

FREQUENTLY ASKED QUESTIONS
BANK INDONESIA REGULATION
ON IMPLEMENTATION OF FINANCIAL TECHNOLOGY

1. What is the background of the issuance of this Bank Indonesia Regulation on Implementation of Financial Technology Implementation (PBI Fintech)?

The issuance of PBI Fintech is based on the following considerations:

- a. Development of technology and information system keeps continuously generating various innovations, particularly in relation to financial technology to meet public demand, included access to financial services and transaction processing;
- b. that on one side, the development of financial technology is proven in bringing benefits for customers, business entity and the national economy, however on the other part, it has potential risks which may disturb the financial system if improperly mitigated;
- c. financial technology ecosystem needs to be consistent monitored and developed to support monetary stability, financial system stability, as well as efficient, smooth, secure, and reliable payment system to support the sustainability and inclusivity national economic growth;
- d. implementation of financial technology must meet the consumer protection principle, risk management principle, and prudential principle by observing of access, national interest, and applicable international standard and practice;

e. Bank Indonesia's policy response to the development of financial technology must be consistently synchronous, harmonious, and integrated with other Bank Indonesia's policies such as implementation of payment transactions processing and national payment gateway as well as needs to be coordinated with the relevant authority.

2. What is the objective of issuance of this PBI Fintech?

Bank Indonesia regulates the implementation of Financial Technology to encourage innovations in financial sector by applying the consumer protection principle, risk management principle, and prudential principle to maintain monetary stability, financial system stability, and efficient, smooth, secure, and reliable payment system.

3. What are Financial Technology and Financial Technology Provider?

Financial Technology means utilization of technology in financial system which result new product, service, technology, and/or business model and that may affect monetary stability, financial system stability, and/or efficiency, smoothness, security, and reliability of payment system.

Financial Technology Provider means any party that implements Financial Technology activity.

4. What are the categories of implementation of Financial Technology?

- a. payment system;
- b. market support;
- c. investment management and risk management;
- d. lending, financing, and capital raising; and
- e. other financial services.

5. What are the criteria for Financial Technology?

Financial Technology specified in PBI Fintech has the following criteria:

- a. innovative;
- b. may affect the existing financial product, service, technology, and/or business model;
- c. may give benefits for the community;
- d. may be widely used;
- e. other criteria determined by Bank Indonesia.

6. What are the scopes of regulation on implementation of Financial Technology in this PBI Fintech?

The scope of regulation on implementation of Financial Technology includes:

- a. registration;
- b. Regulatory Sandbox;
- c. license and approval; and
- d. monitoring and supervision.

7. Which party is obliged to register with Bank Indonesia?

Under PBI Fintech, Financial Technology Provider obliged to register with Bank Indonesia are as follows:

- a. Financial Technology Provider which will conduct or have been conducting activities, that meet the criteria of Financial Technology; and/or
- b. Financial Technology Provider under the authority of another institutions and implements Financial Technology in payment system.

8. Do Payment System Service Provider also register?

The obligation to register with Bank Indonesia is exempted for Payment System Service Provider which has obtained license from Bank Indonesia.

However, Payment System Service Provider still have to submit information to Bank Indonesia on new product, service, technology, and/or business model which meet the Financial Technology criteria.

9. What is the procedure for registration with Bank Indonesia?

Registration is conducted by submitting written application to Bank Indonesia by Financial Technology Provider with complete documents. Registration procedure is further regulated in Regulation of Member of Board of Governors on Procedure for Registration, Information Submission, and Monitoring of Financial Technology Provider.

10. Is it permitted for a Financial Technology Provider to use virtual currency?

Financial Technology Provider is prohibited to conduct payment system activity using virtual currency. Virtual currency means digital money issued by a party other than monetary authority that obtained through mining, purchase, or reward transfer.

The prohibition in conducting payment system activity by using virtual currency, because virtual currency s is not legal tender in Indonesia.

11. Will registered Financial Technology Provider be announced by Bank Indonesia to the public?

Bank Indonesia regularly announces Financial Technology Provider which has been registered with Bank Indonesia in a List of Financial Technology Provider on Bank Indonesia's official website.

12. What does Regulatory Sandbox mean and what is the objective?

Regulatory Sandbox means a secured controlled experiment environment to test the Financial Technology Provider and its product, service, technology, and/or business model.

It aims to provide environment for Financial Technology Provider to further ensure that its product, service, technology, and/or business model have met the Financial Technology criteria.

13. Which party may participate in Regulatory Sandbox test in Bank Indonesia?

A Financial Technology Provider which may participate in Regulatory Sandbox is a Financial Technology Provider which has been registered with Bank Indonesia, and determined by Bank Indonesia to participate in Regulatory Sandbox based on the product, service, technology, and business model of the relevant Financial Technology Provider.

14. Does a Financial Technology Provider need license and/or approval from Bank Indonesia to implement Financial Technology?

The registration will not omit the obligations and responsibilities of Financial Technology Provider. Financial Technology Provider which is included in the category of Payment System Service Provider must obtain license or approval from Bank Indonesia in accordance with Bank Indonesia provisions on implementation of payment transaction

processing and must meet feasibility aspect in implementing Financial Technology.

15. How does Bank Indonesia conduct monitoring and supervision of Financial Technology Provider?
 - a. Monitoring is conducted by Bank Indonesia towards Financial Technology Provider which has been registered with Bank Indonesia. For monitoring, Financial Technology Provider is required to submit data and/or information requested by Bank Indonesia.
 - b. Supervision is conducted by Bank Indonesia towards Financial Technology Provider as Payment System Service Provider which has obtained a license and/or approval from Bank Indonesia, and is conducted in accordance with Bank Indonesia provisions on implementation of payment transaction processing.
16. Is it permitted for a Payment System Service Provider to cooperate with an unregistered Financial Technology Provider?
 - a. The Payment System Service Provider may cooperate with a registered Financial Technology Provider after obtaining approval from Bank Indonesia.
 - b. Payment System Service Provider is prohibited to cooperate with Financial Technology Provider which does not apply for registration and/or license with Bank Indonesia and/or other authority related to implementation of Financial Technology.
17. What are the sanctions imposed on Financial Technology Provider which is breaching this Bank Indonesia Regulation?

Financial Technology Provider breaching the provisions are subject to the following sanctions:

- a. Written warning;
- b. Penalty;
- c. Suspension of the entire or partial business activity;
- d. Removal from the list of Financial Technology Provider registered with Bank Indonesia;
- e. Certain actions pertaining to implementation of payment system activity;
- f. Recommendation to a competent authority to revoke the business license granted by the competent authority;
- g. License revocation as a Payment System Service Provider.

18. What does a Payment System Service Provider which has cooperated with a Financial Technology Provider have to do after enforcement of this PBI Fintech?

A Payment System Service Provider is required to identify cooperation with a Financial Technology Provider and is required to ensure the cooperation meets the provisions as referred to in Article 18 of Regulation of Member of Board of Governors on Fintech at the maximum 6 (six) months since this PBI Fintech comes into force.