

REALIZATION OF ELECTRONIC MONEY

(Circular of the Head of Payment System Policy and Supervision Department of Bank Indonesia No. 16/11/DKSP, dated July 22, 2014)

[Continued from Business News No. 8730 page 26-48]

(3) the plan for cooperation as referred to in point (1) is submitted along with documents in the form of :

- (a) photocopy of final concept of cooperation agreement among operators;
- (b) the result of analysis and/or study of risk management including its mitigation covering at least operational risk, liquidity risk, reputation risk, and legal risk and/or
- (c) photocopy of final concept of cooperation agreement between other party and third party (if any).

c) Report on the realization of cooperation is sent to Bank Indonesia no later than 10 (ten) working days after the signing of cooperation agreement covering at least :

- (1) date to start cooperation; and
- (2) other information in case of a change in plan for cooperation as referred to in point b)(2).

d) report on the realization of cooperation is accompanied by a photocopy of cooperation agreement among operators that has been signed.

2) Report on cooperation between operator and other party

a) operator wishing to cooperate with other party must submit a plan and realization of cooperation to Bank Indonesia.

b) The plan and realization of cooperation is sent as follows:

- (1) the plan of cooperation is sent no later than 45 (forty five) working days before the cooperation agreement is signed;
- (2) the plan of cooperation as referred to in point (1) covers at least :
 - (a) data, information, or company profile of other party wishing to cooperate with the operator;
 - (b) basis of consideration to establish cooperation;

- (c) effective date of plan to realize cooperation;
 - (d) period of time to realize cooperation; and
 - (e) right and obligation of parties;
- (3) the plan of cooperation as referred to in point (1) is sent along with :
- (a) a photocopy of final concept of cooperation agreement between operator and other party;
 - (b) the result of analysis and/or study of risk management including its mitigation covering at least operational risk, liquidity risk, and legal risk
 - (c) the result of information technology audit conducted by external auditor, if the other party cooperating with the operator is a technological service provider and/or other party providing electronic money transaction processing facility;
 - (d) a photocopy of certificate of assessment of principal to other party cooperating with issuer or acquirer, if the issuer or acquirer is member of the principal;
 - (e) a statement of readiness of other party cooperating with principal, issuer or acquirer to keep data secret; and/or
 - (f) a photocopy of final concept of cooperation agreement signed by other party and third party (if any).
- c) Report on the realization of cooperation is sent to Bank Indonesia no later than 10 (ten) working days after the signing of cooperation agreement covering at least :
- (1) data, information, or company profile of other party cooperating with operator;
 - (2) date to start cooperation; and
 - (3) other information in case of a change in the plan of cooperation as referred to in point b)2).
- d) report on the realization of cooperation is submitted along with a photocopy of cooperation agreement that has been signed.
- 3) Report on Cooperation between issuer and LKD agent
- a) Issuer wishing to cooperate with LKD agent must report a plan and realization of cooperation with LKD agent to Bank Indonesia.
 - b) The plan and realization of cooperation are submitted as follows :
 - (1) a plan of cooperation is submitted no later than 45 (forty-five) working days before the cooperation agreement is signed;

(2) the plan of cooperation as referred to in point (1) covers at least :

- (a) data and information on LKD agent wishing to cooperate with issuer;
- (b) basis of consideration to establish cooperation;
- (c) effective date to realize cooperation;
- (d) the period of time to realize cooperation; and
- (e) rights and obligations of parties;

(3) the plan of cooperation as referred to in point (1) is submitted along with :

- (a) business plan of LKD;
- (b) feasibility study and strategy of LKD business in the first 2 (two) years; and
- (c) operational preparedness of LKD activities, consisting of written policy and procedure (standard operational procedure/SOP) and evidence of operational preparedness;

c) report on the realization of cooperation is submitted to Bank Indonesia no later than 10 (ten) working days after the signing of cooperation agreement covering at least :

- (1) effective date to realize cooperation;
- (2) the number of LKD agents; and
- (3) locations of LKD agents;

d) report on the realization of cooperation is submitted along with a photocopy of cooperation agreement signed by issuer and LKD agent.

3) Incident report

Operator must send Bank Indonesia an incident report, namely a report on the occurrence of disturbance on the system and efforts taken to deal with it, including :

- a) failure in network to process electronic money transactions;
- b) failure in data center and disaster mitigation center; and/or
- c) fraud covering at least information related to :
 - (1) chronology; and
 - (2) impact of losses .

4) Report on a change in data or information on operator must be accompanied by a written report to Bank Indonesia and supporting documents in case of :

- a) a change in :
 - (1) name and/or address of office;

- (2) the board of directors and/or the board of commissioners;
 - (3) document of business relation principles;
 - (4) regulation on the right and obligation of parties;
 - (5) cooperation agreement;
 - (6) parties involved in cooperation; and/or
 - (7) procedure of settling disputes;
- b) there has been merger, fusion, spin-off or takeover.

Documents submitted include:

- (1) business plan including a plan to use and develop system;
- (2) infrastructure preparedness; and/or
- (3) the result of information technology audit conducted by external auditor in case of the development and/or fusion of the existing system.

5. Submission of Report

- a. The annual report of principal as referred to in point 3.b.1)a) must reach Bank Indonesia no later than February 15 of the following year. If February 15 falls on holiday it must reach Bank Indonesia on the following working day.

Example: Report for the January-December 2014 period must reach Bank Indonesia on February 15, 2015 at the latest.

- b. Report on information technology audit as referred to in points 3.b.1)b), 3.b.2)d), 3.b.3)b), 3.b.4)b), and 3.b.5)b) must reach Bank Indonesia no later than 20 (twenty) working days after it has been published.
- c. Incident report as referred to in point 4.b.4) must reach Bank Indonesia in this case the Payment System Policy and Supervision Department – Payment System Supervision Division 2, shortly after the incident by phone, facsimile, and/or other information facility, followed by written report no later than 3 (three) working days after the incident.
- d. Report on change in data or information as referred to in point 4.b.5) must reach Bank Indonesia no later than 20 (twenty) working days after the change has been made.
- e. Periodic report in the form of monthly report and/or quarterly report as referred to in points 3.b.2)a), 3.b.2)b), 3.b.2)c), 3.b.2)e), 3.b.3)a), 3.b.4)a), and 3.b.5)a) is submitted online using the format, procedure of submitting the report and procedure of imposing sanction based on

Bank Indonesia provisions on the Report of Head Office of Commercial Bank and provisions on Report on the Realization of Payment Means Using Card and Electronic Money by Smallholder Credit Bank and Non-Bank Institution.

- f. Report as referred to in point 3.b.2)e), if Bank Indonesia has not put online system of submitting report as referred to in letter e into force, must be submitted manually to Bank Indonesia no later than every 15th of the following month.

IX. THE REALIZATION OF ELECTRONIC MONEY WITH FLOAT FUND OF LESS THAN RP1,000,000,000.00 (ONE BILLION RUPIAH) AND/OR THE REALIZATION OF NON-CASH PAYMENT MEANS IN THE FORM OF STORED VALUE

A. To map electronic money industry, Bank Indonesia has the authority to ask for information, data, and/or reports from:

1. operators of electronic money with float fund of less than Rp1,000,000,000.00 (one billion rupiah), namely operators of electronic money whose float fund has not reached and/or is not planned to achieve Rp1,000,000,000.00 (one billion rupiah); and
2. operators of non-cash payment means in the form of stored value, namely non-cash payment means whose fund is stored in certain media but does not meet part or all of electronic money elements as referred to in Bank Indonesia Circular.

B. The information, data, and/or report as referred to in letter A include:

1. float fund;
2. value and number of transactions; and/or
3. cooperating parties.

C. Request for information, data, and/or report as referred to in letter A is filed by Bank Indonesia in writing.

D. The operators as referred to in letter A must convey the requested information, data, and/or report no later than 10 (ten) working days after the date of Bank Indonesia's notification.

X. DEVELOPMENT AND PROVISION OF ELECTRONIC MONEY SYSTEM THAT CAN BE MUTUALLY CONNECTED TO OTHER ELECTRONIC MONEY SYSTEM.

- A. To increase efficiency and smoothness as well as to give wider benefit to holders in conducting transactions, operator must develop a system which can mutually be connected with other operator in processing transactions.
- B. To develop the mutually-connected systems as referred to in letter A, operator must :
 - 1. open connection to electronic money system so that it can be accepted by other operators;
 - 2. provide electronic money reading instrument that can be accepted by other issuers; and/or
 - 3. sign an industrial agreement through the Indonesian Payment System Association (ASPI) to stipulate a regulation capable of ensuring interconnection among electronic money operators.
- C. To support the matter, Bank Indonesia can require operators to follow and adjust their system to the industrial agreement.
- D. Bank Indonesia can set electronic money standard to increase efficiency in operating electronic money.

XI. REQUIREMENTS AND PROCEDURE OF SECURING PERMITS AND SUBMITTING REPORTS WITHIN THE FRAMEWORK OF TRANSFERRING PERMITS THROUGH MERGER, FUSION, SPIN-OFF OR ACQUISITION

A. Merger

Merger is a legal act taken by one legal entity or more to merge itself into other legal entity, leading to the transfer of assets and liabilities by virtue of the law from the company merging into the other company to the corporate body receiving the merger and later the status of legal entity merging itself into other company ends by virtue of law. If operator has secured a permit from Bank Indonesia and will emerge with operator that has secured or has not secured a permit from Bank Indonesia, the following provisions will apply:

- 1. If bank that has secured a permit to realize electronic money activities merges with other bank that also has secured a permit to realize electronic money activities, bank resulting from the merger must report in writing to Bank Indonesia to continue electronic money activities.
- 2. If bank that has secured a permit to realize electronic money activities merges with other bank that has not secured a permit to realize electronic money activities, the following provisions shall apply:

- a. if bank resulting from the merger has secured a permit to realize electronic money activities from Bank Indonesia, the bank resulting from the merger must report in writing to Bank Indonesia to continue electronic money activities; and
 - b. if bank resulting from the merger has not secured a permit to realize electronic money activities, the bank resulting from the merger must secure a prior permit to realize electronic money activities.
3. If non-bank institution that has secured a permit to realize electronic money activities merges with other non-bank institution that also has secured a permit to realize electronic money activities, non-bank institution resulting from the merger must report in writing to Bank Indonesia to continue electronic money activities.
4. If non-bank institution that has secured a permit to realize electronic money activities merges with other non-bank institution that has not secured a permit to realize electronic money activities, the following provisions shall apply:
- a. if non-bank institution resulting from the merger has secured a permit to realize electronic money activities from Bank Indonesia, the non-bank institution resulting from the merger must report in writing to Bank Indonesia to continue electronic money activities; and
 - b. if non-bank institution resulting from the merger has not secured a permit to realize electronic money activities, the non-bank institution resulting from the merger must secure a prior permit to realize electronic money activities.

B. Fusion

Fusion is a legal act taken by two legal entities or more to fuse themselves by setting up a new legal entity which by virtue of law receives assets and liabilities and the legal entities that fuse themselves end by virtue of law. In case of fusion involving operators the following provisions apply:

- 1. If bank that has secured a permit to realize electronic money activities fuses with other bank that has or has not secured a permit to realize electronic money activities, the bank resulting from fusion must secure a prior permit to realize electronic money activities.
- 2. If non-bank institution that has secured a permit to realize electronic money activities fuses with non-bank institution that has or has not secured a permit to realize electronic money activities, the non-bank institution resulting from fusion must secure a prior permit to realize electronic money activities.

C. Split-off/Spin-off

1. Split-off/spin-off is a legal act taken by legal entity to separate businesses leading to :
 - a. all assets and liabilities of the legal entity change hands by virtue of law to 2 (two) legal entities or more receiving the change and Indonesian legal entity that conducts the separation ends by virtue of law (split-off); or
 - b. part of assets and liabilities of legal entity changes hands by virtue of law to another 1 (one) legal entity or more that receives the change and the legal entity that conducts the separation continues to exist (spin-off).
2. If bank or non-bank institution that has secured a permit to realize electronic money activities conducts split-off, bank or non-bank institution resulting from split-off must secure a prior permit to realize electronic money activities.
3. If bank or non-bank institution that has secured a permit to realize electronic money activities conducts spin-off, the following provisions shall apply to it:
 - a. permit to realize electronic money activities remains inherent to the bank or non-bank institution conducting spin off. Bank or non-bank institution that conducts the spin off must report the spin-off in writing to Bank Indonesia.
 - b. Bank or non-bank institution resulting from spin off shall secure a prior permit to realize electronic money activities.

D. Acquisition

In case of acquisition of bank or non-bank institution that has secured a permit to realize electronic money activities, the permit to realize electronic money activities must be inherent to the acquired bank or non-bank institution. The acquired bank or non-bank institution must report in writing the acquisition to Bank Indonesia.

- E. The reports as referred to point A.1, point A.2.a, point A.3, point A.4.a, point C.3.a, and letter D must be conveyed to Bank Indonesia, on condition :
 1. the reports must be written in Indonesian language and addressed to Bank Indonesia in this case the Payment System Policy and Supervision Department - Payment System Supervision Division 2; and
 2. the reports as referred to in point 1 must be conveyed no later than 10 (ten) working days after the effective date of merger, fusion, spin, or acquisition.

F. Applications for permits as referred to in point A.2.b, point A.4.b, point B.1, point B.2, point C.2, and point C.3.b, are conveyed to Bank Indonesia, on condition:

1. the applications must be filed in writing and addressed to Bank Indonesia in this case the Payment System Policy and Supervision Department – Payment System Supervision Division; and
2. requirements of documents, procedure of applying permits and licensing follow provisions as referred to in Chapter II, Chapter III, Chapter IV, and Chapter V.

XII. CHANGE IN MEMBERS OF BOARD OF DIRECTORS RESPONSIBLE FOR REALIZING ELECTRONIC MONEY

- A. If operator that has secured a permit intends to change members of the board of directors responsible for realizing electronic money, the plan for change must be reported to Bank Indonesia.
- B. If according to the assessment by Bank Indonesia, would-be member of board of directors responsible for realizing electronic money does not meet qualifications, Bank Indonesia can ask for replacement for the would-be member of the board of director responsible for realizing electronic money.
- C. The assessment by Bank Indonesia as referred to in letter B can be based on information obtained from the results of administrative audit and/or interview with the would-be member of board of directors responsible for realizing electronic money.

XIII. DISCONTINUATION OF ELECTRONIC MONEY ACTIVITIES

- A. Electronic money activities can be stopped due to :
 1. the wish of operator; or
 2. the revocation of permit by Bank Indonesia.
- B. The discontinuation of electronic money activities due to the wish of operator must be notified to Bank Indonesia on condition :
 1. notification on the discontinuation of electronic money activities to Bank Indonesia is sent in writing in Indonesian language no later than 12 (twelve) months before the end of the validity period of permit or the effective date of the discontinuation of electronic money activities;
 2. notification on the discontinuation of electronic money activities as referred to in point 1 is accompanied by documents explaining :

- a. reason for the discontinuation of activities as operator;
 - b. effective date of discontinuation of electronic money activities;
 - c. mechanism of notifying or publishing the plan to discontinue electronic money activities to holders, traders and/or other parties;
 - d. the amount of float fund that is still managed and the mechanism of settling obligations to holders and/or traders and the period of time to settle it; and
 - e. other information related to the plan to discontinue electronic money activities;
3. the plan to discontinue activities as operator must be disclosed openly through 3 (three) national newspapers.

XIV. OTHER

A. If Self Regulation Organization (SRO) recorded at Bank Indonesia will deal with technical matters other than those stipulated in this Bank Indonesia Circular, the following provisions will apply :

- 1. Regulation issued by SRO may not contradict Bank Indonesia Regulation and/or Bank Indonesia Circular.
- 2. Each member joining SRO and other party related to the realization of electronic money must comply with regulation issued by SRO.

B. Applications for permits to realize electronic money activities, submission of reports and other information and/or correspondence must be addressed to :

Bank Indonesia in this case the Payment System Policy and Supervision

Building D Floor 5, Bank Indonesia Office Complex

Jl. M.H. Thamrin No. 2

Jakarta – 10350

XV. PROCEDURE OF IMPOSING ADMINISTRATIVE SANCTIONS

A. Operator violating provisions on the realization of electronic money as referred to in Bank Indonesia Regulation on Electronic Money and provisions in this Bank Indonesia Circular is subject to administrative sanction in the form of :

- 1. warning;
- 2. fine or payment obligation;

3. having part or all of its electronic money activities suspended temporarily; and/or
4. having its permits to realize electronic money revoked.

B. In imposing and/or applying administrative sanctions as referred to in point A.1, point A.3, and/or point A.4, Bank Indonesia shall take into account the following matters:

1. the level of mistake and/or violation; and
2. impact on the aspect of smooth and secure payment system, particularly electronic money activities, the aspect of consumer protection, the aspect of anti money laundering and terrorism financing prevention, and other aspects.

C. In imposing sanctions in the form of fines or payment obligation as referred to in point A.2 the following provisions apply:

1. the amount of fines or payment obligation is based on Bank Indonesia provisions on the Report of Head Office of Commercial Bank and provisions on Report on the Realization of Payment Means Activities Using Cards and Electronic Money by Smallholder Credit Banks and Non-Bank Institutions.
2. If operator is in the form of bank, the imposition of sanctions in the form of fines or payment obligation is done by Bank Indonesia by debiting the giro account of the operator in Bank Indonesia.
3. If operator is in the form of non-bank institution, the imposition of sanction in the form of fines or payment obligation is done through fund transfer to Bank Indonesia account, with the amount of fines or payment obligation and account number being notified in the letter of imposing sanction.

XVI. TRANSITIONAL PROVISIONS

- A. Bank or non-bank institution that has secured a permit as operator before this Bank Indonesia Circular began to take effect, must adjust to the requirements of documents as referred to in this Bank Indonesia Circular no later than 180 (one hundred and eighty) calendar days since this Bank Indonesia circular began to take effect.
- B. Bank or non-bank institution that is in the process of applying for a permit as operator before this Bank Indonesia Circular began to take effect must complete the requirements of documents as referred to in this Bank Indonesia Circular no later than 90 (ninety) calendar days since this Bank Indonesia circular began to take effect.

- C. Operator that has cooperated with other party in providing public services exclusively before this Bank Indonesia Circular began to take effect, within a period of 30 (thirty) calendar days since this Bank Indonesia Circular began to take effect, must report the cooperation agreement to Bank Indonesia.

XVII.CONCLUSION

- A. When this Bank Indonesia Circular begins to take effect, Bank Indonesia Circular No. 11/11/DASP dated April 13, 2009 on Electronic Money is revoked and declared null and void.
- B. This Bank Indonesia Circular begins to take effect on July 22, 2014.

For public cognizance, this Bank Indonesia Circular shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA,

sgd.

ROSMAYA HADI

HEAD OF PAYMENT SYSTEM POLICY AND
SUPERVISION DEPARTMENT

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