

## Client Alert

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## Bank Indonesia Issues a Blueprint for Indonesia's 2025 Payment System

### Recent development

Bank Indonesia ("BI") has issued a blueprint titled *Bank Indonesia: Menavigasi Sistem Pembayaran Nasional di Era Digital* (Bank Indonesia: Navigating the National Payment System in the Digital Era) ("**Blueprint**") as a follow-up to Indonesia's 2025 Payment System Visions that were introduced in May this year.

Through the 2025 visions, BI intends to:

- (i) support the integration of national digital economy and finance
- (ii) support banking digitalization
- (iii) guarantee the interlink between fintech and banking
- (iv) ensure there is a balance between innovation, consumer protection and healthy business competition
- (v) safeguard national interests in cross-border digital economy and finance

### Overview

The Blueprint covers five initiatives to achieve the 2025 visions: (i) open banking, (ii) retail payment system, (iii) market infrastructure, (iv) data and (v) regulatory, licensing and supervision. The five initiatives will be implemented in parallel by five working groups under BI.

### Key implications

#### Open banking

The first initiative is for BI to improve the implementation of open banking so that it would be standardized and not fragmented. BI is also looking into important aspects in the implementation of open partner API (Application Programming Interfaces), including customer data protection concerns, customer protection in general and risk management. With this as background, BI expects to standardize Open API, encompassing, among other things, the standards on data, technical aspects and governance issues. The standards on data are envisaged to encompass the scope and extent of data sets that may be disclosed by banks and fintech players. While for the governance aspect, BI is looking at consumer consent, dispute resolution and API life cycle aspects.

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### Retail payment system

The overall behavioral changes in how transactions are done, from offline to online, merit an overhaul to the underlying infrastructure in order to facilitate digital payment methods. The Blueprint seeks to modernize the retail payment infrastructure and make it more efficient and safer.

From the back-end perspective, BI-FAST, the national payment gateway and BI's national clearing system will act as the backbone of switching, clearing and settlement of national retail transactions. BI-FAST is a fast payment infrastructure that accommodates payments using cards, electronic money and direct to account schemes. Banks and non-banks may become direct or indirect participants in BI-FAST.

For the middle end, integrated payment interfaces will become the single interface for mobile interoperability that connects various payment instruments and channels and routes transactions to the back-end infrastructure.

While on the front-end side, cheques and *bilyet giro* will be processed through BI's national clearing system. Standardization efforts will continue to be pushed by BI to support interoperability, including through the implementation of the Indonesia QR Code National Standard.

### Market infrastructure

BI still sees a lot of potential in strengthening the infrastructure for Indonesia's money market. To achieve this objective, BI will put together a development framework for the money market for improving the transparency, efficiency and governance of transactions done in the money market. These infrastructures encompass SIPS (systematically important payment system), CCP (central counterparties), SSS (securities settlement system), CSD (central securities depository), TR (trade repository) and ETP (electronic trading platform).

### Data

The development of technology and massive growth of data volume in Indonesia warrants proper data management. As part of this initiative, BI is looking into establishing a public infrastructure that will connect all payment transactions and manage the flow of payment data. This will involve the establishment of a payment ID (i.e., a digital identification to facilitate access to digital financial services) and a data hub (i.e., an infrastructure that acts as a hub of payment data movements and collects granular data arising from different payment transactions).

BI is also developing an integrated reporting system called BI-ANTASENA, which will cover a wide scope of payment data using the latest technology (including API).



### Regulatory, licensing and supervision

The fifth initiative is for BI to revamp and strengthen the current regulatory, licensing and supervisory framework on the payment system to create an ecosystem that is more structured, proportional, forward-looking and agile. BI is also looking into simplifying current provisions on the payment system and applying a principle-based regulation approach so that the provisions would be more adaptive to industry developments. This also includes a reassessment of entry policy mechanisms and criteria.

### **Closing**

The digital revolution in the past decade has brought many developments in the financial industry, including bountiful opportunities for financial inclusion. Given Indonesia's statistics (including a vast population with a large young demographic and a majority of its population unbanked), there is great potential for Indonesia to reap the benefits of digitalization. With the 2025 visions, Bank Indonesia is taking a step towards a digital transformation for sustainable economic development.



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