



Bank Indonesia's Board of Governors' Regulation on Financial Technology Regulatory Sandbox

by Galih Adi Prasetya

As a result of technological advances, Financial Technology (“**Fintech**”) is becoming one of the most promising features of the global financial services industry, especially in Indonesia. Aware of this new development, Bank Indonesia issued Bank Indonesia Regulation No. 19/12/PBI/2017 on the Implementation of Financial Technology (“**Regulation**”). This Regulation aims to be an instrument of mitigation in implementing Fintech services in Indonesia. One of the aspects that is governed by the Regulation concerns the Regulatory Sandbox for Fintech services. Further explanation of this procedure is regulated in Bank Indonesia's Board of Governors' Regulation No. 19/14/PADG/2017 on the Financial Technology Limited Testing Room (Regulatory Sandbox) (“**BoG Regulation**”).



The Regulatory Sandbox is a form of Bank Indonesia's commitment to support Fintech innovation but with the consistent implementation of the principles of consumer protection, precaution, and risk management. By applying the Regulatory Sandbox to Fintech companies, the services performed will be proportional, fair, and transparent for the consumer. Pursuant to Article 1 (4) of the BoG Regulation, the Regulatory Sandbox is a safe limited testing room for testing the implementation of Fintech along with their products, services, technologies, and/or business models. The Regulatory Sandbox can only be conducted by a Fintech company which is appointed by Bank Indonesia. Pursuant to Article 3 (2) of the BoG Regulation, there are seven

criteria for the Fintech Company to be appointed by Bank Indonesia, which are: (i) it has been registered in Bank Indonesia; (ii) it has an element of payment services; (iii) it has an innovation element; (iv) it is beneficial; (v) it has a non-exclusive nature; (vi) it can be used on a mass scale; and (viii) it is provided with risk management. Later on, the Fintech Company should give a presentation about their business model and risk management and deliver a complete document to Bank Indonesia in order to have Bank Indonesia's approval.

The Regulatory Sandbox itself will be conducted at the longest for 6 (six) months and can be extended once for a further duration of 6 (six) months.

During the Regulatory Sandbox process, Bank Indonesia will act as a reviewer for the Fintech Company as a basis for the tests results status. The result of the Regulatory Sandbox is divided to 3 (three) types, which are: (i) successful; (ii) not successful; and (iii) other status determined by Bank Indonesia. If the status is “successful”, the Fintech company shall complete the license and permit required from Bank Indonesia in order to operate their business in Indonesia. Otherwise, if the status is “not successful”, then the Fintech company can't operate their service in Indonesia.





Regulation of The Board of Governors No. 19/15/PADG/2017 on Registration Procedures, Information Disclosure, and Monitoring of Financial Technology Providers

by Alexander Josua Hutagalung

Financial technology (Fintech) has until now been viewed for its potential to disrupt incumbent bank and other financial services providers, creating a tendency to limit discussion of the topic in Asia-Pacific to the region's more established capital markets. New innovations and developments in the financial industry are becoming prominent issues and could contribute to the growth of Indonesian financial markets. Financial technology in the world is now more modern, which can greatly assist the community in doing financial-related activities in which technology has begun to engage and/or replace the role of traditional institutions. On 30 November 2017, Bank Indonesia (BI), the central bank of the Republic of Indonesia which is led by the board of governors issued regulations related to Financial technology, i.e., Regulation of The Board of Governors No. 19/15/PADG/2017 concerning registration procedures, the transmission of information, and monitoring for the operation of financial technology.

The main regulatory issues of this regulation are as follows: (i) registration; including the following procedures, process, publication and deletion of registration; (ii) management risk and prudence; (iii) monitoring; which is conducted by BI to all registered Providers, including the procedure of information disclosure; (iii) miscellaneous provisions; governing all correspondence with BI. The following procedures should be undertaken in the registration of financial technology: (i) an application shall be filed at BI; (ii) an application shall be filed in writing in the Indonesian language and be signed by the Financial Technology Provider including supporting documents; (iii) an application shall be made and submitted online through BI's website i.e., <http://www.bi.go.id/>.

There is a process which must be adopted in applying for registration of financial technology, i.e.: (i) the acceptance of the application for financial technology registration, in which BI has the role of investigating the completeness of the documents; (ii) in the event

of deficiency in the completeness of requirements, the Financial Technology Provider will be asked via email to complete the said requirements within a maximum of 10 (ten) working days from the notification date, and where deficiencies in the requirements have not been fulfilled within the period as mentioned before, the application is deemed withdrawn. (iii) after the requirements are completed, BI will perform an investigation of the truth and conformity of the documents. (iv) an investigation may provide: a) all documents which have been submitted by the Financial Technology Provider as prepared, if proving false and not relevant (including the following not relevant under the law of regulations), BI will reject the application for registration; or b) if BI has confirmed that the documents are granted for registration, the Financial Technology Provider shall be entered into the register of financial technology. (v) BI Bank Indonesia shall forward the results of an investigation to the above-mentioned Financial Technology Provider.



The Technology Provider which has met the criteria as regulated under this regulation, must apply for registration, apart from the Financial Technology Provider which under other authority and other payment service provider has received permission from BI. However, the said payment service provider shall submit information such as products, services, technology, and/or new business model which have met the criteria for financial technology from BI. The Financial Technology Provider must be a business entity, must be specialized as payment service provider, must be a legal entity as regulated in the provisions.



Amendment of Tax Amnesty Regulation

by Monica Sonya Ginanti

The Minister of Finance of Indonesia has just issued a regulation concerning tax amnesty. It is Minister of Finance Regulation Number 165/PMK.03/2017 of 2017 on the Second Amendment on Minister of Finance Regulation Number 118/PMK.03/2016 to the Implementation of Law Number 11 of 2016 on Tax Amnesty ("**Regulation on Tax Amnesty**"). The Regulation on Tax Amnesty contains amendments to the Minister of Finance Regulation Number 118/PMK.03/2016 on the Implementation of Law Number 11 of 2016 on Tax Amnesty ("**Previous Regulation**") which covers several matters, such as taxpayer obligations in respect of land and buildings, treatment of non-disclosed assets in the statement letter, and also legal action.



Pursuant to the Regulation on Tax Amnesty, for the purpose of ownership transfer of land or buildings which are not subject to income tax, a taxpayer shall submit proof of dispensation regarding income tax to the notary or land deed official in the form of a dispensation statement letter or copy of tax amnesty statement letter issued by the Minister of Finance of Indonesia. Such documents will be valid until 31 December 2017. It is different from the Previous Regulation, which did not regulate the taxpayer's submission of proof of dispensation to the notary or land deed official.

Furthermore the Regulation on Tax Amnesty also amends several tax account codes which are different from

the Previous Regulation. The tax account codes are used for the purpose of payment of income tax, administrative sanctions, and tax underpayment. The Regulation on Tax Amnesty also added 1 (one) clause to the Previous Regulation. It is Clause 44A and is inserted between the Clause 44 and Clause 45 of the Previous Regulation. The Clause 44A states that a taxpayer may disclose: (i) the assets which not yet or not fully disclosed in the assets statement letter for tax amnesty; or (ii) the assets which are not yet reported in the annual income tax return as long as the such matters are not yet known by the Directorate General of Tax. This clause also regulates the terms of payment for such matters.

Another term inserted in the Previous Regulation concerns legal action. The Previous Regulation already stated that legal action may be performed in relation to the issuance of a tax underpayment assessment letter. Nevertheless, the Previous Regulation does not regulate the terms related to the provisions and procedures of such legal action. Therefore the Regulation on Tax Amnesty now states that legal action will be performed pursuant to general taxation provisions and procedures.

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