on regulatory compliance, forensic audits, commercial transactions, liquidations, restructuring and reorganisation of companies.



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Sheyla has been actively involved in numerous transaction matters including merger and acquisition, and regularly advised clients in general corporate, finance, and employment matters. Her most recent clients include banks, multi-finance, peer to peer lending, and wholesale trading companies.

Prior to joining Bagus Enrico & Partners, Sheyla developed her legal expertise while working as an intern at a law firm before joining Bagus Enrico & Partners, where she was involved in a range of legal issues, including general corporate and litigation. She has also worked as an intern for Asosiasi Fintech Pendanaan Bersama Indonesia (AFPI), where she helped with legal and compliance issues relating to financial technology.

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