

LEGAL ALERT

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Author

Poppy Cut Rahmasuci

Partner
Roosdiono & Partners
poppy.rahmasuci@zicolaw.com

Randyaz Iskandrame

Senior Associate
Roosdiono & Partners
randyaz.iskandar@zicolaw.com

Brahmantyo Suryo

Associate
Roosdiono & Partners
brahmantyo.suryo@zicolaw.com



Key Amendments to the E-money Regulation

On 3 May 2018, the Bank of Indonesia (“BI”) issued a new regulation No. 20/6/PBI/2018 (“PBI 20/2018”) on electronic money or e-money, which repealed the previous e-money regulations. E-money regulations was first issued in 2009 and subsequently amended in 2014 and 2016.

E-money is defined as a payment instrument that is (a) issued based on the value of money deposited in advance to the issuer, (b) is stored electronically in a server or a chip, and (c) managed by the issuer not as savings as defined in the prevailing banking laws and regulations.

Some of the new provisions are:

No.	New Provisions	Remarks
1.	“Closed loop” and “Open loop” system	PBI 20/2018 introduces a new classification of e-money in the form of “closed loop” system (“CL”) and “open loop” system (“OL”). In Brief, CL refers to e-money that can be used for transactions with the issuer of the e-money, while OL refers to e-money that can be used for transactions with any party other than the issuer.
2.	“Front end” and “Back end” services	PBI 20/2018 also introduces the classification of service providers as “front end” and “back end”. “Front end” consists of issuers, acquirers, payment gateway service providers, e-wallet providers, and money remittance service providers. “Back end” consists of principal, switching service providers, clearing service providers, and closing service providers.
3.	Requirements	In brief: a. feasibility requirements (legality, business scheme, risk management, etc.). b. specific representations and warranties from the applicant which is backed by a statement from a law firm. c. fit and proper tests.
4.	Security requirement	In addition to various security requirements, PBI 20/2018 also requires the issuers of e-money whose limit is bigger than IDR 2 million to enforce (at least) two-factor authentication.
5.	Storing quota	The storing quota for unregistered e-money has been increased to IDR 2 million from IDR 1 million previously.
6.	License exception	License will not be required if: a. the total floating funds than IDR 1 billion; and b. the e-money falls under CL system.

Specific changes for non-bank entities

7.	Requirement for Directors	PBI 20/2018 stipulates that majority of the Directors of the non-bank entity must be domiciled in Indonesia
8.	Minimum capital	The minimum capital is now explicitly set at IDR 3 billion. The capital must be increased based on the total value of the floating funds managed by the non-bank entity. If the floating funds reach more than IDR 9 billion, the minimum capital will be IDR 10 billion + 3% of the total floating funds.
9.	Foreign ownership limitation	Maximum of 49%, direct or indirect .
10.	Limitations on the controlling shareholder	It is prohibited to be the controlling shareholder in: <ul style="list-style-type: none"> a. More than one non-bank entity each having the same payment service business; or b. More than one non-bank entity whose businesses fall as both front-end and bank-end. Further to the above, non-bank entities are prohibited from changing its controlling shareholder (defined as the holder of 25% or more shares, or the de facto controller of the entity) for a period of 5 years from the first issuance of the license unless it is exempted by BI.

CONCLUSION

PBI 20/2018 reacts to the trend in Indonesian financial market by focusing its provisions on non-bank entities in e-money sector as it introduces new provisions to non-bank entities to make them, to certain extent, on par with banks in terms of regulatory screenings. Further, it is also important for stakeholders and entrepreneurs in e-money business to note these relevant changes.

If you have any questions or require any additional information, you may contact [Poppy Cut Rahmasuci](#), [Randyaz Iskandar](#), [Brahmantyo Suryo](#) or the ZICO Law partner you usually deal with.

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