

# REGULATORY DEVELOPMENTS ON FINTECH IN INDONESIA (PART 2)

06 December 2016 | Jakarta  
Legal Briefings

---

Bank of Indonesia further regulates operators of payment transactions processes.

## INTRODUCTION

The central bank of Indonesia, Bank Indonesia (“BI”) Regulation No.18/40/PBI/2016 regarding Operators of Payment Transactions Processes (“**BI Regulation 18**”) became effective on 9 November 2016. BI Regulation 18 seeks to regulate payment transaction processing, including:

- pre-transaction
- authorisation
- clearing
- final settlement
- post-transaction

The underlying objectives of BI Regulation 18 appear to be the application of adequate prudential and risk management principles to new areas of payment system services. This is part of the Indonesian government's effort to support the proper development of the rapidly evolving fintech and e-commerce industries in Indonesia, as these industries are seen as being in line with the government's long term policy goals of promoting financial inclusion and the development of small and medium size industries..

BI Regulation 18 complements existing BI regulations regulating payment, clearing and settlement activities by both banks and non-banks and focuses on, among others, the regulation of operators providing electronic wallet (or e-wallet) payment services, and switching and payment gateway services.

A further key aspect of BI Regulation 18 is to limit the maximum foreign ownership to 20% for companies performing certain aspects of payment system services (in particular, principals, switching operators, clearing operators and final settlement operators), in order to protect the role of domestic players in this space.

As previously indicated in our e-bulletin regarding the draft regulation regarding lending services based on information technology (or 'fintech lending') which is currently being finalised by the Indonesian Financial Services Authority (**OJK**) – click [here](#) for link to our previous bulletin – the broad outline of the institutional landscape and basic regulatory categorizations of the growing fintech industry in Indonesia are beginning to take shape. A fundamental aspect of the emerging regulatory landscape is that, in broad terms, the micro prudential aspects of financial services regulation (including for various emerging forms of fintech services) falls primarily under the regulatory remit of OJK, with the main exception being that services relating to payment systems remain under the regulatory remit of the Indonesian central bank, Bank Indonesia ("BI"). While the details of the interface between OJK and BI remain to be fleshed out in the context of the emerging fintech industry, BI Regulation 18 confirms the validity of this basic institutional distinction.

Please [click here](#) for further details regarding BI Regulation 18.

## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



**DAVID DAWBORN**  
PARTNER, JAKARTA

+62 21 3973 6102  
David.Dawborn@hsf.com

**MARK ROBINSON**  
PARTNER,  
SINGAPORE

+65 68689808  
Mark.Robinson@hsf.com

---

## LEGAL NOTICE

The contents of this publication are for reference purposes only and may not be current as at the date of accessing this publication. They do not constitute legal advice and should not be relied upon as such. Specific legal advice about your specific circumstances should always be sought separately before taking any action based on this publication.

© Herbert Smith Freehills 2021

---

**SUBSCRIBE TO STAY UP-TO-DATE WITH LATEST THINKING, BLOGS, EVENTS, AND MORE**

Close

© HERBERT SMITH FREEHILLS LLP 2021