

## Bank Indonesia Regulation No. 22/23/PBI/2020 on Payment Systems

In response to the technological advancement and innovation of payment systems, Bank Indonesia Regulation (PBI<sup>1</sup>) No. 22/23/PBI/2020 regarding Payment Systems was issued and came into effect on 1 July 2021.

This regulation acts as a main regulation for payment systems, while specific regulations such as those related to fund transfers, payment gateways, e-moneys and e-wallets, etc. will still be applicable. It uses a risk-based and principles-based approach rather than the previous entity-based approach. PBI Payment System is also one of the initiatives in the Indonesia 2025 Payment System Blueprint, which aims to integrate and kick-start the reformation of payment system regulations.

### What's new in PBI Payment Systems

#### Categories for Payment System Operators

PBI Payment Systems introduces categories for **Payment System Operators/ Penyelenggara Jasa Sistem Pembayaran (PJSP)**, which consist of:

1. **Payment Service Providers/ Penyedia Jasa Pembayaran (PJP)**, who facilitate the payment transactions;
2. **Payment System Infrastructure Operators/ Penyelenggara Infrastruktur Sistem Pembayaran (PIP)**, who provide infrastructure to facilitate fund transfers.

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<sup>1</sup> PBI stands for *Peraturan Bank Indonesia*

## PJP – Licensing based on activities

PJPs may provide the following services:

- a. **Account Issuance Services (AIS)** – provide information on sources of funds for payment initiation, with the user’s consent and approval.
- b. **Payment Initiation and/or Acquiring Services (PIAS)** – include payment transaction forwarding.
- c. **Account Information Services (AInS)** – include payment authorisation processes.
- d. **Remittance services** – include acceptance and execution of fund transfers in which the source of the funds does not originate from an account administered by the remittance service operator.

PJPs must obtain a license from Bank Indonesia (BI) to carry out the above activities, based on the following **license categories**:

Category 1	Category 2	Category 3
1. AIS 2. PIAS 3. AInS 4. Remittance services	1. AIS 2. PIAS	1. Remittance services 2. Other services determined by BI

## PIP – Designation

PIPs may conduct the following activities:

- a. Clearing;
- b. Final settlement based on clearing results.

Examples of PIPs: BI, as an operator of payment system infrastructure, e.g. Real Time Gross Settlement (“BI-RTGS”) and National Clearing System (*Sistem Kliring Nasional Bank Indonesia* - “SKNBI”).

PIPs are not required to obtain a license; however, they need to secure a designation (*penetapan*) from BI who will consider the impact to financial system stability and public interest.

## Specific requirements for non-Bank PJSPs

PJSPs (PJPs and PIPs) that wish to either apply for a PJP license or become a designated PIP must meet the requirements stipulated in the PBI Payment Systems, covering the following aspects: **institutional** (*kelembagaan*), **capital and finance**, **risk management**, and **information system capability**.

Specifically for **non-bank entities**, there are requirements with regard to **share ownership** and **management control** that necessitate the dominance of domestic influence.

Requirements		Influence by Indonesian citizens and/or legal entities	
		PJPs	PIPs
<b>Share Ownership</b>		Min. <b>15% shares</b>	Min. <b>80% shares</b>
<b>Management Control</b>	Voting rights	Min. <b>51% shares</b>	Min. <b>80% shares</b>
	Special rights	To nominate the majority of the BoD and BoC members.	
	Veto rights	With regard to decisions in the General Meeting of Shareholders (with significant impact on the entity).	

## Classification of PJSPs

PJSPs (both PJPs and PIPs) will be further classified based on their risk and the impact that any disturbances or failures in their operations have on the Indonesian payment and/or financial system:

- Systemic payment system operators/ *Penyelenggara SP Sistemik* (PSPS)
- Critical payment system operators/ *Penyelenggara SP Kritis* (PSPK)
- Public payment system operators/ *Penyelenggara SP Umum* (PSPU)

The above classification is determined by transaction size, complexity, interconnectivity, and/or information system management aspects which will be periodically evaluated by BI.

## Self-Assessment of new products, services and/or cooperation arrangement

PJSPs are required to assign a risk category for plans of new products/services and/or cooperation arrangements, but the final risk category will have to follow Bank Indonesia's assignment. The risk category is based on consideration of how major the impact of the new products/services/activities and/or cooperation arrangement will be on the existing business model, system, and infrastructure. It is classified as follows:

- a. **Low risk:** if the changes are considered not significant/low.
- b. **Medium risk:** if the changes are considered medium-level.
- c. **High risk:** if the changes are considered high-level/major.

Low-risk products, services and/or cooperation arrangements will only need to be reported to Bank Indonesia, while medium and high-risk ones will need to be approved by Bank Indonesia.

## Obligations of PJPs and PIPs

**PJPs** and **PIPs** must fulfil several obligations covering aspects of governance, risk management, information system security standards, interconnection and interoperability, as well as compliance with applicable laws and regulations.

The most notable obligations are related to **information system security standards**, for which Bank Indonesia requires both **PJPs** and **PIPs** to ensure the following:

- a. Availability of written information system policies and procedures.
- b. Provision of a secure and reliable system which covers data protection, fraud management, fulfilment of security standards and/or certification, and continuous improvement of IT security.
- c. Implementation of cyber security standards.
- d. Data and/or information security.
- e. Conducting a regular information system audit.

## PJSPs with pre-existing licenses

PJSPs who have obtained a license prior the issuing of PBI Payment Systems will be assessed by Bank Indonesia, which includes the reclassification and fulfilment of PBI Payment Systems requirements.

Following the assessment result, PJSPs that declare their ability to meet the requirements will be provided with a maximum period of 2 (two) years to fulfil the requirements, and Bank Indonesia will convert the current license into a PJP license or PIP designation.

## Data processing and protection

PJPs, PIPs, and/or parties working with PJPs and PIPs will need to:

- a. Apply principles of **personal data protection** (including **customer consent**);
- b. Comply with **data and/or information processing** and **3rd party data infrastructure utilisation mechanisms** required by Bank Indonesia;
- c. **Cyber risk management** and **information system security**;
- d. Comply with other regulations as applicable.

The data and/or information processing mechanism shall include:

- a. Access and processing procedures;
- b. Standardisation of data, technical, security, and governance, e.g. open application programming interface (open API) standardisation; and/or
- c. Other mechanisms stipulated by Bank Indonesia.

PJPs and/or PIPs may perform the following activities:

- a. Exchange individual customer data with other PJPs and/or PIPs and other related parties; and
- b. Transfer individual customer data to other parties outside the jurisdiction of the Republic of Indonesia.

## Other key points

There are several other provisions which are worth mentioning, including how Bank Indonesia accommodates the innovation in the payment system. Bank Indonesia provides several payment system development trials, with functions such as the **innovation lab, regulatory sandbox, and industrial sandbox**.

Furthermore, Bank Indonesia also stipulates **the involvement of SROs** in the Payment System sector. SROs may be assigned by Bank Indonesia to:

- a. Support the implementation of Bank Indonesia's **policies**.
- b. Support the implementation of **licensing, approval, and supervision** processes.

This activity includes **preparing standards** for licensing or approval and **conducting verification and registration of information system auditors**. The standards include standardisation of the scope and coverage, as well as auditors' requirements for **information system audits or security testing** of the payment system infrastructure of a PJSP or prospective PJSP.

- c. Prepare and issue **provisions** in the payment systems sector that are technical and micro in nature, based on the approval of Bank Indonesia.
- d. Prepare and manage **standards** set by Bank Indonesia.

## Sanctions

Incompliance with the requirements of PBI Payment Systems may result in administrative sanctions, which include written warnings, fines, temporary suspension of activities, and revocation of one's PJP license or PIP designation.

## Applicability of existing regulations

The existing regulations related to payment systems issued by Bank Indonesia are still valid as long as there are no conflicting requirements.

Please note that earlier in July 2021, BI issued two follow-up regulations detailing the requirements for PJPs (PBI No. 23/6/PBI/2021) and PIPs (PBI No. 23/7/PBI/2021). We will cover these new regulations in the upcoming newsflash.

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