

# *PwC Indonesia Legal Alert*

November 2018 / No.5

New Bank Indonesia Regulation on E-Money



## *New Bank Indonesia Regulation on E-Money*



### *An Overview*

Bank Indonesia (“**BI**”) has issued Bank Indonesia Regulation No. 20/6/PBI/2018 on Electronic Money (“**PBI No. 20/2018**”), which becomes effective on 4 May 2018. This new regulation repeals in its entirety BI Regulation No. 11/12/PBI/2009 on Electronic Money and its amendments. Some notable provisions introduced in this regulation include foreign ownership limitation, lock-up period, and an increased minimum capital requirement.



### (1) Back-End and Front-End Grouping

PBI No. 20/2018 classifies E-money organisers into two categories, front-end and back-end. Front-end organisers are defined as organisers providing services and/or goods and services to customers and comprise of issuers and acquirer. Back-end organisers are defined as organisers providing infrastructure of payment settlement to other organisers (non-client facing nature of services) and comprise principals, switching operators, clearing operators, and settlement operators.

A single party can only become an E-money organiser in either the front-end or back-end group. For example, issuers can be acquirers, but cannot be principal.

Furthermore, a party is prohibited from acting as a controlling shareholder in more than one non-bank payment system organizer<sup>1</sup> with the same license. In addition, a party cannot become a controlling shareholder in different payment system group (front-end and back-end). A controlling shareholder is defined as the party (i) having 25% or more shares with voting rights issued by the organiser; or (ii) having less than 25% shares with voting rights issued by the organiser but is proven to have direct or indirect control over the organiser. It is broader that the definition of E-Money Organiser, including e-wallet, payment gateway provider and fund transfer provider.

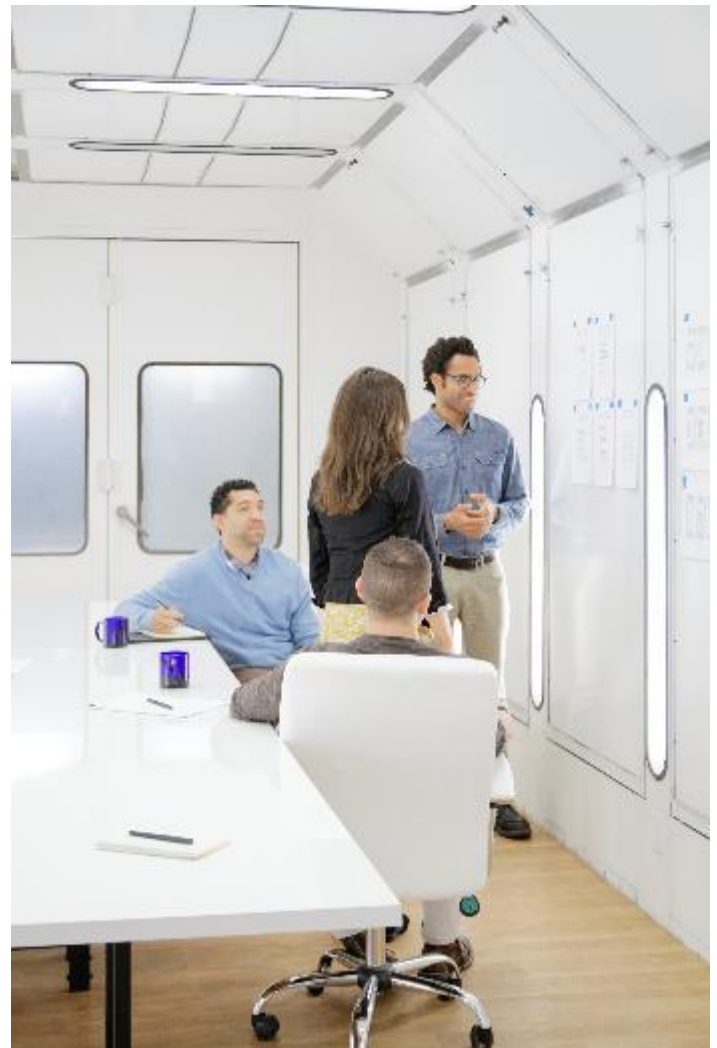
### (2) Foreign Ownership Limitation

Share ownership in a non-bank e-money issuer is subject to maximum 49% foreign ownership. This requirement must be complied with by issuers who have obtained a license before the effectiveness of PBI No. 20/2018 only if there is a change of foreign shareholding.

To calculate foreign ownership, Bank Indonesia (“BI”) will assess both direct and indirect ownership, including towards the ultimate shareholder/beneficial owner. In addition, the assessment will only be conducted against the shareholders of 5% or more in a non-bank e-money

### (3) A Lock-up Period of Five Years as of the Issuance of the License

There may be no change of controlling shareholder in a non-bank E-money organiser, including the issuer, within five years as of the issuance of its license. However, upon BI’s approval, an organizer can be exempted in certain conditions, e.g. the need for additional capital based on BI’s assessment.



<sup>1</sup> It is broader that the definition of E-Money Organiser, including e-wallet, payment gateway provider and fund transfer providers.

#### (4) Minimum Capital Requirement

PBI No. 20/2018 stipulates that the minimum issued and paid-up capital of a non-bank e-money issuer is IDR 3 billion. This figure will then be adjusted according to the floating fund managed by the issuer, under the following conditions:

- If the average floating fund is more than IDR3 billion up to IDR5 billion, the minimum paid-up capital is IDR6 billion;
- If the average floating fund is more than IDR5 billion up to IDR9 billion, the minimum paid-up capital is IDR10 billion; and
- If the average floating fund is more than IDR9 billion, the minimum paid-up capital is IDR10 billion plus 3% of the Floating Fund.

Furthermore, the e-money issuer has to place:

- at least 30% of the floating fund in: (i) cash, if the issuer is categorised as a BUKU 4 domestic commercial banks; and (ii) a current account (*giro*) in the BUKU 4 domestic commercial banks, for a non-bank E-Money Organizer and non-BUKU 4 domestic commercial banks;
- a maximum of 70% of the floating fund in securities or financial instruments issued by BI or the Government, or in an account with BI.

For issuers who have obtained a license before PBI No. 20/2018 became effective, the floating fund requirement must be fulfilled by June 2019 at the latest with an average floating fund from the effectiveness of this regulation until December 2018.

#### (5) Representation and Warranties

Every party who would like to apply for permission to become an E-money organiser (including an issuer) must submit a written representation and warranties to BI signed by the directors authorised to represent the party, and this documentation must be accompanied by statements from independent and professional legal consultants based on the results of legal due diligence.

For issuers who obtained a license before PBI No. 20/2018 became effective, they are required to submit a statement and guarantee within six months (i.e. 4 November 2018).

The representation and warranties usually include, among others items, statements of due establishment, and that the party has not suffered bankruptcy or default.

#### (6) Validity of License

License as an E-money organiser, including an issuer, is issued by BI and valid for a period of 5 years. It can be renewed by submitting a written application to BI by no later than 6 months prior to its expiry.

A license granted before the effective date of PBI No. 20/2018, will still be valid to a maximum period of 5 years as of the effectiveness of this regulation.

#### (7) Fit and Proper Test

BI is authorised to conduct fit and proper tests for the controlling shareholders (up until the ultimate shareholder), members of the board of directors, and members of the board of commissioners of non-bank companies applying for an E-money organiser license, including an issuer's license.

The purpose of having these tests is to ensure the integrity, financial reputation and financial competence of the parties tested.

#### (8) Inclusion of Closed-Loop E-Money

Closed-loop e-money, which is defined as e-money that can only be used as a payment instrument for goods/services offered by an e-money issuer, is subject to this regulation. Its issuers with a floating fund of IDR1 billion or more must obtain a license from BI. As a comparison, the previous regulation only recognised open-loop e-money.



### What Can PwC Do ?

We would be pleased to advise and assist you, either an existing e-money business organiser or a new player, on what you need to do in order to comply with PBI No. 20/2018. We can assist you in conducting a legal due diligence for the purpose of issuing a statement to accompany your representation and warranties as required under PBI No. 20/2018.

## Contacts

Please feel free to contact our Legal Specialists.



**Melli Darsa**  
*Managing & Senior Partner*  
Melli Darsa & Co., Advocates & Legal Consultants  
[melli.darsa@pwc.com](mailto:melli.darsa@pwc.com)



**Indra Allen**  
*Partner*  
Melli Darsa & Co., Advocates & Legal Consultants  
[indra.allen@pwc.com](mailto:indra.allen@pwc.com)



**Kusumohadiani**  
*Junior Partner*  
Melli Darsa & Co., Advocates & Legal Consultants  
[diani.kusumohadiani@pwc.com](mailto:diani.kusumohadiani@pwc.com)



**Dinar Respati Sunartoputra**  
*Junior Partner*  
Melli Darsa & Co., Advocates & Legal Consultants  
[dinar.sunartoputra@pwc.com](mailto:dinar.sunartoputra@pwc.com)



**Nadia Verdiana**  
*Manager*  
Melli Darsa & Co., Advocates & Legal Consultants  
[nadia.verdiana@pwc.com](mailto:nadia.verdiana@pwc.com)

*We have moved!*

*Effective 20 August 2018 PwC Indonesia has moved to:*



*Our phone and fax numbers remain:*

**Tel: +62 21 521 2901**

**Fax: +62 21 5290 5555 / 5290 5050**

**[www.pwc.com/id/newdirection](http://www.pwc.com/id/newdirection)**

*We look forward to welcoming you to our new office.*



This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

PwC Indonesia is comprised of KAP Tanudiredja, Wibisana, Rintis & Rekan, PT PricewaterhouseCoopers Indonesia Advisory, PT Prima Wahana Caraka, PT PricewaterhouseCoopers Consulting Indonesia, and Melli Darsa & Co., Advocates & Legal Consultants, each of which is a separate legal entity and all of which together constitute the Indonesian member firm of the PwC global network, which is collectively referred to as PwC Indonesia.

© 2018 Melli Darsa & Co., Advocates & Legal Consultants. All rights reserved. PwC refers to the Indonesia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.