



Regulatory Sandbox of OJK

On 15 August 2018, the OJK issued a new regulation on financial digital innovation in financial services (“POJK 13/POJK.02/2018”). This is a regulatory sandbox version of the OJK (please see our Advisory on the regulatory sandbox of Bank Indonesia issued in 2017).

Definitions

According to POJK 13/POJK.02/2018, financial digital innovation (*inovasi keuangan digital*, “IKD”) is a new activity involving a business process, business model, and financial instruments that provide value added to financial services involving a digital ecosystem.

IKD covers the settlement of transactions, fund raising, investment management, crowdfunding and distribution, insurance, market support, other kinds of financial digital support and/or other financial services, each of which must satisfy certain requirements, such as be innovative and oriented to the future and use information technology and communications, be useful to the public, and be able to be integrated with existing financial services, etc.

Operators

- IKD operators can be either:
 - (i) Financial Institutions (including banks, capital markets players, insurance players, pension fund players, multi finance companies and other financial institutions regulated by Law No. 21 of 2011 on The Financial Services Authority (OJK)); and/or
 - (ii) other parties engaged in financial services activities (in the form of a limited liability company or cooperative, but not allowed to manage any portfolio or exposure).
- IKD operators must be listed with the OJK, unless they are already registered with and/or hold a permit from the OJK.

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- The OJK allow certain exceptions regarding the requirements under this POJK 13/POJK.02/2018 temporarily while the OJK assesses whether the new activity can satisfy the IKD definition.
- The OJK will decide on any exception and the relevant operator will be assessed in the Regulatory Sandbox for up to 1 year, extendable for a further 6 months, if necessary.
- The operator must at least be listed with (*tercatat*) the OJK, introduce a new business model, have wide market coverage and be registered with the relevant association.

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- Based on the assessment the OJK makes during the Regulatory Sandbox, the OJK will decide whether the relevant operator:
 - (i) is recommended to be registered (*terdaftar*) with the OJK and any other authority (if necessary);
 - (ii) is required to modify the business model (within 6 months); or
 - (iii) is not recommended to operate in Indonesia.

Others

- IKD operators must locate their data center and data recovery center in Indonesian territory.
- IKD operators must comply with the prevailing anti-money laundering and prevention of terrorism funding laws and regulations.
- The OJK may coordinate and/or cooperate to create an IKD center with other authorities in Indonesia, the central and local governments, fintech associations and other innovation centers outside the OJK, experts and academics, and/or authorities abroad, international organizations and/or international institutions.
- IKD operators may not, among other things, provide their consumers' data and/or information to other parties except with the prior consent of the consumers and/or required under the prevailing laws and regulations.

Sanctions

In addition to any criminal sanctions, the OJK may impose administrative sanctions for violations of this POJK 13/POJK.02/2018, including on those who cause a violation. These sanctions may be in the form of written warnings, fines, and/or the cancellation of approvals or registrations.

Transitional Provisions

- Any cooperation agreement between a financial services institution and an IKD operator not listed and/or registered with the OJK can continue for not more than 3 years as of 16 August 2018.
- Once the registration procedure for those who are recommended to be registered with the OJK has been issued, IKD operators must still register with the OJK by submitting a copy of their Deed of Establishment and copies of the identity documents of the members of their board of management, written information about the products, data and other information about the IKD activities and their business plan.
- The listing requirement under this POJK 13/POJK.02/2018 comes into effect 1 month after 16 August 2018, ie on 16 September 2018.

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