

Trends and Developments

Contributed by:

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Hiswara Bunjamin & Tandjung in association with the global law firm Herbert Smith Freehills is a full-service Indonesian law firm. All the partners are experienced Indonesian lawyers with many years' experience in advising clients across all major industry sectors. The firm's client base includes some of the largest multinational corporations and financial institutions. The Jakarta office has several long-term international counsel seconded from Herbert Smith Freehills, and is part of the broader Her-

bert Smith Freehills' network of global offices with recognised specialists in the TMT and fintech space. The firm's fintech practice group includes ten members of the broader corporate M&A, financial services and TMT practices, ranging from partner level to associates. The firm's key areas of practice in relation to the fintech sector include corporate M&A, financial services regulatory, company establishment and general corporate advice, data protection, and litigation and restructuring.

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INDONESIA TRENDS AND DEVELOPMENTS

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Introduction

Indonesia's fintech sector has continued to mature and the regulatory framework has become more sophisticated following the issuance of new regulations by Bank Indonesia (BI) and Indonesia's Financial Services Authority (OJK).

While the stricter regulatory regime has made it more difficult for certain new players to enter the market, it is a welcome development, in that it both addresses some of the regulatory issues that have arisen and focuses on the importance of balancing innovation and growth, while also improving stability and customer protection.

BI and OJK have each issued key documents:

- the 2030 Indonesia Payment System Blueprint (the “*2030 Payment System Blueprint*”) and
- the 2024–28 Roadmap for the Development and Strengthening of Financing Companies (the “*2024–28 Financing Companies Roadmap*”).

These two documents respectively outline the vision and strategic direction of BI and OJK as the primary authorities in the fintech sector.

BI's 2030 Payment System Blueprint adopts the same five visions set out in the 2025 Blueprint, with a focus on infrastructure stabilisation, expanding reach, further regulatory reforms, and fulfilling the mandate of Law No 4 of 2023 on Financial Sector Development and Reinforcement (the “*Financial Services Omnibus Law*”).

Meanwhile, OJK's 2024–28 Financing Companies Roadmap aims to crystallise and track specific stakeholder milestones over a five-year period.

The key highlights of Indonesia's fintech sector during 2024 and early 2025 relate to:

- digital payment;
- digital financing;
- alternative credit scoring; and
- digital financial assets.

In digital payment, BI has:

- continued to expand the use of Quick Response Code Indonesian Standard (QRIS) regionally, including through new technology adoption;
- incorporated measures and provisions to prevent financing the proliferation of weapons of mass destruction in the regulation on anti-money laundering and counter-terrorism financing; and
- introduced new regulations on cybersecurity.

In digital financing, new regulations on Peer-to-Peer (P2P) lending and multi-finance underscore the importance of fintech lending as an alternative financing solution for the underbanked and micro, small and medium-sized businesses.

2024 also marked the transition of the regulation of the alternative credit scoring business model from OJK's fintech sandbox regime to a full licensing regime, pursuant to the issuance of OJK's new licensing regulation in this area.

In the realm of digital financial assets, OJK introduced a new regulation that also encompasses crypto-assets, thus officially marking the transfer of supervisory authority from the Commodity Futures Trading Regulatory Agency (“*Bappebti*”) to OJK.

In this article, the authors discuss the trends and developments in these four key segments, where

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regulatory developments continue to shape the direction of growth and innovation.

Digital Payment

In 2024, e-Conomy SEA reported a consistent 19% increase in Gross Transaction Value (GTV) for digital payments compared to 2023. This growth is driven in part by the expansion of regional cross-border payment connectivity such as Quick Response (QR) codes, which has contributed to financial inclusivity domestically. The authors have seen a number of players exploring expansion into Indonesia but relatively slower M&A and fundraising activities in the past year, in part due to the foreign ownership and control restrictions for payment services companies.

While BI has continued to expand international interconnectivity through QRIS partnerships with countries such as Japan, the UAE, Korea and India, its 2030 Payment System Blueprint envisions advancing fast payment connectivity supported by multilateral interconnectivity through its participation in Project Nexus, which is targeted for implementation starting in 2028. BI, together with authorities in Malaysia, Thailand, Singapore, Philippines and India, is actively involved in Project Nexus to (among other objectives) prepare a multilateral interconnection roadmap for remittance use cases. The next milestone for Project Nexus is to form the Nexus Scheme Organisation (NSO) as the operator of the Nexus scheme.

BI also enacted new regulations throughout 2024 and in early 2025 to strengthen the payment system's regulatory framework. The notable implementing payment regulations comprise:

- Regulation of the Members of the Bank Indonesia Board of Governors No 3 of 2025 on

Third Amendment of Regulation of the Members of the Bank Indonesia Board of Governors No 21/18/PADG/2019 on Implementation of a National Standard for Quick Response Codes for Payment, issued on 19 February 2025 (the “QRIS Regulation”)

- Bank Indonesia Regulation No 10 of 2024 on Implementation of Anti-Money Laundering, Prevention of Terrorism Financing, and Prevention of Financing the Proliferation of Weapons of Mass Destruction for Parties Regulated and Supervised by Bank Indonesia (“PBI 10/2024”) and
- Bank Indonesia Regulation No 2 of 2024 on Information System Security and Cyber-Resilience for Payment System Providers, Money Market and Foreign Exchange Market Participants, and Other Parties Regulated and Supervised by Bank Indonesia, and its implementing regulations (PBI 2/2024).

The QRIS Regulation was issued to accommodate technology advances in the payment system, particularly in relation to QRIS, including the adoption of near field communication (NFC) technology – which also covers fund sources and payment instruments issued outside Indonesia. Given the positioning of NFC within the QRIS framework, moving forward it is likely that any transaction facilitated by NFC must use a QRIS channel. However, utilisation of NFC in the QRIS payment model enables touchless payment transaction processing without scanning any QR code, and reduces friction in payment transactions. There are plans to launch NFC-enabled *QRIS Tap* in the public transportation sector in the first quarter of 2025.

In addition, the QRIS Regulation also clarifies that QRIS as a payment channel could be utilised for:

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- fund sources in the form of savings and credit facilities;
- payment instruments in the form of debit and credit cards and server-based electronic money; and/or
- electronic services that enable data storage of fund sources and/or payment instruments.

Following the issuance of the QRIS Regulation, there have been indications that the Merchant Discount Rate (MDR) will be lowered (from 0.4% to 0%) for public services mandated by the government, commencing on 14 March 2025.

BI also updated the anti-money laundering (AML) and counter-terrorism financing (CTF) framework, noting that the last major update was back in 2017. The issuance of PBI 10/2024 not only strengthens AML and CTF measures but also emphasises prevention of financing the proliferation of weapons of mass destruction. PBI 10/2024 also covers other critical areas, such as the application of these principles to business groups (including domestic and foreign subsidiaries and/or branches) and the suspension of transactions for suspicious activities.

Over the past few years, digitalisation has significantly driven the growth of digital finance in Indonesia, while also increasing exposure to cyber-risks that could lead to financial losses and threaten the stability of the financial system. Following several suspected ransomware attacks on banks, the Financial Services Omnibus Law authorised BI to oversee the implementation of security measures and ensure the reliability of information systems, including cyber-resilience. Cyber stability is a key focus for Indonesia's payment system transformation, as explained in BI's 2030 Payment System Blueprint. PBI 2/2024 introduces a new regulatory framework for governance, prevention, management, monitoring

and collaboration on cybersecurity within the digital payment system.

Another area under development by BI is the exploration of Indonesia's Central Bank Digital Currency (CBDC), known as Digital Rupiah. There will be two forms of Digital Rupiah:

- wholesale Digital Rupiah ("*w-Digital Rupiah*") and
- retail Digital Rupiah ("*r-Digital Rupiah*").

Digital Rupiah is one of the five initiatives outlined in BI's 2030 Payment System Blueprint under Project Garuda. The implementation of Project Garuda has three stages: immediate, intermediate and end state.

In 2024, BI completed the immediate stage, which involved the issuance, redemption and remittance of the w-Digital Rupiah cash ledger. Throughout this process, BI identified various use-case scenarios along with their potential economic benefits.

Over the next five years, as it enters the second, intermediate stage, BI will experiment with Digital Rupiah to support money market transactions, dividing the measures into three phases:

- first phase (2025–2026) – exploration of use cases for issuance, remittance and redemption of securities ledgers;
- second phase (2027–2028) – expansion to include monetary operations and transactions in the money market; and
- third phase (2029–2030) – utilisation of programmability, composability and tokenisation capabilities within the money market.

At present, these explorations are limited to domestic transactions, but BI aims to ultimately

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establish interconnectivity for the w-Digital Rupiah to facilitate complex cross-border transactions.

Digital Financing

The two main subsectors within digital financing that recorded significant growth in 2024 were P2P lending and Buy Now Pay Later (BNPL). As of November 2024, outstanding lending/financing numbers were at an all-time high since 2021, respectively at IDR75.60 trillion (circa USD4.58 billion) for P2P lending and IDR501.37 trillion (circa USD30.39 billion) for BNPL.

P2P lending

P2P lending recorded a year-on-year increase of 27.32% in November 2024 with a stable TWP90 of 2.52% (the percentage of loan defaults and non-performing loans exceeding 90 days). Despite the growth, OJK maintained its moratorium on the issuance of P2P lending licences, noting that the last licence was issued in December 2021.

OJK issued Regulation No 40 of 2024 on Information Technology-Based Joint Funding Services (*Layanan Pendanaan Bersama Berbasis Teknologi Informasi*) on 24 December 2024 (the “2024 P2P Regulation”), revoking OJK Regulation No 10/POJK.05/2022 (the “2022 P2P Regulation”). This was driven by the mandate under the Financial Services Omnibus Law and the need to both harmonise provisions with the ITE Law and strengthen regulations on various aspects, including maximum lending limits, credit scoring, transparency in write-offs, and monitoring mechanisms (among others).

Some notable updates in the 2024 P2P Regulation are as follows.

- Capital and equity: a minimum paid-up capital requirement of IDR25 billion (circa USD1.52 million) and equity maintenance requirements have been introduced. Platforms licensed before the issuance of the 2024 P2P Regulation must gradually meet these thresholds by:
 - (a) maintaining equity of at least IDR7.5 billion (circa USD454,545) at the time the regulation came into effect (27 December 2024); and
 - (b) achieving equity of at least IDR12.5 billion (circa USD757,575) by 4 July 2025, which is consistent with the deadline set under the 2022 P2P Regulation.
- Ratio: P2P lending platforms must also ensure that their equity-to-paid-up capital ratio never falls below 50%, maintain a liquidity ratio of at least 120%, and not have a ratio of non-performing loans above 5%. Existing P2P lending companies have one year to comply with these requirements.
- Investment: total direct investments by a P2P lending company cannot exceed 20% of its total equity, and direct investments in entities within the same group are capped at 10% of the P2P’s total equity. Such direct investment may only be made in companies operating in the financial services sector in Indonesia and/or companies involved in P2P lending activities.
- Expanded permitted activities: P2P lending platforms can now engage in additional activities, including acting as a distribution partner for government securities, collaborating on informational services, and conducting other activities with prior approval from OJK.
- Sharia operations: the regulation allows P2P lending platforms to operate both conventional and Sharia activities within the same entity, with specific requirements for establishing Sharia Units.

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Lastly, considering the current economic situation in Indonesia and the limited access to funding for the public not served by the non-P2P lending industry, through its press release on 31 December 2024 and letter to market players OJK announced revised maximum daily economic benefit limits and updated some requirements under OJK Circular Letter No 19/SEOJK.06/2023 on Implementation of Information Technology-Based Joint Funding Services (the “P2P Circular Letter”).

Effective from 1 January 2025, the maximum daily economic benefit limits for P2P lending platforms are categorised based on loan tenor while maintaining the differentiation between consumptive and productive funding.

For consumptive funding, the limits are:

- 0.3% per day for loans with tenors of six months or less; and
- 0.2% per day for loans with tenors exceeding six months.

For productive funding, the limits vary:

- for micro and ultra micro businesses, the limit is 0.275% per day for tenors of six months or less, and 0.1% per day for tenors exceeding six months; and
- for small and medium-sized businesses, the limit is 0.1% per day regardless of the tenor.

Previously, the maximum economic benefit limits for consumptive funding were set only for short-term loans (less than 12 months), while the limits for productive funding did not take into account a borrower’s background. OJK now allows a higher maximum daily economic benefit limit for micro and ultra micro businesses – 0.175%

higher than the previous limit and higher than the current limit for small and medium businesses.

BNPL

The term BNPL has been around for quite some time, having been introduced as a subset of financing products in 2014. From 2019 to 2023, BNPL experienced significant growth, peaking in December 2023 when BNPL contracts dominated around 80% of financing contracts. Despite such growth, the total asset associated with BNPL made up only 2% of total assets of financing companies. In its 2024–28 Financing Companies Roadmap, OJK opined that the BNPL portfolio was still very small and did not yet have a significant impact on the overall performance of the lending industry.

Previously, none of the regulations applicable to financing companies provided a definitive set of provisions specifically for BNPL, but it is generally understood that BNPL refers to a lending facility for the purchase of goods/services (with “deferred” payment mechanism for the borrower) that is carried out using an electronic system and without physical face-to-face interaction between the borrower and the lender.

In December 2024, OJK issued Regulation No 46 of 2024 on Development and Strengthening of Financing Companies, Infrastructure Financing Companies and Venture Capital Companies (“OJK Regulation 46”). The new regulation amended various provisions applicable for financing companies, including OJK Regulation No 47 of 2020, which deals with licensing and institutional aspects, and OJK Regulation No 38 of 2018, which deals with business and operations aspects.

One of the updates under OJK Regulation 46 was the introduction of Digital Financing Ser-

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vices (*Layanan Pembiayaan Digital*), which are defined as “services provided by multi-finance companies by utilising electronic systems to give borrowers access to financing facilities and/or services from partners of the multi-finance companies, and can be carried out independently by the debtors and/or prospective debtors”. Notable provisions on Digital Financing Services are as follows.

- No physical face-to-face interaction: Digital Financing Services through working capital and multipurpose financing can be carried out without physical face-to-face interaction, subject to approval from OJK. The example given in the regulation for this is a BNPL product.
- Electronic system used: the electronic systems used in providing Digital Financing Services must be owned, in the possession of and controlled by the financing company. This requirement will come into effect on 31 December 2025.
- Co-operation with other parties: multi-finance companies may co-operate with another party in carrying out Digital Financing Services, and this proposed co-operation must be included in the business plan. The example given in the regulation is co-operation with e-commerce companies.
- Electronic agreements: financing agreements in electronic document form for Digital Financing Services without physical face-to-face interaction must use an electronic signature secured with an electronic certificate in accordance with applicable regulations (ie, certified electronic signature provider registered with the Ministry of Communications and Digital Affairs (MOCD)).

Considering the recent enactment of these Digital Financing Services provisions, the authors are monitoring how they are implemented in

practice and, in particular, how the relevant regulatory requirements interact with the upcoming development of BNPL products in the industry. OJK has also indicated that it will issue further regulations on BNPL.

Alternative Credit Scoring Passed OJK Sandbox

After concluding its assessment of the alternative credit scoring business model under the sandbox regime in 2024, OJK has issued a new regulation on the licensing of alternative credit scoring providers (“ACS Providers”), namely OJK Regulation No 29 of 2024, which took effect on 20 December 2024 (“OJK Regulation 29”).

The key points to note in OJK Regulation 29 are as follows.

- Paid-up capital: ACS Providers must be limited liability companies with minimum paid-up capital of IDR5 billion (circa USD303,000). The funds for the capital injection must not be sourced from loans (as is the case in most other parts of the financial services sector).
- Foreign ownership: the maximum (direct and indirect) foreign ownership limit in ACS Providers is 85%, but this limit does not apply to publicly listed ACS Providers.
- Licensing and fit-and-proper test: ACS Providers must obtain a licence from OJK and register as electronic system operators with the MOCD. In addition, the “main parties” (*pihak utama*) of ACS Providers – ie, parties that own, manage, supervise and/or have significant influence over ACS Providers – must also pass OJK’s fit-and-proper test.
- Data centres, disaster recovery centres and electronic systems: ACS Providers must place their data centres and disaster recovery centres in a separate location in Indonesia. The new regulation expressly allows ACS Pro-

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viders to engage the services of other parties in relation to non-critical electronic systems (eg, for testing the system capabilities and securing their data processing, helpdesk and consumer complaints services).

- Credit score requirements: ACS Providers should produce credit scores using alternative data (ie, data other than credit or financing data) and are prohibited from using credit or financing data (ie, data concerning the state of the debtor's or customer's financing facility). The credit scores must satisfy the prescribed criteria, including being presented in the Indonesian language or, if required by customers, in bilingual format.

Existing providers of innovative credit scoring services that are registered with OJK must apply for a licence in accordance with OJK Regulation 29 by 20 December 2025. They must also comply with the new foreign ownership limit within one year after obtaining their licences from OJK.

The authors note that alternative credit scoring is playing an increasingly important role in growth and innovation in Indonesia's financial services sector. This is evident in the increasing interest among market players and the added emphasis placed by OJK on alternative credit scoring. The authors are therefore monitoring market and regulatory developments in this area closely.

Digital Financial Assets: Crypto-Assets

Last year, the Financial Services Omnibus Law mandated that supervision over digital financial assets – including crypto-assets – should be transferred from Bappebti to OJK by 12 January 2025; following this, OJK has issued Regulation No 27 of 2024 on Implementation of Trading of Digital Financial Assets Including Crypto Assets (“OJK Regulation 27”), which came into effect on 10 January 2025.

Some notable provisions under OJK Regulation 27 are as follows.

- Minimum paid-up capital and equity: the minimum paid-up capital and equity requirements for various actors in the digital financial assets space are:
 - (a) exchanges – minimum paid-up capital of IDR1 trillion (circa USD60.6 million) and minimum equity of 80% of paid-up capital;
 - (b) clearing and settlement institutions – minimum paid-up capital of IDR500 billion (circa USD30.3 million) and minimum equity of 80% of paid-up capital;
 - (c) custodians – minimum paid-up capital of IDR200 billion (circa USD12.1 million) and minimum equity of 80% of paid-up capital; and
 - (d) traders – minimum paid-up capital of IDR100 billion (circa USD6 million) and minimum equity of IDR50 billion (circa USD3 billion).
- Onboarding of customers: detailed guidelines on the onboarding of customers were also introduced under OJK Regulation 27, becoming part of the obligations of traders. OJK Regulation 27 emphasises two categories of customers – ie, individuals and non-individuals (eg, legal entities). Non-individual customers are required to:
 - (a) have a valid business licence from the relevant authority;
 - (b) have a domicile or registered address in Indonesia;
 - (c) be involved in digital financial trading assets for investment purposes, and not for payment or asset transfer purposes; and
 - (d) ensure that all funds or assets originate from their own resources, and not from third parties, public levies or proceeds from criminal activities (including money

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laundering, terrorism financing, or funding the proliferation of weapons of mass destruction).

Traders are also required to ensure that each customer only opens one account after going through a comprehensive identification and verification process (including, among other things, facial recognition integrated with biometric data). To facilitate the identification and verification process, traders must co-operate with the Ministry of Home Affairs (*Kementerian Dalam Negeri*), enabling access to the citizenship database.

Concluding Remarks

The trends and developments summarised above reflect how the various subsectors of Indonesia's fintech industry have matured rapidly over the past year. As a consequence, regulators (ie, BI and OJK) have introduced new regulations from time to time, demonstrating their commitment to keeping pace with and accommodating the industry's evolving business models. The authors expect that more regulations and guidelines will be issued in the coming year, aimed at strengthening industry players' governance frameworks and enhancing the overall performance of the industry.