

PRESS RELEASE

OJK ISSUES REGULATION ON IT-BASED LENDING SERVICES

Jakarta, January 10, 2017 — The Financial Services Authority (OJK) at the end of last year issued OJK Regulation (POJK) No. 77/POJK.01/2016 on Information Technology-Based Lending Services (LPMUBTI).

The regulation is expected to support the growth of the LPMUBTI industry or Fintech Peer-to-Peer (P2P) Lending platforms, as new financing alternatives for communities that have yet to enjoy optimal services from conventional financial services industries, including banks, capital market, financing companies, and venture capital firms.

The OJK regulation was also designed to protect consumer and national interests, but at the same time it provides opportunities for local Fintech providers to grow and expand, and contribute to national economy.

Imansyah, OJK Deputy Commissioner of Strategic Management 1A, said that as part of the efforts to support the National Strategy of Financial Inclusion (SNKI), Fintech P2P Lending providers are expected to open access to overseas loans or to those from various areas in Indonesia, to the general public in need of loans.

Fintech P2P Lending providers are also expected to improve equilibrium and accelerate distribution of financing to Micro, Small and Medium Enterprises (MSMEs) to various areas.

“This OJK Regulation is also in line with the many efforts that the Team for Acceleration of Regional Financial Access (TPAKD) has undertaken, and support the *Nawacita* (nine) programs, the 1,000 start-ups Movement, and the 14th Economic Policy Package, which the Government has launched,” Imansyah said.

In the regulation, Fintech P2P Lending providers are classified as other financial services institutions and supervised under the non-banking financial industry (INKB).

Aside from regulating the LPMUBTI or Fintech P2P Lending operation, the regulation also encourages the development of a holistic Fintech ecosystem that covers Fintech 2.0 (including Fintech services in banks, capital market, insurance companies, pension funds, microfinance institutions, financing companies, venture capital firms, pawnshops, underwriting companies, and payments) and Fintech 3.0 (including big data analytics, aggregators, robo advisors, blockchain, et cetera).

In 2016, Fintech start-ups grew around thrice to 135 companies in the fourth quarter, from about 51 companies in last year's first quarter.

The rapid growth needs to be anticipated in order to protect consumer interests—in relation to funds and data security—and national interests—in connection with prevention against money laundering and terrorism funding, and financial system stability.

To adopt the use of regulatory sandbox, as implemented by various countries in administering Fintech start-ups, the OJK regulation applies provisions about registration and licensing. Fintech providers are required to register themselves before they can apply for licenses.

During the registration process, providers may conduct all of their activities under supervision of the OJK, which will conduct continuous evaluation over them. Maximum one year after their registration, providers are obliged to apply for licenses to the OJK.

To protect consumer interests, providers are required, among others, to open escrow accounts and virtual accounts at banks and set up data centers within the country. In the interest of maintaining national financial system stability, the maximum amount of loans that providers can grant to a single borrower is limited to IDR 2,000,000,000 in Rupiah currency.

Through this regulation, the OJK also facilitates support for future digital economy innovation development by preparing the infrastructure, namely Fintech Incubator Centre.

For more information:

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