

Legal Updates on Indonesian Digital Payment System

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COVID 19 and Digital Payment System

“The pandemic has accelerated the trend towards digital services as more people practice physical distancing and look online to meet daily needs. During this period, we observed a growing reliance on cashless payments, especially for bill payments, e-commerce, and investments with last year’s gross transaction value for our payments-related businesses exceeding pre-pandemic levels.”

Hans Patuwo – Head of Payments, Gojek Group



Digital Payment Landscape

- The use of Quick Response Code Indonesia Standard (QRIS) by Bank Indonesia (Indonesia Payment System Blueprint 2025)
- The dominance of digital wallets
- The rise of digital banking

Quick Response Code Indonesia Standard (QRIS)

Regulatory Framework: Bank Indonesia Regulation No. 18/40/PBI/2016, Bank Indonesia Regulation No. 19/8/PBI/2017, Bank Indonesia Regulation No. 20/6/PBI/2018 and Board of Governor Regulation No. 21/18/PADG/2019.

This mechanism is part of the Indonesian Payment System Blueprint 2025 issued by Bank Indonesia. The payment is made by using QR scanning method through cellphone. QRIS allows one QR code to be used for various digital payment apps available in Indonesia. Transaction fee is 0.7%.

Sellers only need to register their business once at one of the Payment System Service Provider/*Penyelenggara Jasa Sistem Pembayaran* to get a QRIS code. Meanwhile, buyers can make payments by scanning the sellers QRIS code through any supported service.

Cross border transactions for QRIS – ASEAN (open API (application payment interface), and Fast Payment by implementing the local currency settlement (LCS)).

Challenges and opportunities? Although it is a game-changer for the digital payment industry, how to make the transaction is lower? Can the transaction fee is waived for MSMEs merchants?

The dominance of digital wallets

Regulatory Framework: Bank Indonesia Regulation 18/40/PBI/2016 and Bank Indonesia Circular Letter No. 18/41/DKSP concerning Payment Transaction Processing.

Digital payments are overwhelmingly driven by convenience (mostly used for e-hailing and e-commerce). There are 6 big players in the industry (OVO, DANA, GoPay, ShopeePay and LinkAja), these are payment system service providers licensed by Bank Indonesia. Digital wallets only can be used for shopping transactions or paying utility bills. Maximum amount that can be stored up to IDR10million.

Challenges and opportunities? Diversify or die, players need to diversify their income by not just relying on transaction-based fees. You have to be part of the ecosystem (e.g. GOPAY – Tokopedia/GOJEK) or combine your product with other product (e.g. buy now pay later scheme, insurance (OVO/Prudential)).

Any foreign investors who want to enter into the ecosystem will have to partner with local commercial banks categorized as BUKU 4. Foreign-invested e-Wallet platforms are required to use Rupiah with QRIS and meet Standardization of Open Application Programming Interface (Open-API).

The rise of digital banking

Regulatory Framework: OJK Regulation No.12/POJK.03/2021.

The OJK sees digital banking as a business model. You have to hold a general banking license, no specific digital banking license issued by the OJK. The current approach for investors: acquire an existing bank and change the business model into a digital bank in line with the OJK Regulation above. (BKE Bank/SEA Bank, Artos Bank/Bank JAGO, Bank Harda Internasional/Allo Bank, Bank Yudha Bankti/Neo Bank).

The main entry barrier: the bank does not have or does not attach to the existing digital ecosystem.

Challenges and opportunities? How to penetrate across Indonesia, not just consumers/depositors coming from big cities? Financial and digital literacy for consumers/depositors? The rise of BI rate which affects the ability of banks to provide loans. The challenge for the regulators is to find the right balance between supporting innovation and protecting consumers.

What to expect in the future?

- The development of crypto assets and digital assets. This remains in a grey area (but it opens to innovation and opportunities for investors) due to lack of regulatory framework.
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- Consumer protection and data protection.
- How to penetrate consumers living in remote islands (i.e. lack of telco tower)?
- The rise of BNPL (buy now pay later)

Key contacts

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