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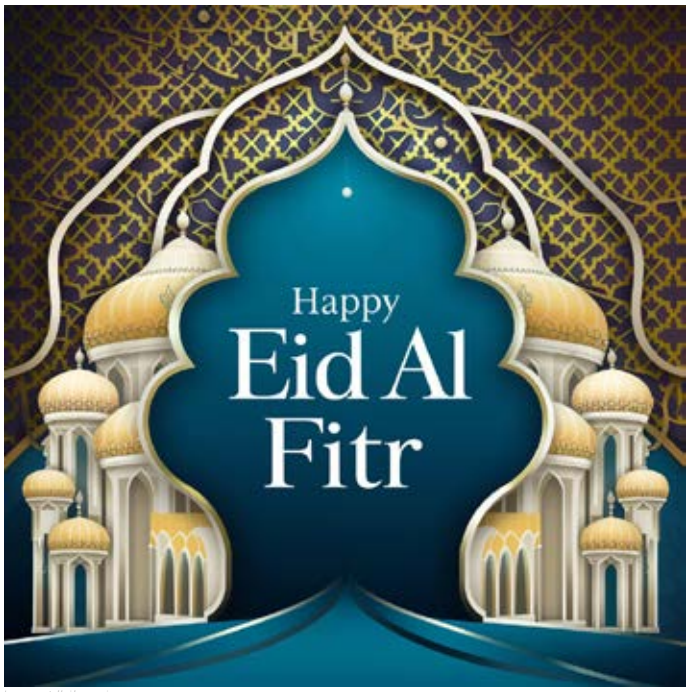
As we gather to observe the end of Ramadan, the team at Budiarto Law Partnership extend our warmest Eid Al Fitr greetings to all within our valued network.

This month sees a plethora of new regulation relating to e-commerce and e-banking. The Financial Services Authority and Bank Indonesia have introduced a significant number of new regulations, primarily designed to foster a sense of trust in e-commerce and e-banking.

New regulations include robust provisions relating to consumer protection, new licensing requirements to provide electronic financial services, as well as regulating cross border e-commerce transactions. In addition, the Financial Services Authority has issued strict new consumer protection regulations relating to share buybacks by public companies. More information can be found in this newsletter, or by contacting your Budiarto Law Partnership lawyer.



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Digital Services for Commercial Banks: New Regulations

by Luisa Srihandayani

The Financial Services Authority has introduced significant new obligations for commercial banks relating to the provision of digital services.* The purpose of the new regulations is to provide a robust regulatory framework for digital banking by upgrading risk management, customer data security, and consumer protection.

The new regulations introduce, for the first time, the requirement for commercial banks to enforce two-factor authentication for financial transactions. In addition, the new regulations provide more stringent standards relating to the collection and use of customers' personal data, the use of electronic signatures, digital services partnerships, IT infrastructure, and submission of reports by financial institutions for assessment purposes.

Commercial banks must have overhauled all their internal processes and policies by March 2024 and reorganised their IT infrastructure by December 2024. Non-compliance will lead to administrative sanctions including prohibition on providing digital services or a decline in the bank's health rating.

Once these new regulations have been fully implemented, the Financial Services Authority hopes that public trust in the banking sector will be significantly enhanced.

* Financial Services Authority Regulation No. 21 Year 2023 on Digital Services by Commercial Banks

Unlocking the Potential of Global E-Commerce in Indonesia

by Kumalasari Retnopati

In the digital era where geographic borders are blurred and opportunities are vast, Indonesia's recent amendments to the Information and Electronic Transactions Law (IET Law)[1] are reshaping the way international electronic contracts are managed in Indonesia. These amendments represent a fundamental shift in how entrepreneurs and corporations in Indonesia engage in online business across borders.

The key to this transformation lies in the IET Law's provision for electronic certification providers to offer a wide range of services, such as digital identities, electronic signatures, and seals. This opens up a world of possibilities for consumers in Indonesia to conduct transactions online, including high-risk financial transactions secured through electronic certificates. In conjunction with these new freedoms, the IET Law provides for strict sanctions against disseminating false information online. By opening up freedom while taking robust action to secure online transactions, the IET Law will build trust in the digital marketplace.

For entrepreneurs and corporations in Indonesia venturing into global e-commerce, these regulations provide not just compliance but also a solid foundation for conducting international business with integrity and confidence.

[1] Law Number 1 of 2024 regarding the Second Amendment to Law Number 11 of 2008 concerning Information and Electronic Transactions which has come into force since 2 January 2024

Public Company Share Buybacks: Terms Updated

by Faudzan Eka Putra

The Financial Services Authority has issued new regulations (the **New Regulations**) regarding share buybacks.* The New Regulations address the mechanism for share buybacks by public companies and the transfer of shares resulting from buybacks introducing significant new changes to the current regime.

The New Regulations require public companies to disclose the source of funds used for share buybacks, setting out stringent requirements, including that:

- the use of the funds will not significantly affect the capacity of the company to fulfil its impending obligations;
- the funds are the internal funds of the company;
- the funds are not derived from public offerings; and
- the funds do not originate from loans and/or debts.

The New Regulations provide that a share buyback must be completed within twelve (12) months of its approval by a general shareholders meeting. In addition, the New Regulations allow companies to terminate a buyback before completion, if, within 2 days of the decision to terminate, the company:

1. provides information, including reasons, regarding the termination to the OJK; and
2. announces the termination to the public.

The New Regulations introduce rigorous reporting obligations, as well as a new timeframe for the transfer of bought back shares. In addition, the New Regulations allow for a wider range of methods for transferring shares resulting from buybacks. The New Regulations are a significant change to the current regime and each institution will need to carry out thorough internal analysis to ensure compliance.

* Financial Services Authority Regulation No. 29 of 2023 on Buybacks of Shares Issued by Public Companies

Banking Consumer Protection: New Regulations

by Valya Hermayarani

Bank Indonesia has introduced new stringent consumer protection regulations (**New Regulations**) that apply to any party providing consumer products or services, which are regulated by Bank Indonesia.*

The New Regulations aim to foster transparency and public trust in banking services, particularly in digital banking services. For example, the New Regulations provide that service providers must compensate consumers for losses incurred if the losses are the service providers' fault. Further, service provides must have robust internal mechanisms for handling consumer complaints.

The New Regulations provide consumers with further protection by regulating, for the first time, the financial sector's alternative dispute resolution instititions and requiring consumers to be kept fully informed of the status of their dispute.

The New Regulations provide for an expanded range of administrative sanctions for service providers who are in violation, including:

- suspension of products, services, and/or business activities in part or in whole; and
- dismissal of management.

The New Regulations came into force on 14 December 2023.

* Members of the Board of Governors Regulation No. 20 Of 2023 on the Procedures for The Implementation of Bank Indonesia Consumer Protection

Electronic Licensing for Finance Institutions: New Regulations

by Annisa Ayu A

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Toward the end of 2023, the Indonesian Financial Services Authority ("**OJK**") published new regulations on the processes and mechanisms pertaining to the licensing of electronic financial services and products.* The regulations apply to both sharia and non-sharia financial institutions.

One key aspect of the new regulations is that all communication, including applications, must be submitted via the OJK's online platform. The Companies must retain printed copies of all submitted documents, which may be checked and validated by the OJK to ensure their authenticity and accuracy.

As Indonesia's financial sector embraces electronic services, staying informed and compliant with these regulations is imperative for the Companies to navigate this digital era successfully.

*The regulations took the form of Circular Letter Number 20/SEOJK.06/2023 regarding Electronic Licensing, Approval, and Reporting Applications for Financing Companies and Sharia Financing Companies.

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