

## **PRESS RELEASE**

### **OJK ISSUES DIGITAL OFFICE GUIDELINES, TOWARD DIGITAL BANKING IN INDONESIA**

---

Jakarta, January 19, 2017 — The Financial Services Authority (OJK) has directed banks that offer digital banking services to set up digital branches, which are offices or units that only provide and serve digital banking transactions.

The OJK has issued Guidelines for Commercial Banks on Establishment of Digital Branches through letter No. S-98/PB.1/2016 dated December 21, 2016, which was addressed to President Directors of all Commercial Banks.

The guidelines are produced following changes in the public's attitude toward, and their needs for digital technology when performing banking activities on their own.

The digital branch guidelines serve as a reference for banks, customers, auditors, supervision officers and all parties when using digital technology in relation to digital branch services offered by commercial banks.

The guidelines include requirements and procedures for setting up digital branches, types of such branches, and how to apply information-technology risk management in operating digital branches. The presence of such guidelines has allowed qualified banks to apply to the OJK for setting up a network of digital branches.

The number of customers that use e-banking services (SMS banking, phonebanking, mobile banking, and internet banking), soared 270 percent to 50.4 million in 2016 from 13.6 million in 2012.

Also, e-banking transactions jumped by 169 percent to 405.4 million transactions in 2016 from 150.8 million transactions in 2012.

Banks have already responded to digital banking's rapid growth by optimizing the use of digital technology. Consequently, today banks provide a wider range of products and services as well as run more efficient and competitive operation.

Some banks now offer services similar to those run by digital branches. Some even have prepared more advanced technology; for example, new customers can go through the whole registration process using their own electronic media at these banks, and this process is a feature called "banking anywhere."

There are three types of digital branches, including Digital Sub-branch Offices, Digital Cash Offices, and Digital Counters.

Digital Sub-branch Offices or Digital Cash Offices are equal to regular Sub-branch Offices or Cash Offices and are physically separated from conventional bank offices. They offer a range of digital services that are equal to those provided by regular Sub-branch Offices or Cash Offices, in compliance with the prevailing regulations.

Digital Counters are digital branches that physically integrate into conventional bank offices (head offices, branch offices, sub-branch offices, cash offices, or functional offices). Their scope of digital services is equal to the services offered by bank offices where they are located. When digital counters integrate into head offices or branch offices, their range of digital services is similar to that offered by Sub-branch Offices.

Banks that set up digital branches, in principle continue applying all prevailing regulations, such as those concerning banking risk management, information-technology risk management, anti-money laundering and prevention against terrorism funding, and institutions, except for matters regulated specifically in the guidelines.

Banks should receive licenses from the OJK before they can open digital branches. The requirements that they need to satisfy, include:

1. Classified at least as BUKU 2 Bank
2. Listing the scheme on how to run its digital branches in the bank's business plan
3. Fulfilling criteria on adequacy of core capital allocation
4. Submitting proof that the bank is ready to run digital branches, in terms of its organizational structure, policies and procedures, system and infrastructure. The proof required include results of risk analysis, of legal analysis, of audit, drafts of agreements (with customers, the Directorate General for Population and Civil Registry, vendors, and other third parties). The bank also has to describe its customer protection program for the upcoming digital branches.

When preparing the guidelines, the OJK coordinated with related parties, including: the Ministry of Communication and Information Technology, the Directorate General for Population and Civil Registry of the Ministry of Home Affairs, the Financial Transaction Reports and Analysis Center (PPATK), the National Police's Criminal Investigation Department, the National Defense Council, the Indonesian Telecommunication Regulatory Body (BRTI), the National Cyber Information Security and Resilience Desk (DK2ICN) of the Coordinating Ministry for Political, Legal, and Security Affairs, representatives of telecommunication companies, information security experts, and the banking industry.

\*\*\*

For more information:

I Mulya E. Siregar, Deputy Commissioner for Banking Supervision

Tel: +62 21 2960 0000 Email: [msiregar@ojk.go.id](mailto:msiregar@ojk.go.id) [www.ojk.go.id](http://www.ojk.go.id)