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### NEW PEER TO PEER LENDING REGULATION ON INFORMATION TECHNOLOGY-BASED CO-FINANCING SERVICES

The financial technology sector in Indonesia is growing rapidly which simultaneously promote the increase of illegal online lending. On 4 July 2022, the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*) (“**OJK**”) issued a new regulation in relation to online Peer to Peer Lending (“**P2P**”), concerning Information Technology-Based Co-Financing Services under OJK Regulation Number 10 of 2022 (“**OJK Regulation No. 10 of 2022**”). The issuance of this OJK Regulation No. 10 of 2022 is also a move to help clean up the booming online lending sector invaded by consumer complaints.

Subsequently, the OJK Regulation No. 10 of 2022 revokes the OJK Regulation Number 77 of 2016 on Technology-Based Lending Services (“**OJK Regulation No. 77 of 2016**”) and stipulates more comprehensive and detailed provisions as compared to OJK Regulation No. 77 of 2016 for P2P Company (“**Lending Company**”).

In addition, there are several provisions for Lending Company to operate as a Co-Financing services platform and to provide P2P services. The key matters in OJK Regulation No. 10 of 2022 compared to OJK Regulation No. 77 of 2016 are as follows:

Matters	OJK Regulation No. 77 of 2016	OJK Regulation No. 10 of 2022
<b>Entity</b>	<ul style="list-style-type: none"> <li>- Limited Liability Company.</li> <li>- Cooperation (<i>Koperasi</i>).<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Limited Liability Company.<sup>2</sup></li> </ul>
<b>Capital and Equity</b>	<ul style="list-style-type: none"> <li>- Minimum paid-up capital at the registration phase is in the sum of IDR 1 billion.</li> <li>- Minimum paid-up capital at licensing the phase is in the sum of IDR 2,5 billion .<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Minimum paid-up capital is in the sum of IDR 25 billion at the establishment of the company.<sup>4</sup></li> </ul> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li>- <i>This provision does not apply to Lending Company that (i) has obtained a license; (ii) is in the process of applying for a license; and (iii) has returned the registered mark and will re-apply for a license, before the enactment of OJK Regulation No.10 of 2022.</i></li> <li>- <i>Nevertheless, within 3 years as of 4 July 2022, such Lending Company shall gradually fulfill a minimum equity requirement in the amount of IDR 12,5 billion with the details as</i></li> </ul>

<sup>1</sup> Article 2 paragraph (2) OJK Regulation No. 77 of 2016

<sup>2</sup> Article 2 paragraph (2) OJK Regulation No. 10 of 2022

<sup>3</sup> Article 4 paragraph (1) OJK Regulation No. 77 of 2016

<sup>4</sup> Article 4 paragraph (1) OJK Regulation No. 10 of 2022

		<p><i>follow:</i></p> <ul style="list-style-type: none"> <li>a. <i>minimum IDR 2,5 billion within 1 year;</i></li> <li>b. <i>minimum IDR 7,5 billion within 2 years; and</i></li> <li>c. <i>minimum IDR 12,5 billion within 3 years.</i></li> </ul>
<b>OJK Approval for Corporate Actions</b>	<i>Not regulated</i>	<ul style="list-style-type: none"> <li>- Change of ownership of the Lending Company except for a public listed company (<i>Perusahaan Terbuka</i>).<sup>5</sup></li> <li>- Increment paid-up capital.<sup>6</sup></li> <li>- Amendment of Board of Directors, Board of Commissioners, Sharia Supervisory Boards.<sup>7</sup></li> <li>- Mergers and acquisitions transaction.<sup>8</sup></li> </ul>
<b>Shareholder Lockout Provision</b>	<i>Not Regulated</i>	The Lending Company cannot amend their shareholders composition or add a new shareholder in their company within 3 years since the issuance of business license by OJK. <sup>9</sup>
<b>Controlling Shareholder</b>	<i>Not regulated</i>	<ul style="list-style-type: none"> <li>- A legal entity, natural persons and/or business group which owns 25% or more of issued shares with voting rights or less than 25% of issued shares with voting rights but the person can be proven to control the Lending Company, either directly or indirectly.<sup>10</sup></li> <li>- Minimum 1 (one) person.<sup>11</sup></li> </ul>
<b>Foreign Shares Ownership</b>	<ul style="list-style-type: none"> <li>- Maximum foreign ownership cannot exceed more than 85% of the total paid-up capital of the Lending Company.<sup>12</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Maximum foreign ownership cannot exceed more than 85% of the issued capital of the Lending Company, unless the Lending Company is a public listed company.<sup>13</sup></li> </ul>

<sup>5</sup> Article 68 paragraph (1) OJK Regulation No. 10 of 2022

<sup>6</sup> Article 70 paragraph (1) OJK Regulation No. 10 of 2022

<sup>7</sup> Article 71 paragraph (1) OJK Regulation No. 10 of 2022

<sup>8</sup> Article 72 paragraph (2) OJK Regulation No. 10 of 2022

<sup>9</sup> Article 68 paragraph (3) OJK Regulation No. 10 of 2022

<sup>10</sup> Article 1 number 9 OJK Regulation No. 10 of 2022

<sup>11</sup> Article 5 paragraph (1) OJK Regulation No. 10 of 2022

<sup>12</sup> Article 3 paragraph (2) OJK Regulation No. 77 of 2016

<sup>13</sup> Article 3 paragraph (5) OJK Regulation No. 10 of 2022

		<ul style="list-style-type: none"> <li>- Foreign citizen may become the shareholder of Lending Company only through stock exchange transaction.<sup>14</sup></li> </ul>
<b>Licensing Procedure</b>	<ul style="list-style-type: none"> <li>- Registered in the OJK.<sup>15</sup></li> <li>- Submitting a license application as a provider by no later than 1 year after the registration is approved by OJK.<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Attaining a business license from OJK.<sup>17</sup></li> <li>- Submitting a license application as a provider by no later than 30 days as from the issuance date of the business license from OJK.<sup>18</sup></li> </ul>
<b>Maximum Threshold for Granting a Loan</b>	IDR 2 billion <sup>19</sup>	<ul style="list-style-type: none"> <li>- IDR 2 billion to each fund recipient.<sup>20</sup></li> <li>- Maximum 25% of the final position of funding by each funder and its affiliates at the end of the month.</li> </ul>
<b>Board of Directors ("BOD")</b>	Lending Company shall have at least 1 member of BoD having a background in financial service industry with a minimum 1 year of experience. <sup>21</sup>	<ul style="list-style-type: none"> <li>- All members of BoD of Lending Company shall be domiciled in Indonesia.<sup>22</sup></li> <li>- The member of BoD is prohibited to be a member of BoD in another company, but the BoD member may become a member of Board of Commissioners ("BoC") in 3 (three) other companies at most.<sup>23</sup></li> <li>- Lending Company shall have at least 2 members of BoD and half of the total members of the BoD shall have managerial experience with a minimum of 2 years in financial service institution in credit or financing, risk management, and/or finance.<sup>24</sup></li> </ul>

<sup>14</sup> Article 3 paragraph (2) OJK Regulation No. 10 of 2022

<sup>15</sup> Article 7 OJK Regulation No. 77 of 2016

<sup>16</sup> Article 10 paragraph (1) OJK Regulation No. 77 of 2016

<sup>17</sup> Article 8 paragraph (1) OJK Regulation No. 10 of 2022

<sup>18</sup> Article 8 paragraph (2) OJK Regulation No. 10 of 2022

<sup>19</sup> Article 26 paragraph (3) OJK Regulation No. 77 of 2016

<sup>20</sup> Article 6 paragraph (2) OJK Regulation No. 10 of 2022

<sup>21</sup> Article 14 paragraph (2) OJK Regulation No. 77 of 2016

<sup>22</sup> Article 55 paragraph (6) OJK Regulation No. 77 of 2016

<sup>23</sup> Article 55 paragraph (4) OJK Regulation No. 10 of 2022

<sup>24</sup> Article 55 paragraph (2) OJK Regulation No. 10 of 2022

<p><b>Board of Commissioners (“BOC”)</b></p>	<p>Lending Company shall have at least 1 member of BoC having a background in financial service industry with a minimum 1 year of experience.<sup>25</sup></p>	<ul style="list-style-type: none"> <li>- The half members of BoC of the Lending Company shall be domiciled in Indonesia.<sup>26</sup></li> <li>- Member of BoC may only become a commissioner in a maximum of 3 other companies.<sup>27</sup></li> <li>- The Lending Company shall have at least 1 member of BoC and shall be at least equal to the total of members of BoD.<sup>28</sup></li> <li>- The half members of BoC shall have managerial experience with a minimum of 2 years in financial service institution.<sup>29</sup></li> </ul>
<p><b>Sharia Supervisory Boards/Dewan Pengawas Syariah (“DPS”)</b></p>	<p><i>Not Regulated</i></p>	<ul style="list-style-type: none"> <li>- Lending Company shall have at least 1 (one) member of DPS as recommended by National Shariah Board. <b>(Note: However, this provision is only specifically for Sharia Law)</b>.<sup>30</sup></li> <li>- The members of DPS are prohibited from holding concurrent positions as member of DPS at more than 3 other financial syariah institution.<sup>31</sup></li> </ul>
<p><b>Fit and Proper Test for Key Party</b></p>	<p><i>Not Regulated</i></p>	<ul style="list-style-type: none"> <li>- The Key Party is the party that owns, manages, supervises, and/or has significant influence significant to the Lending Company.<sup>32</sup></li> <li>- The Key Party must obtain approval from the OJK before carrying out their actions, duties, and functions as the Key Party.<sup>33</sup></li> <li>- The Key Party consists of a P2P Lending Company’s controlling shareholder(s), directors,</li> </ul>

<sup>25</sup> Article 14 paragraph (2) OJK Regulation No. 77 of 2016

<sup>26</sup> Article 56 paragraph (6) OJK Regulation No. 10 of 2022

<sup>27</sup> Article 56 paragraph (3) OJK Regulation No. 10 of 2022

<sup>28</sup> Article 56 paragraph (1) OJK Regulation No. 10 of 2022

<sup>29</sup> Article 56 paragraph (2) OJK Regulation No. 10 of 2022

<sup>30</sup> Article 57 paragraph (1) OJK Regulation No. 10 of 2022

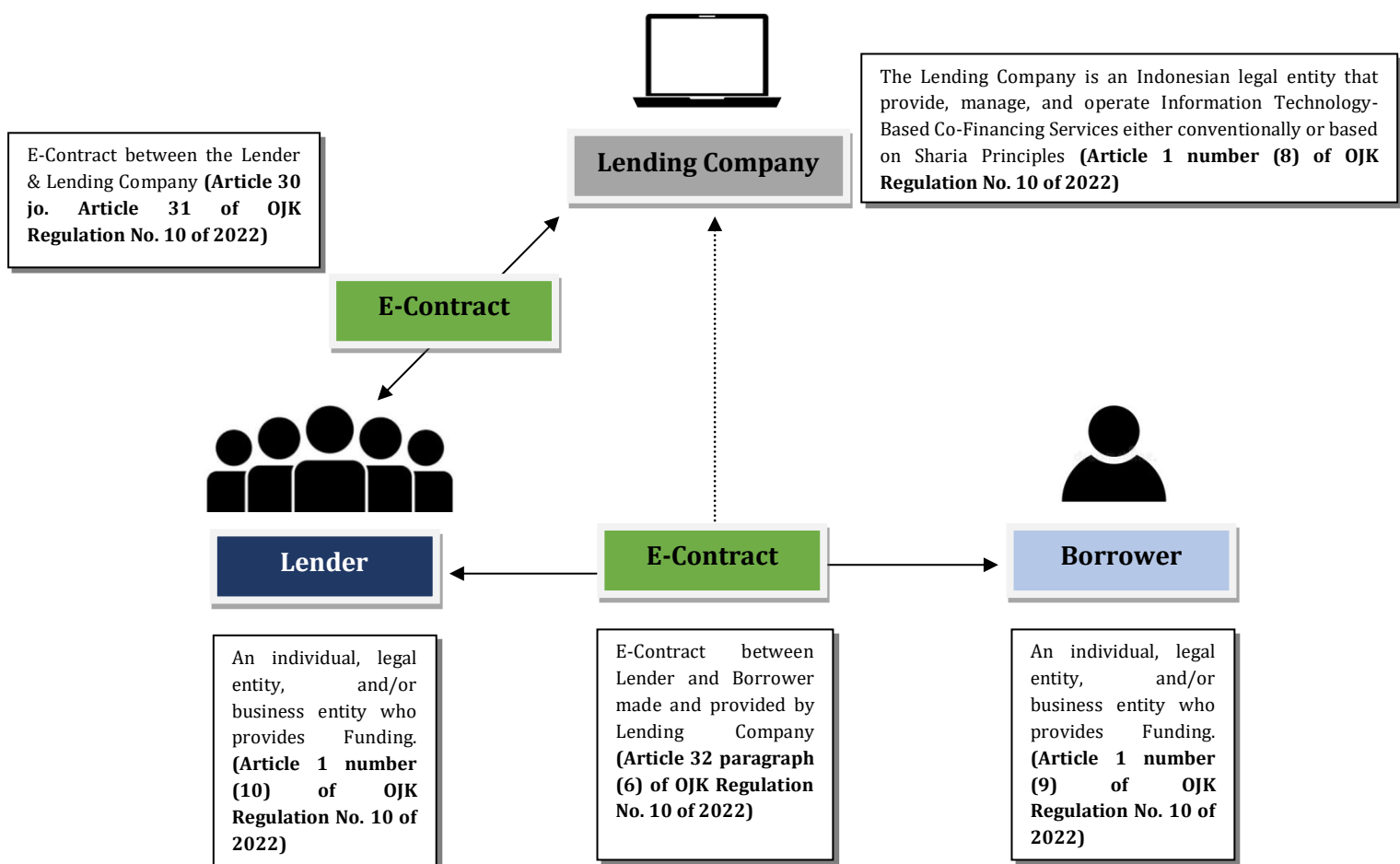
<sup>31</sup> Article 57 paragraph (2) OJK Regulation No. 10 of 2022

<sup>32</sup> Article 1 number 15 OJK Regulation No. 10 of 2022

<sup>33</sup> Article 21 paragraph (1) OJK Regulation No. 10 of 2022

		<p>commissioners, and members of its Sharia Supervisory Board.<sup>34</sup></p> <ul style="list-style-type: none"> <li>- The existing Key Party is exempted from the mandatory OJK's approval and fit and proper test, however the exemption is not valid for the extension of tenure or occurrence of job transfer.<sup>35</sup></li> </ul>
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The issuance of the new regulation does not change the concept of P2P. Please find below the P2P scheme as follows:



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<sup>34</sup> Article 21 paragraph (2) OJK Regulation No. 10 of 2022

<sup>35</sup> Article 114 paragraph (6) and (7) OJK Regulation No. 10 of 2022