

Alumni Gathering MMSI 2022

Digital Bank

Trends and Regulations in Indonesia

Jakarta, 19 March 2022



Wirianto Widjaja, S.Kom, M.Kom





Area of Expertise

Strategic IT Consulting, Enterprise Architecture, Data Management/Data Governance, Project Management, Financial Service Business Process and Data Model, Information System Analysis and Design, Customized Business Application Development, Data Warehouse and Business Intelligence, Big Data Analytics, and Artificial Intelligence

Presenter's Brief Profile

Career Summary, Area of Expertise, Education Background, and Professional Achievements & Recognitions

Wirianto Widjaja, S.Kom, M.Kom

Chief Technology Officer of PT. Asaba Computer Centre | CEO of PT. Finpoint Solusi Indonesia (FINPOINT) | CEO of PT .Indonesia Digital Security (IDAS) | Commissioner of PT. Kode Inovasi Teknologi (CODR)

Education Background

- Manajemen Sistem Informasi, Binus University Online Learning (2019)
- Magister Manajemen Sistem Informasi, Binus Graduate Program (2022)

Achievement & Recognition

- Lead and successfully deliver more than 50 large IT projects, with more than 70 team members, within 24 years of his career
- Speaker of Indonesia 2019 Big Data Conference, presenting "Big Data Technology Support for Active-Active Data Center: Design Consideration and Technology Options"
- Speaker of OneX virtual expo, presenting "Neobank, the Future of Banking Industry"
- Two times BINUS Award of Excellence: 2019 Information System Best Graduates and 2022 Binus Graduate Program Best Graduates for 4.0 GPA and on-time graduation





Background

Digital Transformation

Background: The Digital Transformation

The dawn of the digital era has risen and brightly shine

Digital transformation is the changes that digital technology causes or influences in all aspects of human life.

Madakam et al., 2019



Digital Revolution

Digital Revolution: Shifting from Mechanical Analogue to Digital Electronics



Digitization

Generation of data out of business and life events



Digitalization

Business Process Reengineering based on Digital Technology to disseminate data in quick and secured ways. This way, organization could get the job done in faster, efficient and the best way possible

Opportunities & Challenges

Digital Transformation

(Stolterman & Fors, 2004)

Potential Benefits

- Enhanced data collection that provides strategic insight
- Higher productivity and efficiency through better resource management and collaboration improvement
- Shorter product life cycles that increase business agility through faster GTM, review, and swift strategy adjustment based on feedbacks
- Mass customization towards better customer experience
- Increasing safety and environmental protection
- Strategically enable precision and timely decision-making support
- Enable autonomous transaction
- Breaking physical and time boundaries
- Create competitive advantage and improve the overall bottom-line

Considerations & Risks

- Organizational Changes
- Information & Cyber security risk exposure
- Significant amount of capital investment
- Implementation failure risks
- High degree or absolute dependencies over technology

U n l o c k
P o t e n t i a l
Mitigate the risks



Digital Bank

Historical Background

2007-2008 The Financial Crisis

The 2007-2009 financial crisis began with cheap credit and lax lending standards that fueled a housing bubble.

Caused by predatory lending practice and excessive risk taking by global financial institution on subprime mortgage loan

Housing bubble burst, teaser rate, and subsequent high interest rate resulted into payment default

At its peak, delinquency rate is 13,33% and causing Lehman Brother declared its bankruptcy and triggered banking crisis

BASEL III Framework

The Basel Committee on Banking Supervision (BCBS) issued Basel III Framework, with a comprehensive set of reform measures in banking prudential regulation to strengthen the regulation, supervision and risk management of the banking sector.

Induce chronic distrust to global Banking system

The rise of Neobank

The banking sector has historically been a monopoly. The crisis disrupt this situation

Regulator open for greater competition

A new breed of digital-only called as **Neobanks** are starting to break this hold

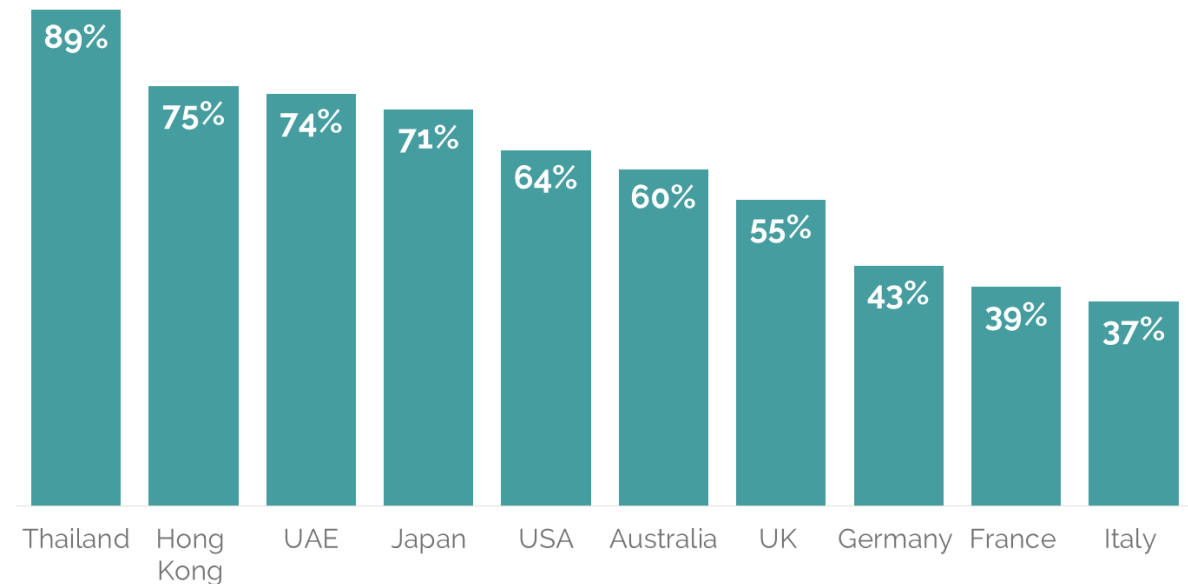
Better service, transparent, secured, cheaper/low-cost, and its agility drive unprecedented growth and success of Neobank

Neobank capitalize on the negative perception towards long-established financial institutions.

(YouGov, 2017)

Europeans trust banks least

Thinking generally about banks, to what extent, if at all, do you trust banks?



About Neobank

The Definition of Digital Bank

A neobank (also known as an online bank, internet-only bank, virtual bank or digital bank) is a type of direct bank that operates exclusively online without traditional physical branch networks

BBVA | Research

Neobanks: creating a digital bank from scratch among the FinTech firms, some aspire to become banks and to provide a purely digital alternative to traditional institutions.

(BBVA Research, 2017)

WORLD FINANCE
— THE VOICE OF THE MARKET —

A new kind of digital-only financial institution known as a 'neobank' has emerged to capitalise on the **distrust** felt towards the industry's incumbents

(Ballard, 2018)



Justin Pritchard

“ Neobanks don't replace traditional banks. Some allow to link your traditional bank accounts to the neobank to enjoy the best of both worlds.

(Pritchard, 2021)

”

About Neobank

The D

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virtu
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B

Neoba
from s
firms,
banks
digital
institutions.



Strategically important and essentials in the middle of digital transformation stream

New Ages Banks

“Bank Digital adalah bank yang menyediakan dan menjalankan kegiatan usaha yang utamanya melalui saluran elektronik dengan kantor fisik yang terbatas atau tanpa kantor fisik selain kantor pusat”.

OJK, 2021

Its acceleration were driven by the pandemic situation and the rise of Neobank in the global landscape

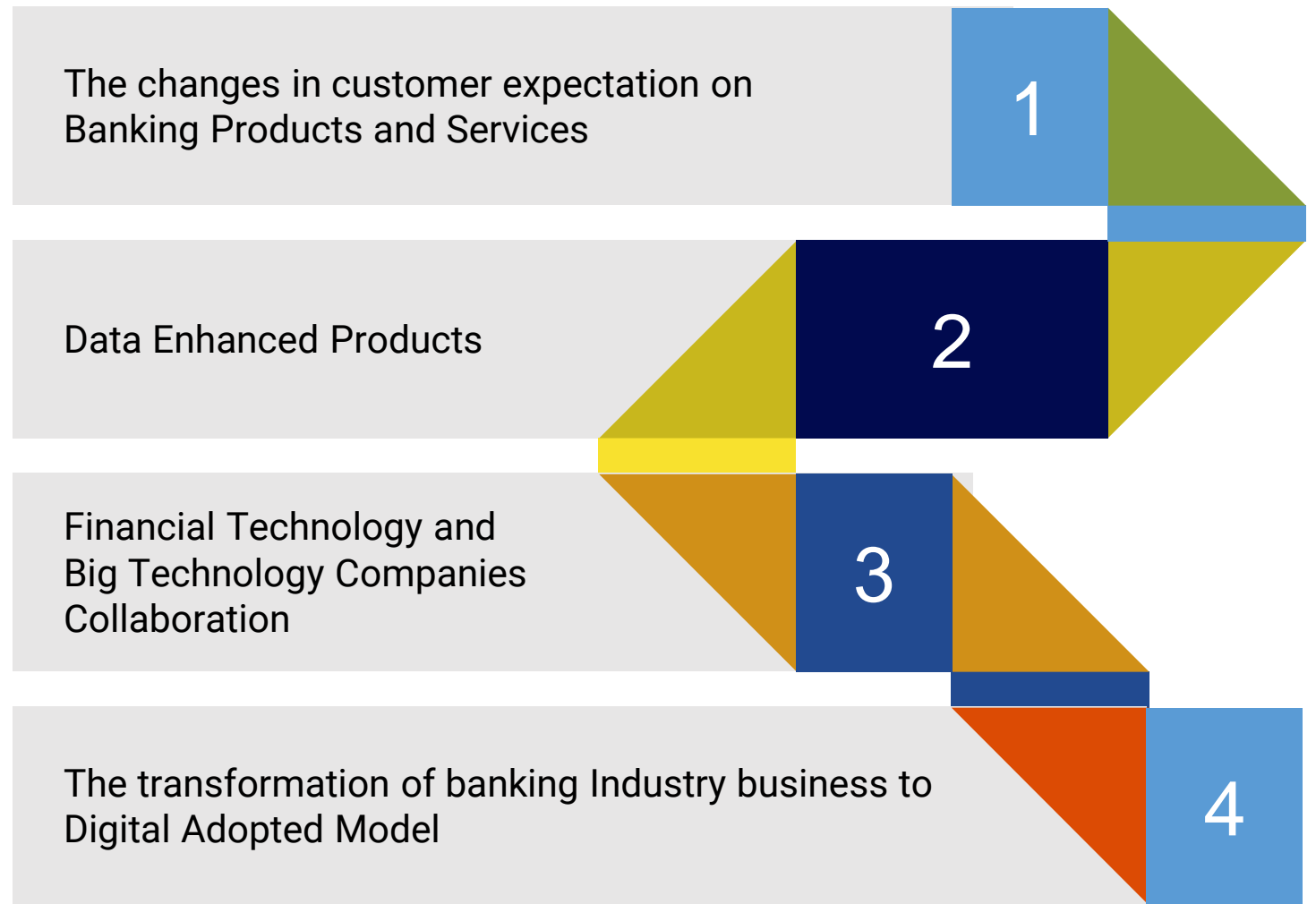
(BBVA Research, 2017)

(Pritchard, 2021)

”

Impact of Digital Transformation in Banking Industry

Industry 4.0 Transformation Agenda





Trends of Digital Bank

Neobanks

Neobank as the new direction of modern financial technologies development: A case study of Russia

(Komarov & Martyukova, 2020)

Digitalization

McKinsey: “by 2036, about 50% of economic processes will undergo automation and digitalization”

Enhance engagement

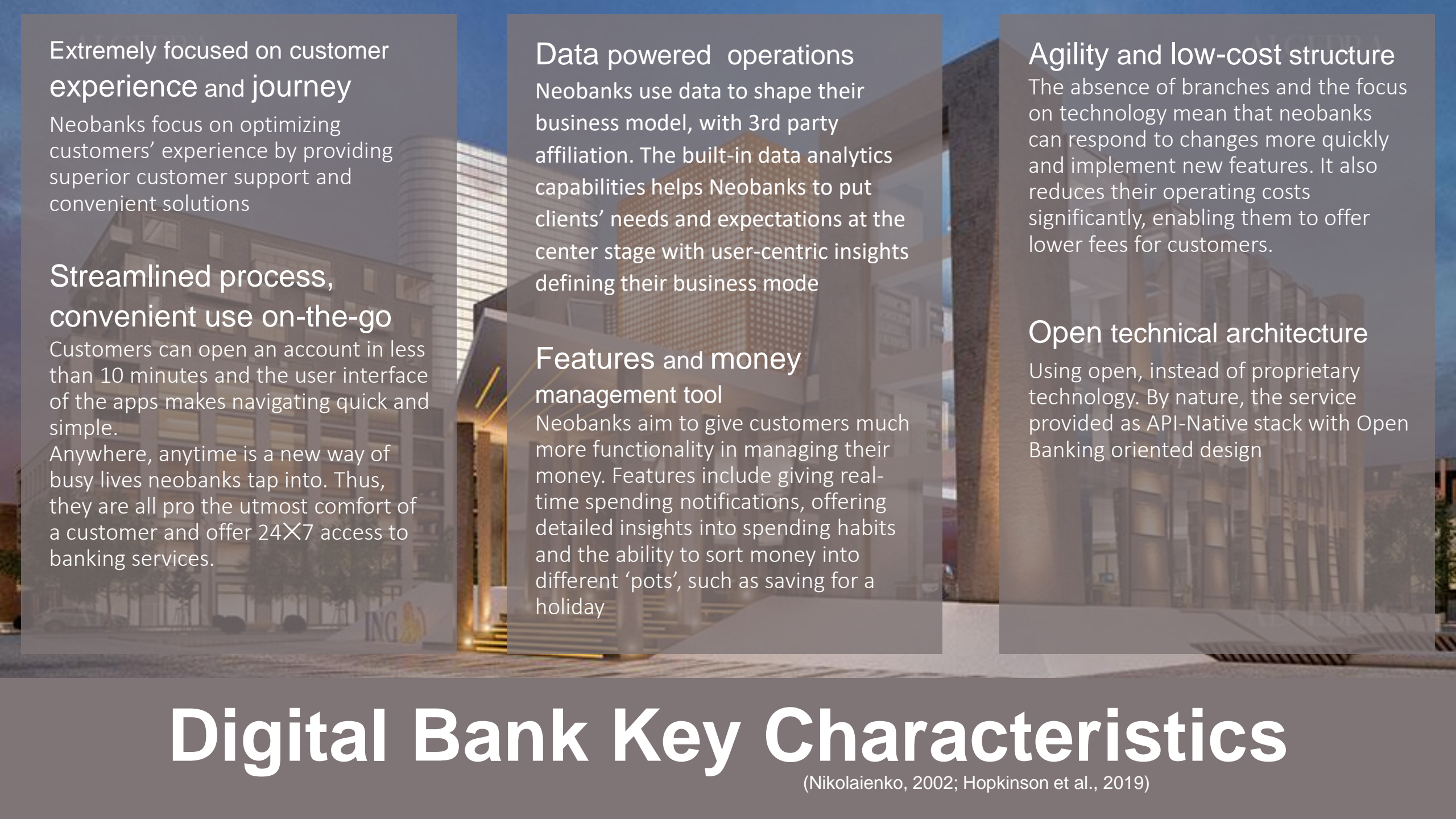
The Fidor bank set the interest rate on its loans depending on the number of Likes on the client's page. Every 2K new "likes" reduced the loan interest rate by 0.1%

Unprecedented growth

“According to the report for 2018, the Tinkoff bank sold over 2.7 million credit cards, which ensured the growth of the loan portfolio by more than 50%”

Bottom-line impact

Nielsen: In 2018, O. Tinkova's TCS Group reached record levels in the history of the company - net profit amounted to 27.1 billion rubles, exceeds the indicators of 2017 by 43%



Extremely focused on customer experience and journey

Neobanks focus on optimizing customers' experience by providing superior customer support and convenient solutions

Streamlined process, convenient use on-the-go

Customers can open an account in less than 10 minutes and the user interface of the apps makes navigating quick and simple.

Anywhere, anytime is a new way of busy lives neobanks tap into. Thus, they are all pro the utmost comfort of a customer and offer 24X7 access to banking services.

Data powered operations

Neobanks use data to shape their business model, with 3rd party affiliation. The built-in data analytics capabilities helps Neobanks to put clients' needs and expectations at the center stage with user-centric insights defining their business mode

Features and money management tool

Neobanks aim to give customers much more functionality in managing their money. Features include giving real-time spending notifications, offering detailed insights into spending habits and the ability to sort money into different 'pots', such as saving for a holiday

Agility and low-cost structure

The absence of branches and the focus on technology mean that neobanks can respond to changes more quickly and implement new features. It also reduces their operating costs significantly, enabling them to offer lower fees for customers.

Open technical architecture

Using open, instead of proprietary technology. By nature, the service provided as API-Native stack with Open Banking oriented design

Digital Bank Key Characteristics

(Nikolaenko, 2002; Hopkinson et al., 2019)

Differences to Traditional Bank

(Temelkov, 2020)

Aspect	Traditional	Digital Bank
Service access hour	Limited	Round-a-clock
Speed of service	Depends of employee's qualification and experience	Immediate
Channel of service	Flexible but limited	Flexible with more options
Maintenance cost	High, often rendered as service charge	Low, most services are free of charge
Scope of service	Limited, depends on branch type	Unlimited, beyond geographical location boundaries
Status of operator	Performed by employee of the bank	Performed by bank's client

Differences to Traditional Bank

(Temelkov, 2020)

Aspect

Learning and promotion nature

Prominent cost structure

Business Orientation

Traditional

Relatively require more time and cost

Staff and physical assets maintenance

Product and Service

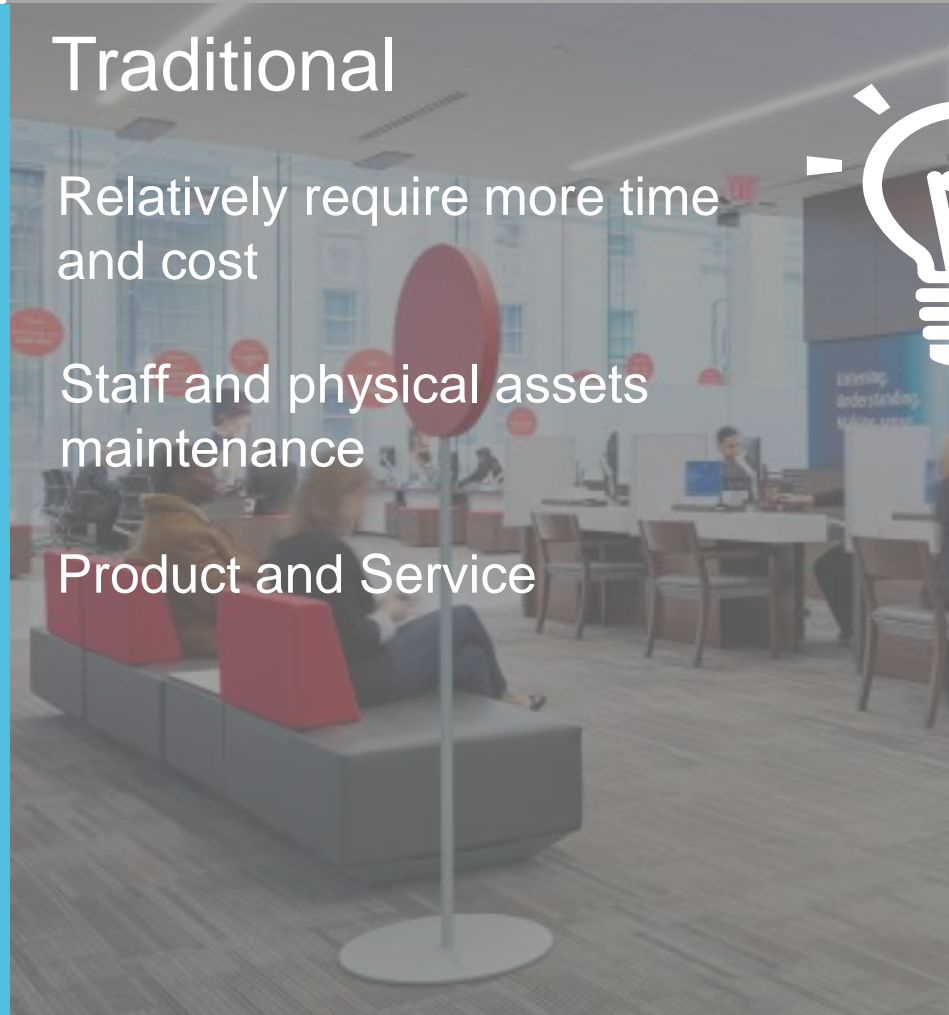


Digital Bank

Can be quickly carried out by push notification, SMS, or email

Servers and software package

Customer Needs



Bank Digital di Indonesia

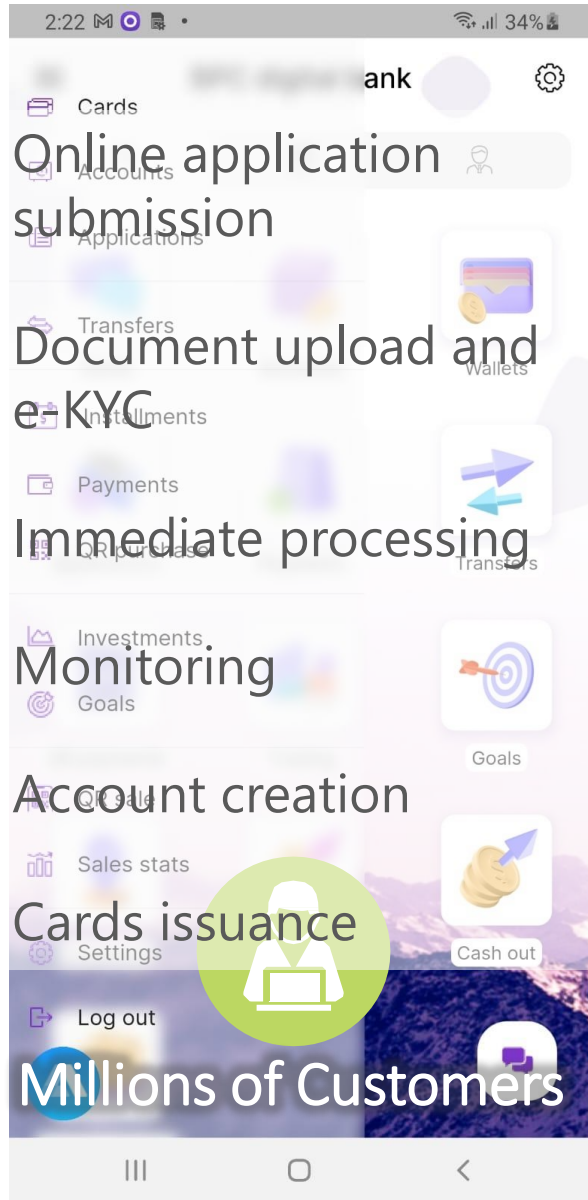
Existing



Ongoing Transformation



Onboarding

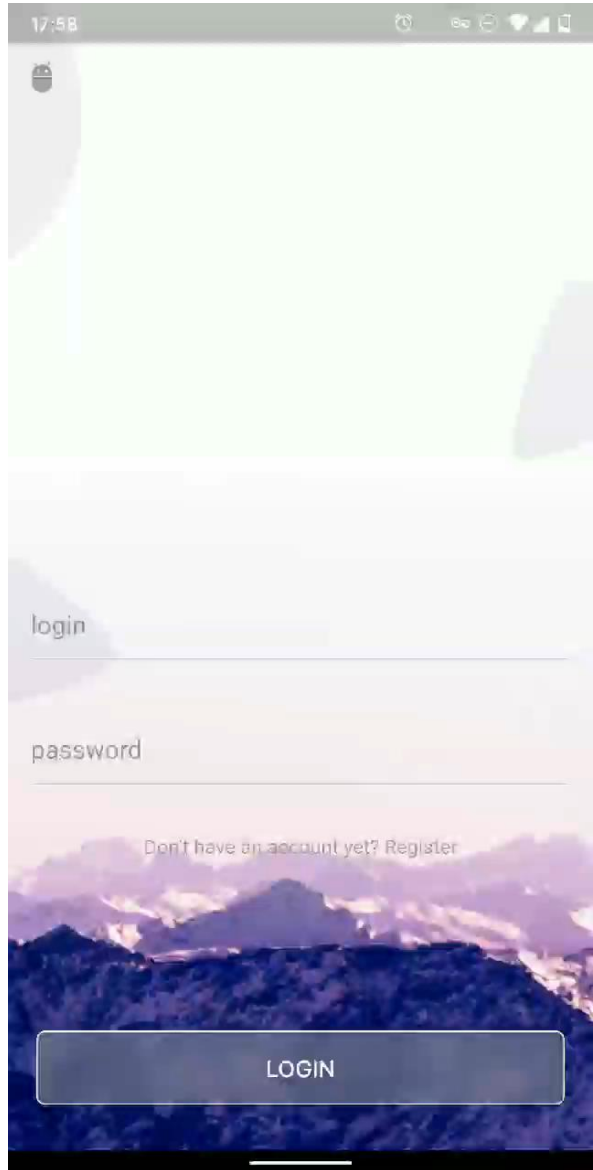


Create account anytime,
hassle free



Automated Kiosks in Convenient Location

Onboarding



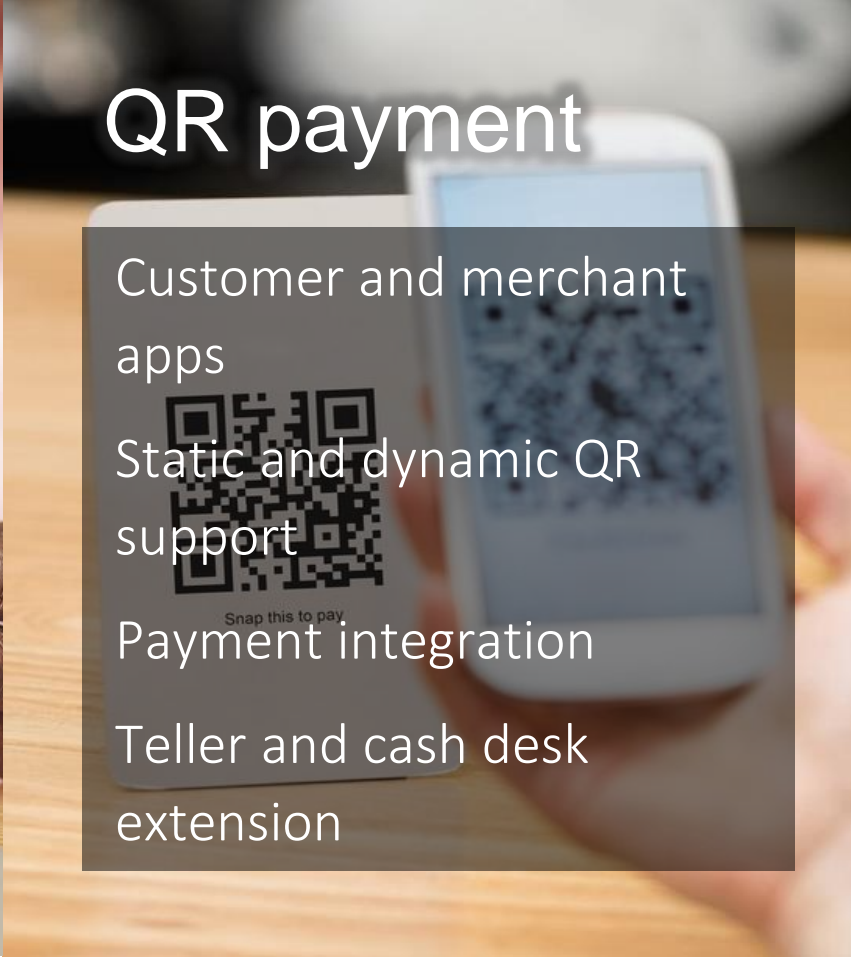
ent Location

Transactions



Online payment, transfer and remittance

Any-time, anywhere
Ability to use a global account and card without challenges



QR payment

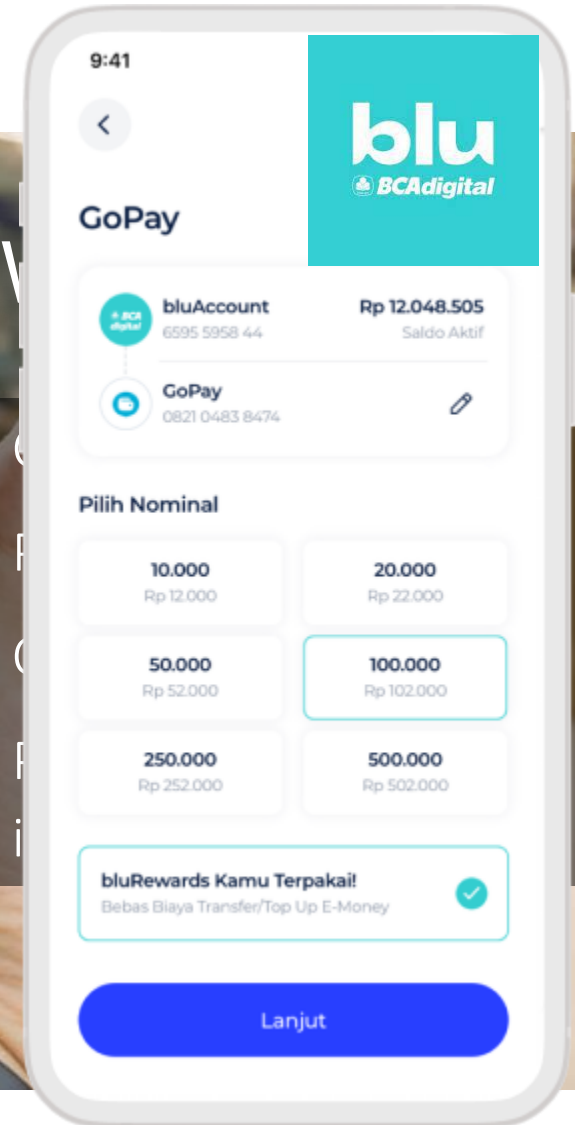
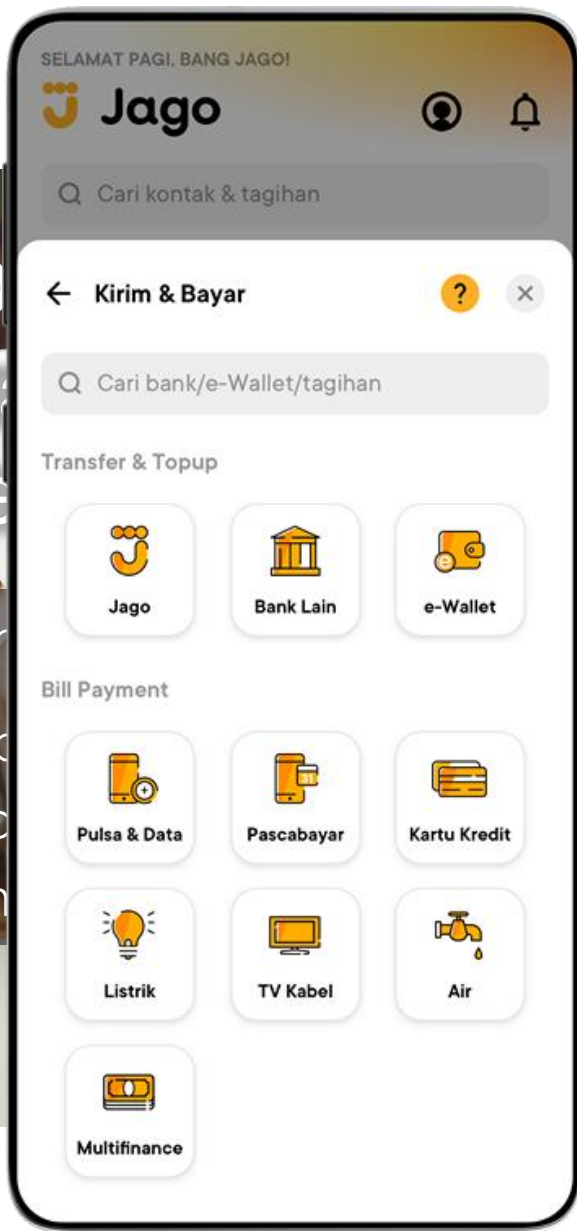
Customer and merchant apps
Static and dynamic QR support
Payment integration
Teller and cash desk extension

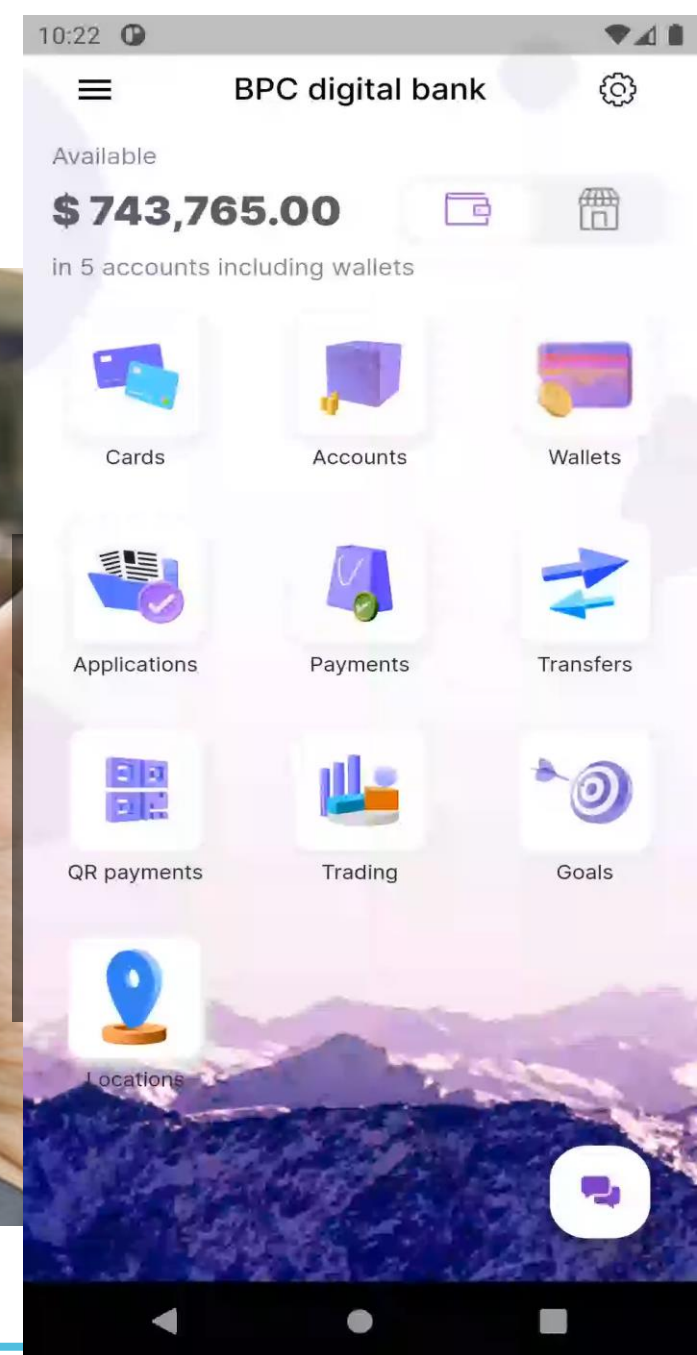
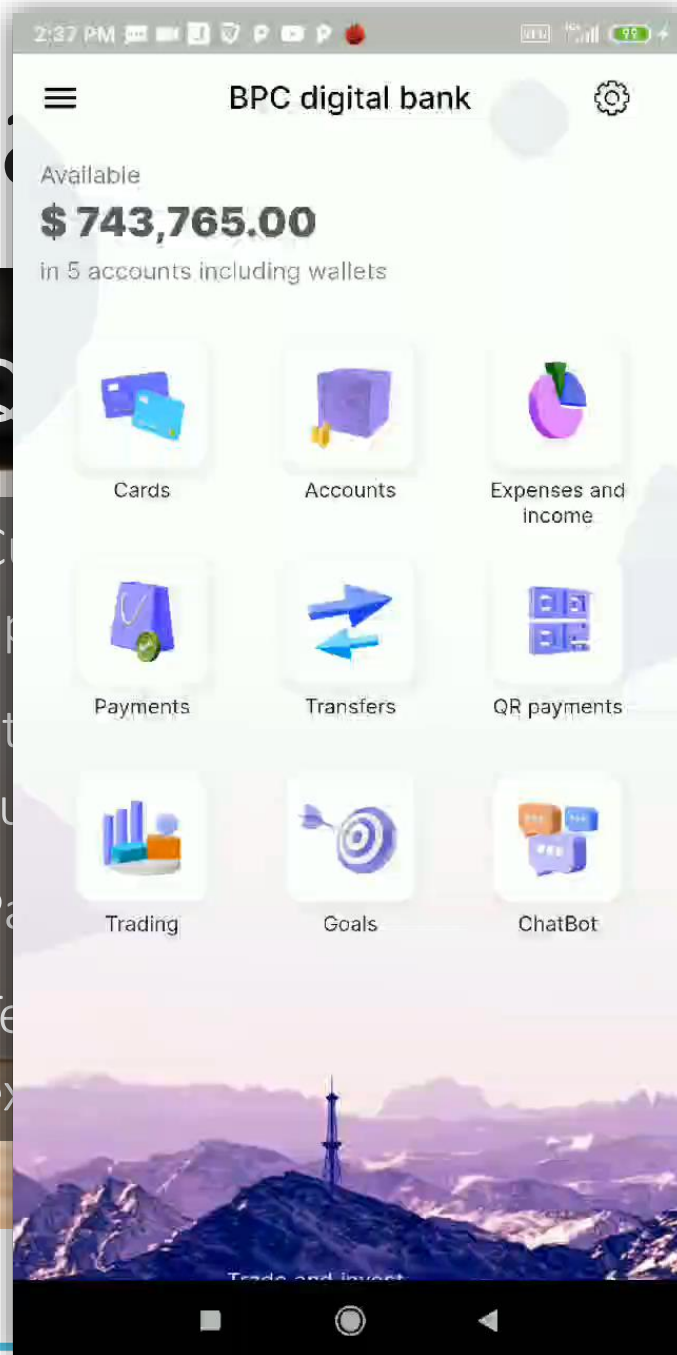
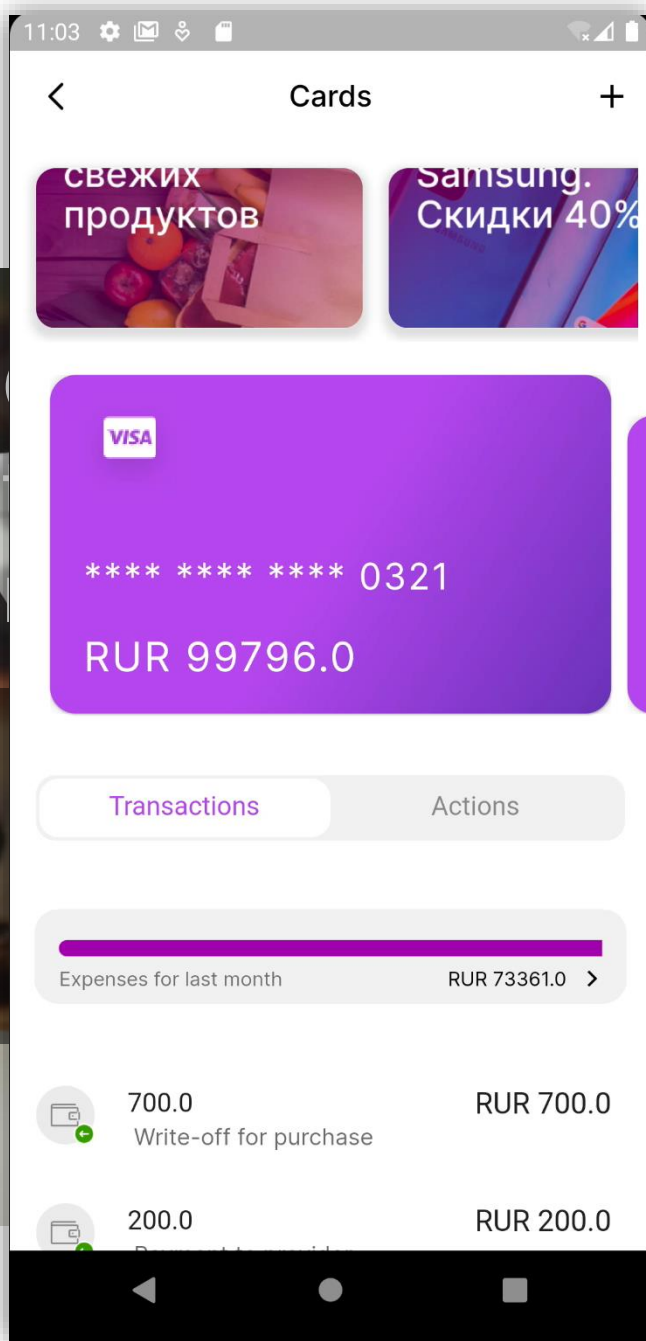


Wallet

Cash in and cash out
Payments and transfers
Cards linking
Payment gateway integration

Transactions







Investment Management

Provide key information and execute decision for Investment portfolio management



Trading (Buy/Sell)

Buy stocks, currencies/crypto, etc.



Portfolio Performance

Compositions, current market value, capital gains, etc.



Common Interface

FIX protocol and custom REST/API

Investment Management

Provide key information and execute decision for Investment portfolio management



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Jago

Click to play video



Trading (Buy/Sell)

Buy stocks, currencies/crypto, etc.



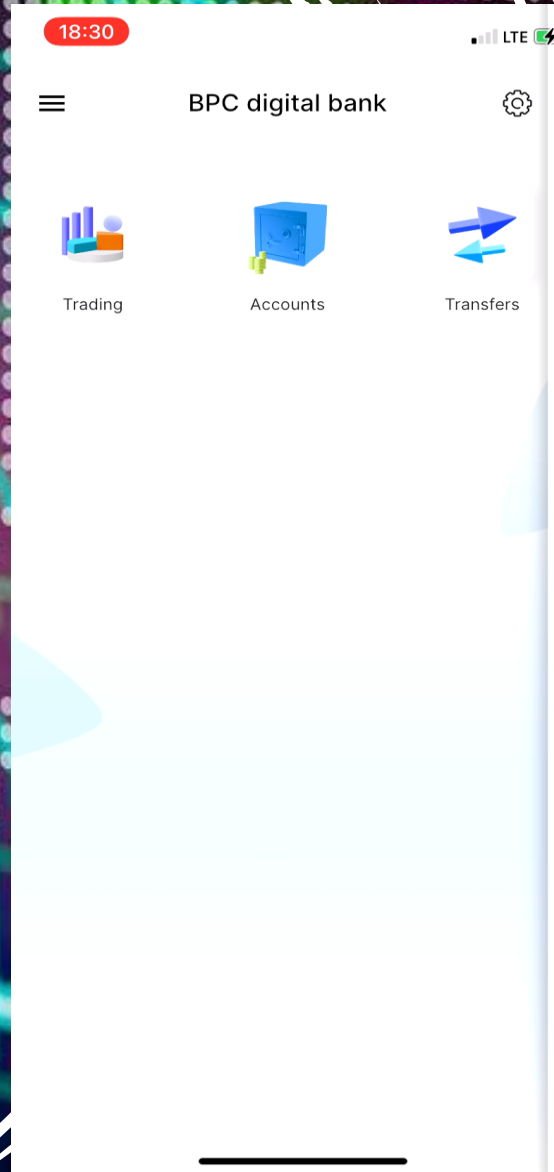
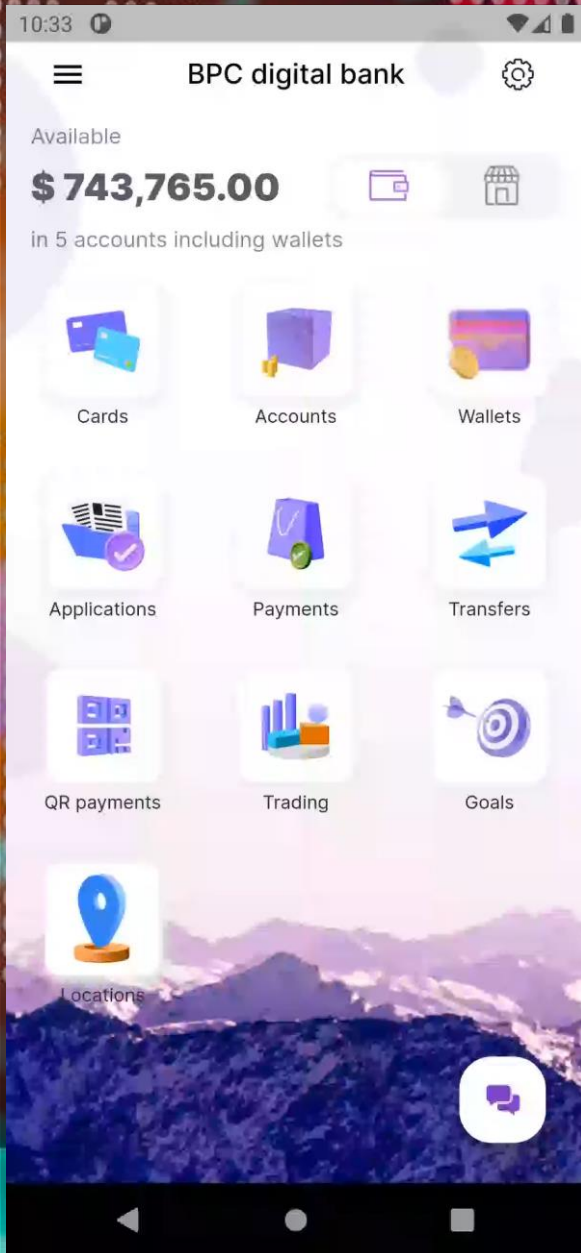
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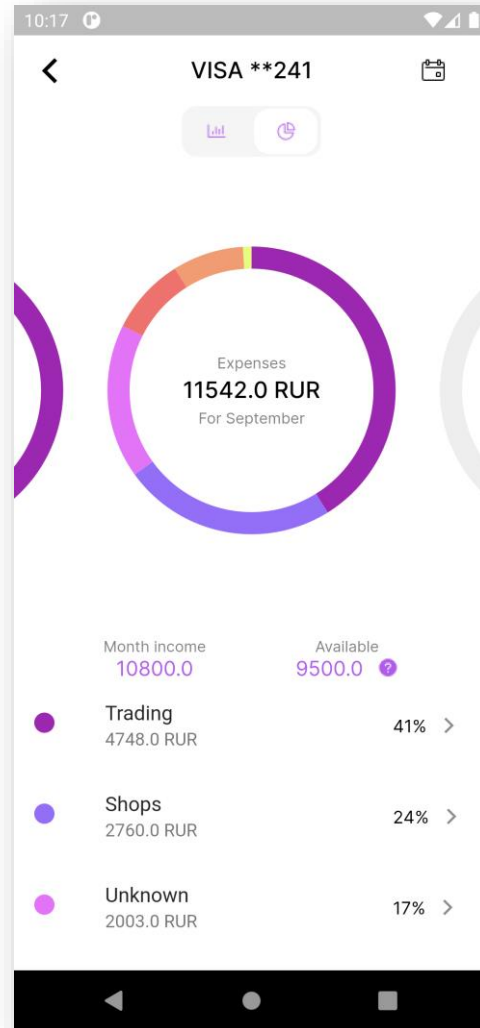
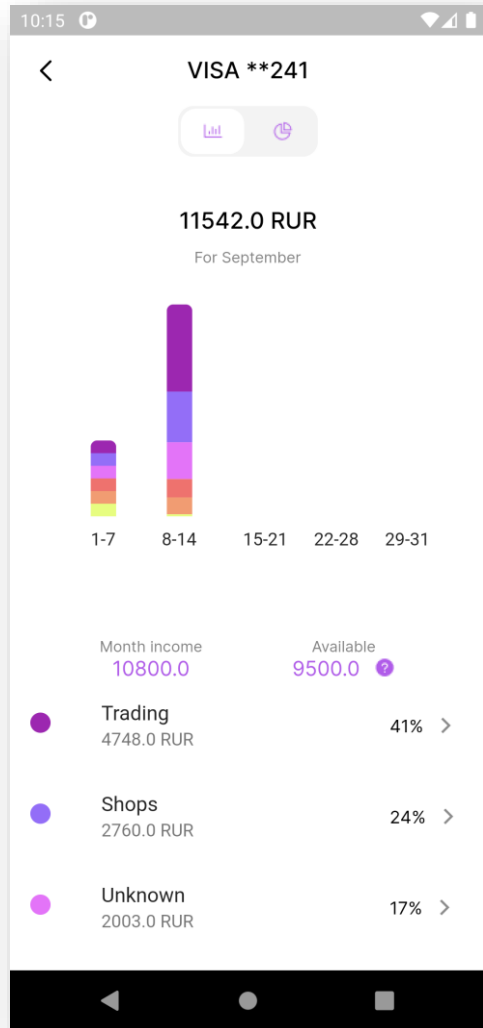


Common Interface

FIX protocol and custom REST/API

Personal Financial Management

Manage the entire money life-cycle effectively



Single consolidated view

Add accounts and compile transactions information from multiple institution into a single view



Expenses management

Monitor, categorize, and track personal expenses



Data visualization

Different types of visualization, including: donuts, bar, and bubbles

Personal Financial Management

Using different accounts

- Checking and current
- Saving and deposit
- Loan, credit and installment



- Instant opening
- Immediate use for purchase



Single consolidated view

Add accounts and compile transactions information from multiple institution into a single view



Expenses management

Monitor, categorize, and track personal expenses



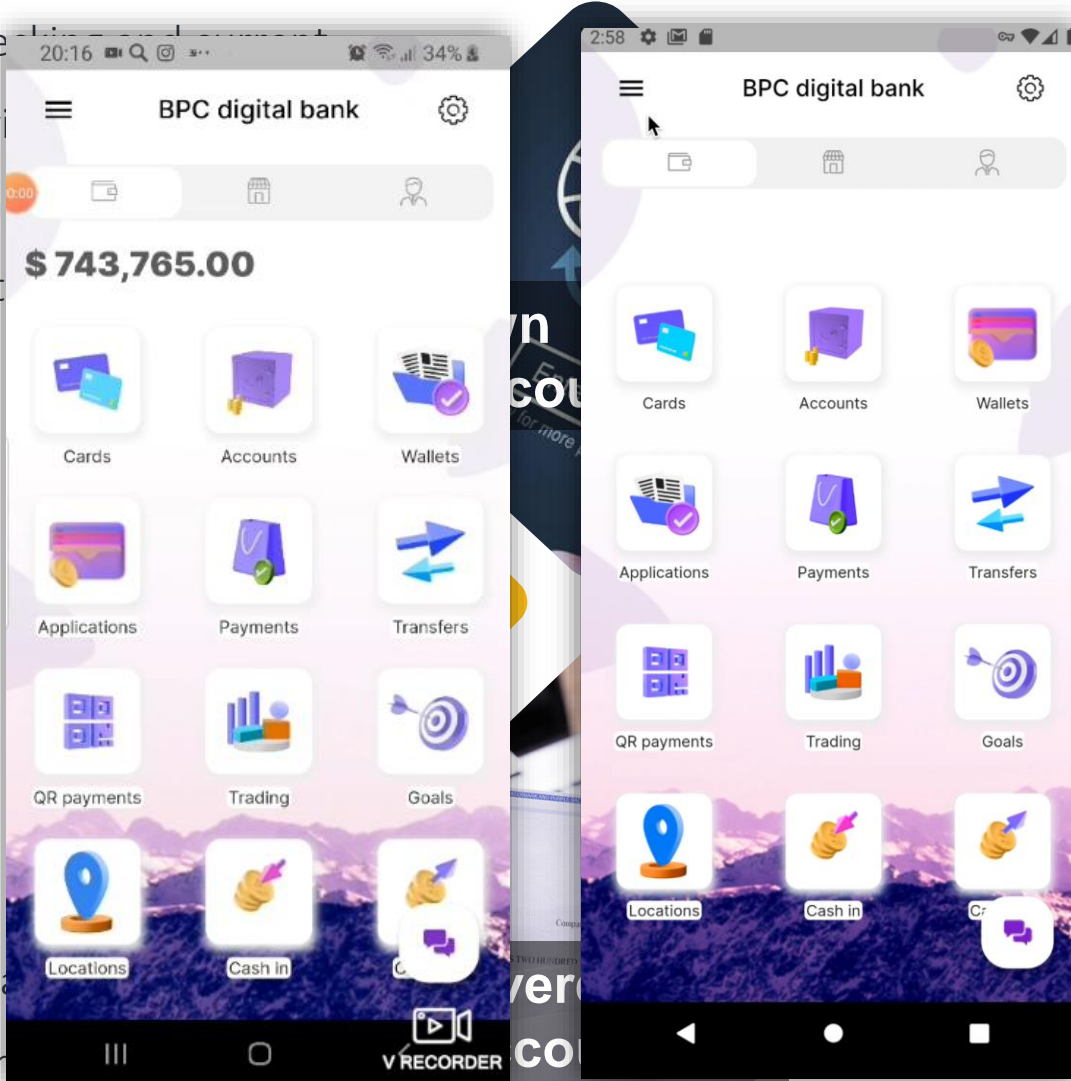
Data visualization

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Personal Financial Management

Using different accounts

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purchase

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cation, direct
debits



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Expenses management

Monitor, categorize, and track personal expenses



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Different types of visualization, including: donuts, bar, and bubbles

Personal Financial Management

Oversees and control the money spending



Expenses and income breakdown



Expenses limit
In app limits and alerts



Intuitive UI
Graphics and Charts



Saving goals
Gauge and dashboard



Change tracking
Expense overview by period



AI Advisory
User defined



Categorize your transaction
User defined



Single consolidated view

Add accounts and compile transactions information from multiple institution into a single view



Expenses management

Monitor, categorize, and track personal expenses

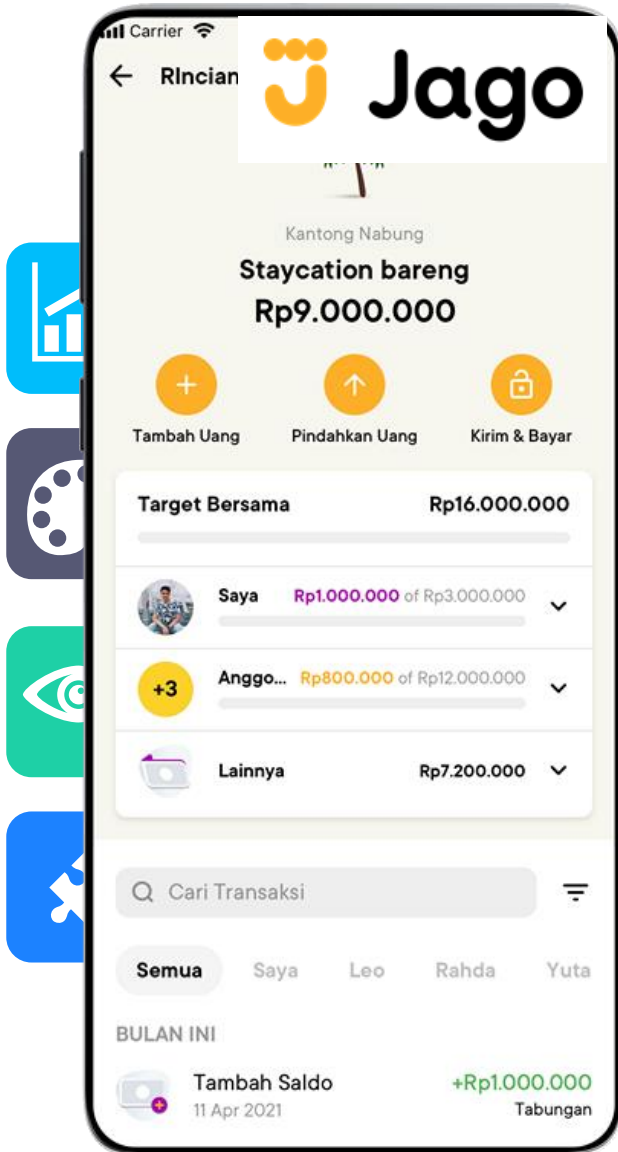


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Saving goals
Gauge and dashboard



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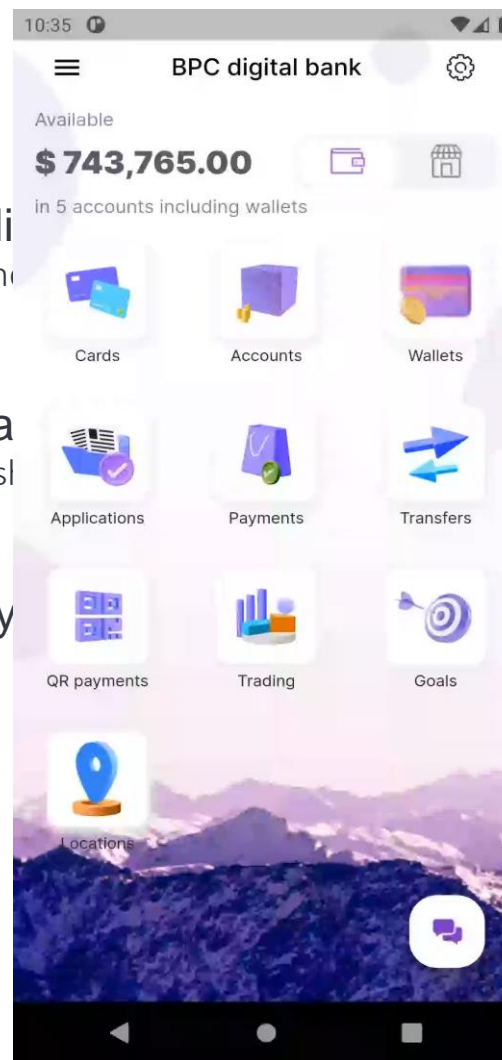
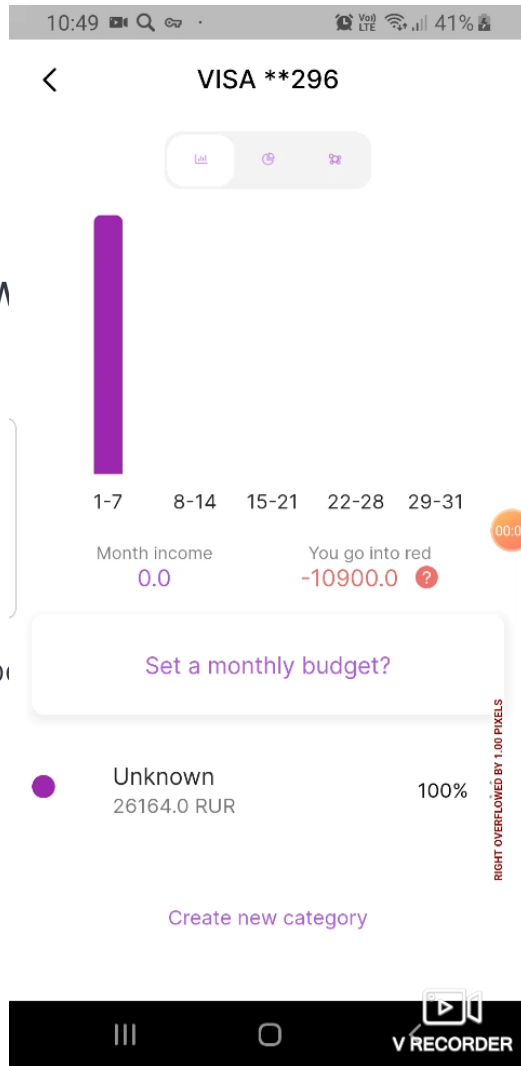
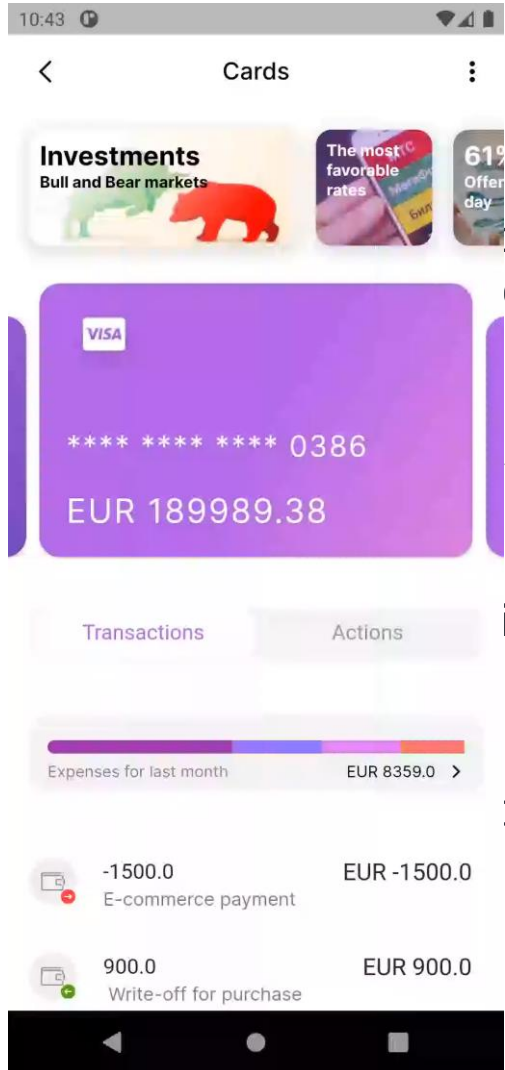


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Personal Financial Management

Oversees and control the money spending



Single consolidated view

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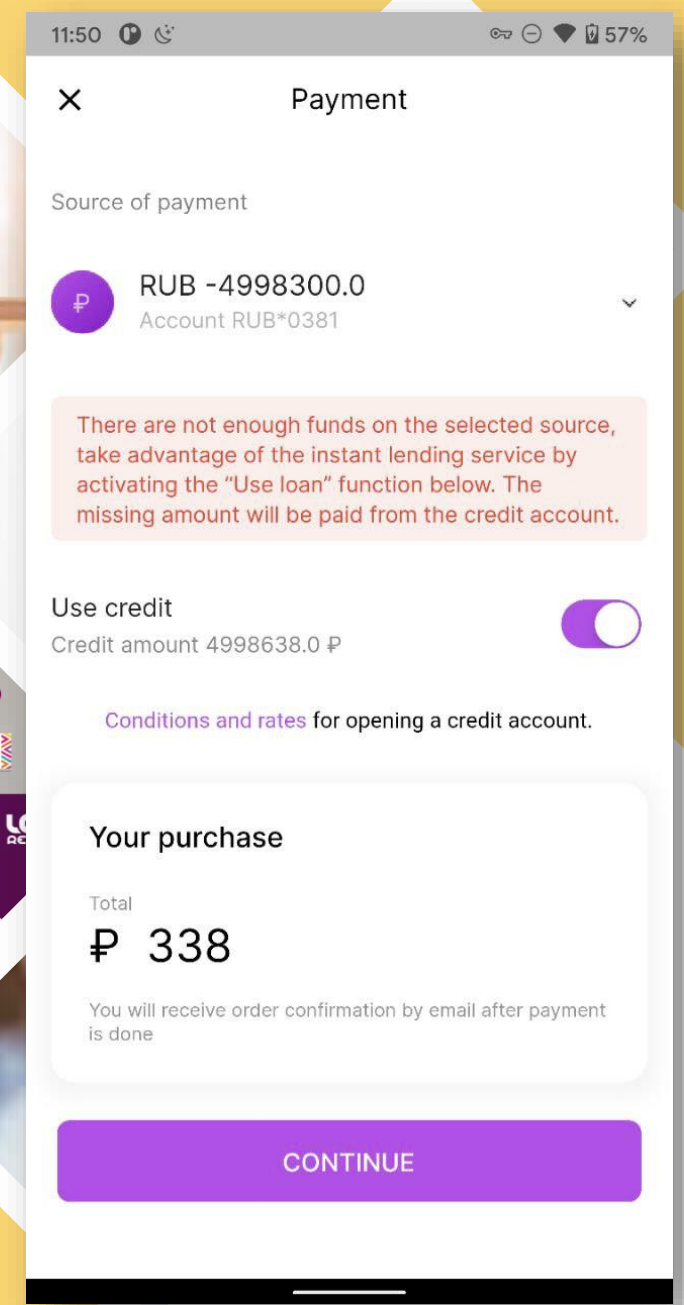
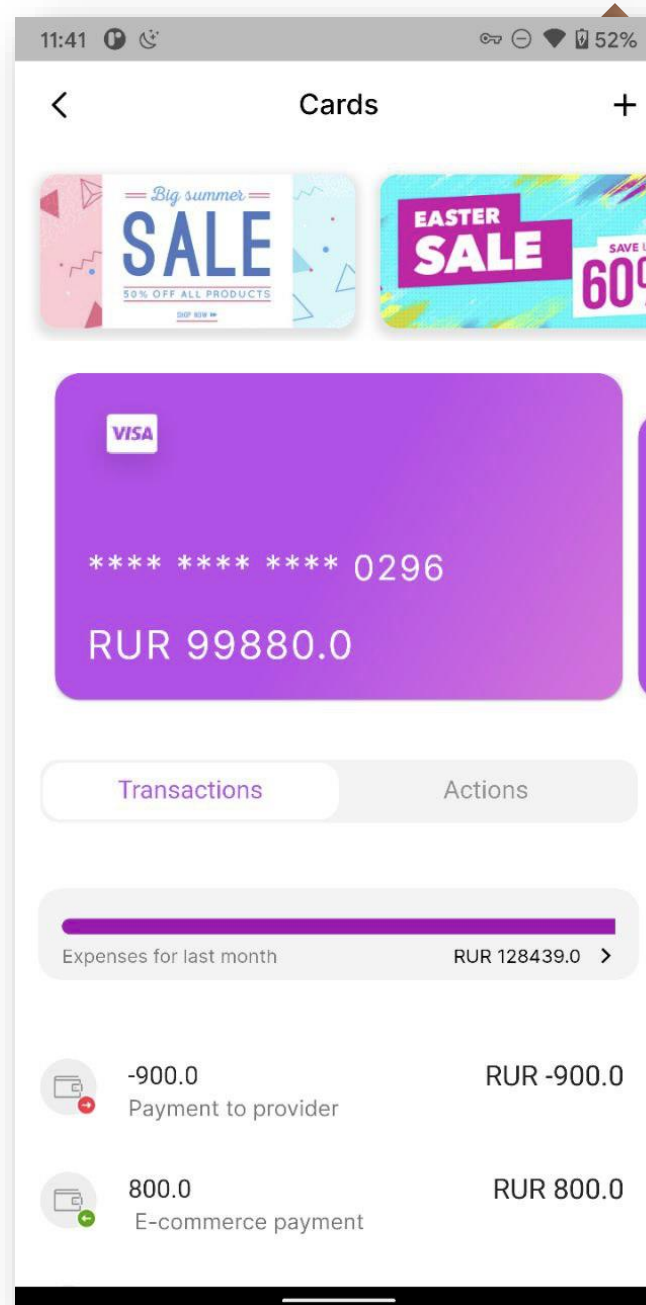
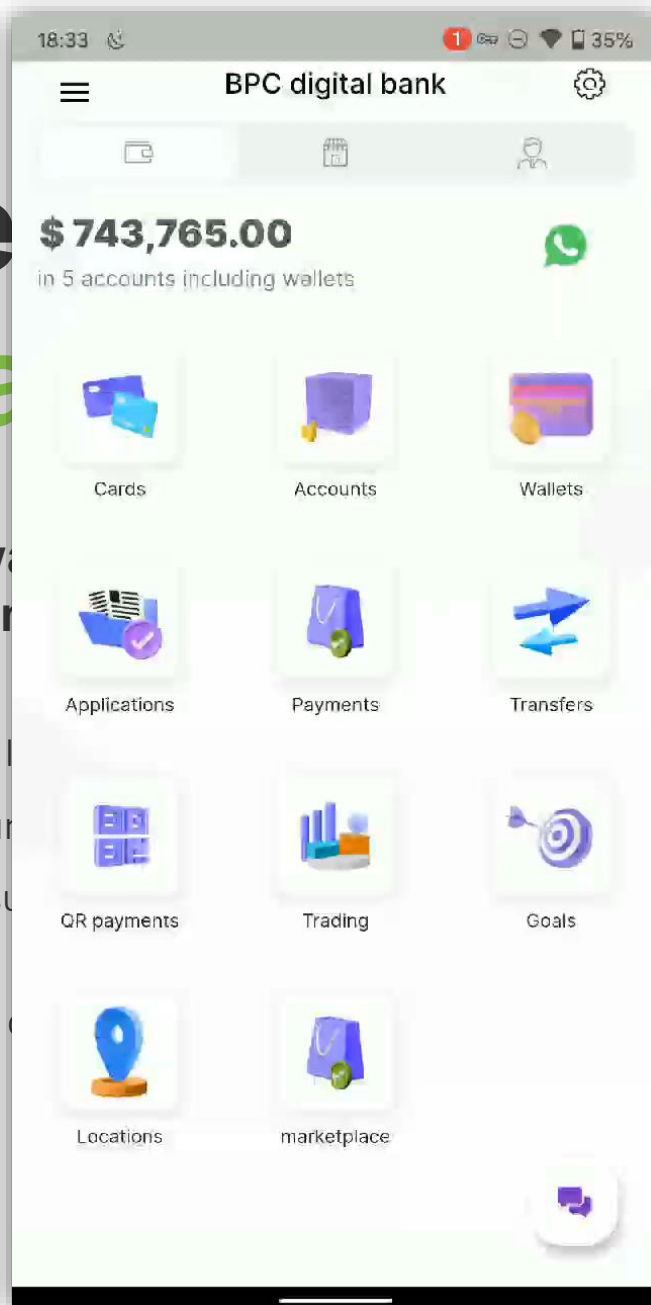
Expenses management

Monitor, categorize, and track personal expenses

Data visualization

Different types of visualization, including: donuts, bar, and bubbles

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Customize vis
Manage



Super App

Super-app is a type of the application (mobile or web) that allows for easy extensibility by third parties like in WeChat app that enables connecting 3rd parties directly to the app.

Convenience for customer

a single portal to a wide range of virtual products and services
Partner content: Marketplaces, Internet shops, Fintechs, Education, Games and kids content
Does not require re-publishing

Using vast wealth of data

To deliver better service to customer
Full control and recording of customer inputs

Disintermediating transactions

Tap into the opportunity or generate demand from a larger business ecosystem
Re-sell and cross-sell capability



Super App

Super-app is a type of the application (mobile or web) that allows for easy extensibility by third parties like in WeChat app that enables connecting 3rd parties directly to the app.

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a single port
Partner cont
Games and k
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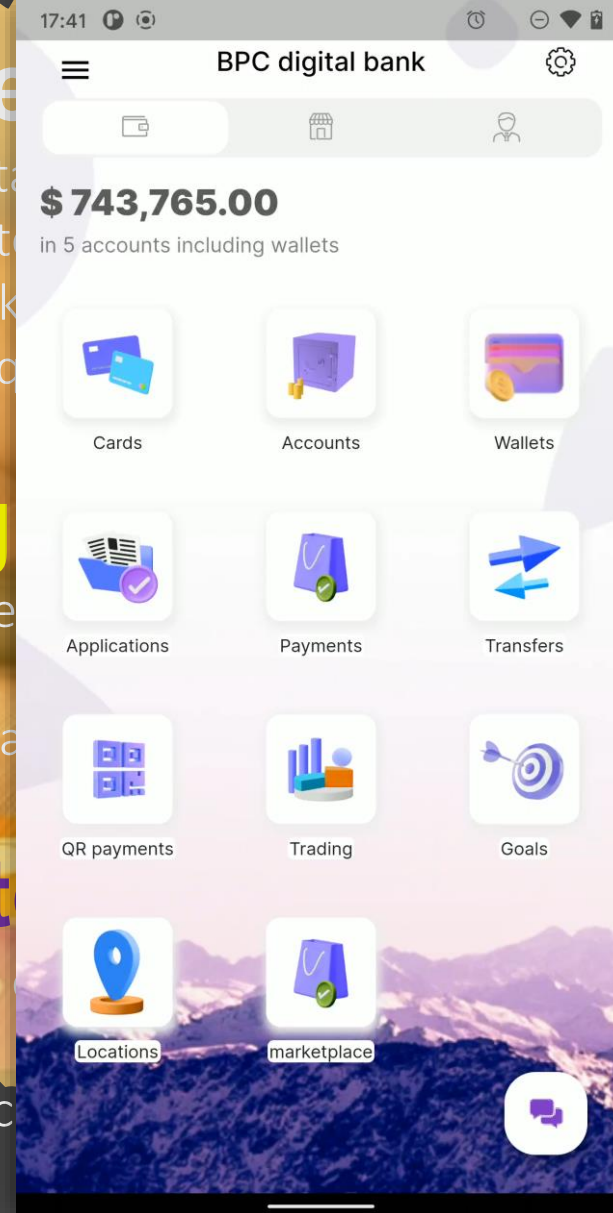
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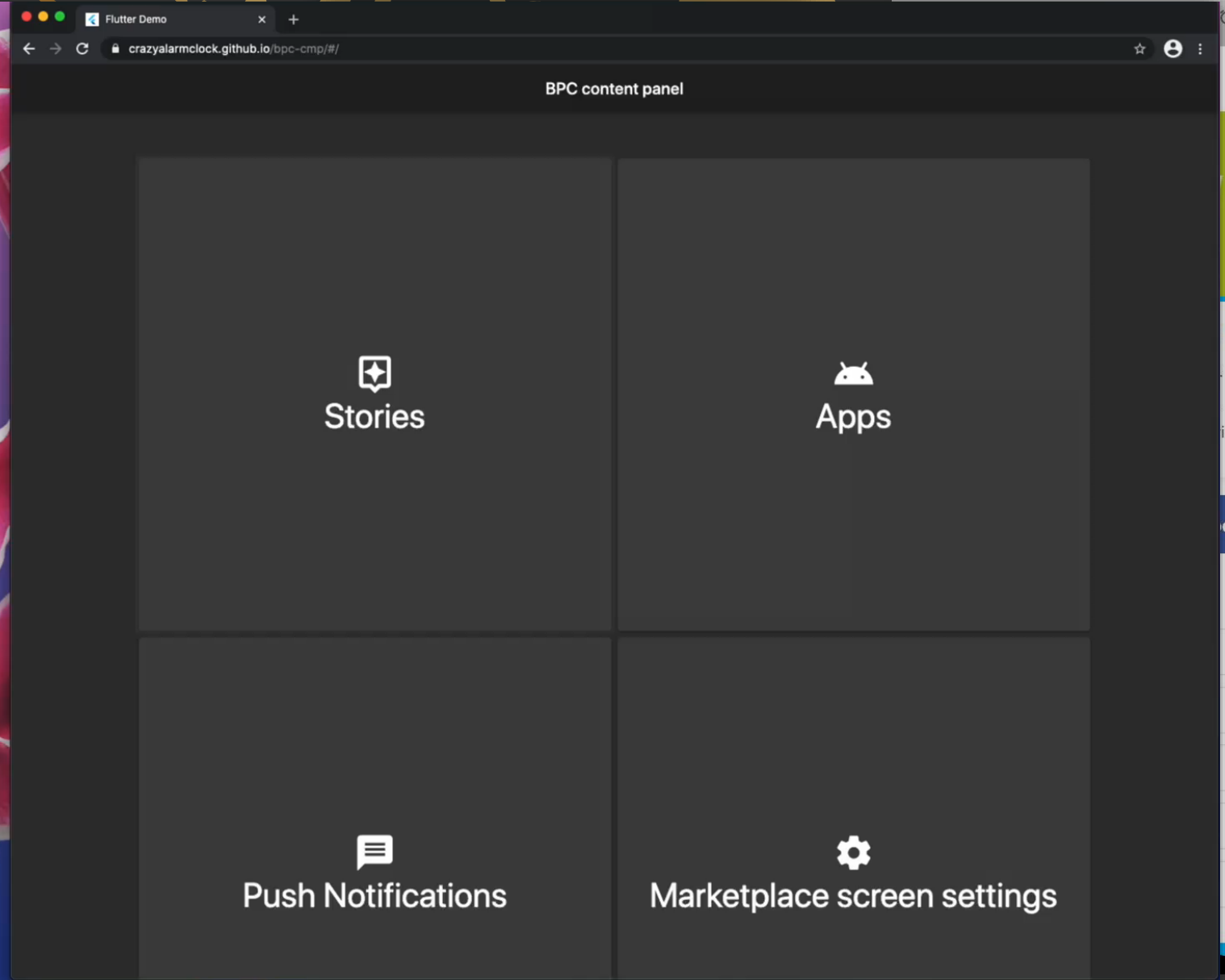
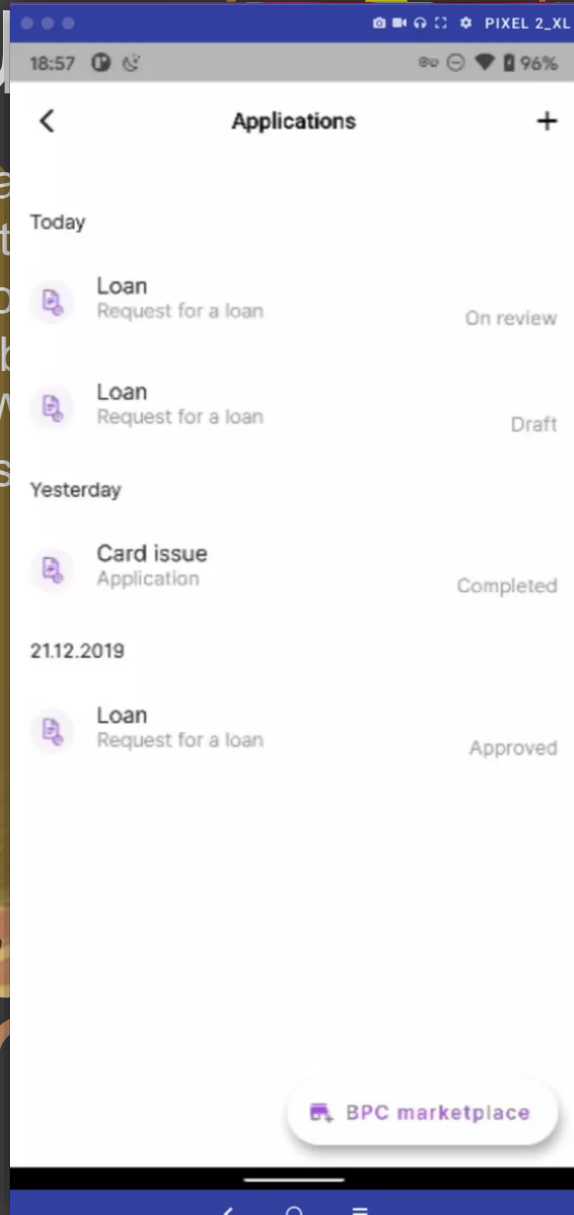
Disint

Tap into the
ecosystem
Re-sell and c

A screenshot of the BPC digital bank app's registration page for "Wing". The status bar shows the time 10:54. The page has a green header with the "Wing" logo. Below the header, a blue banner reads "Get A Wing Account In 3 Steps!". The steps listed are: 1. Sign up with Facebook or fill up the form. 2. Enter the verification code sent via SMS. 3. Create your Wing account PIN and you will get your Wing account number via a SMS. A prominent blue button with the Facebook logo and the text "Sign up with Facebook" is present. Below this, the text "Or fill up the form" is displayed. The registration form includes input fields for "Pavel", "Malyshev", "Date of Birth *", a gender dropdown menu currently set to "Male", a phone number field containing "0891683737", and an email field containing "pavel@bpc.com".

Su

Super-a
applicat
that allo
extensib
like in V
enables
directly



Configurable
STT and TTS support

Siri, Google Assistant, Alan (new)

Step-by-step guidance for
transactions

Action/payment template triggers

Media embedding

HITL (human-in-the-loop)

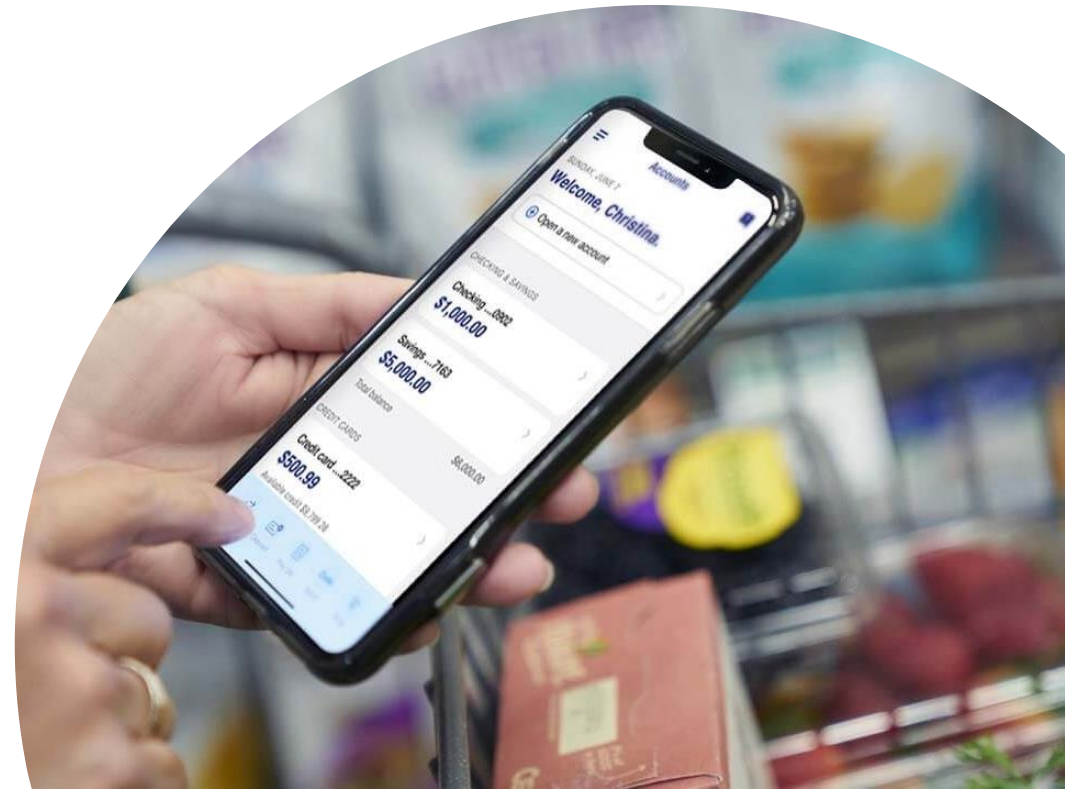
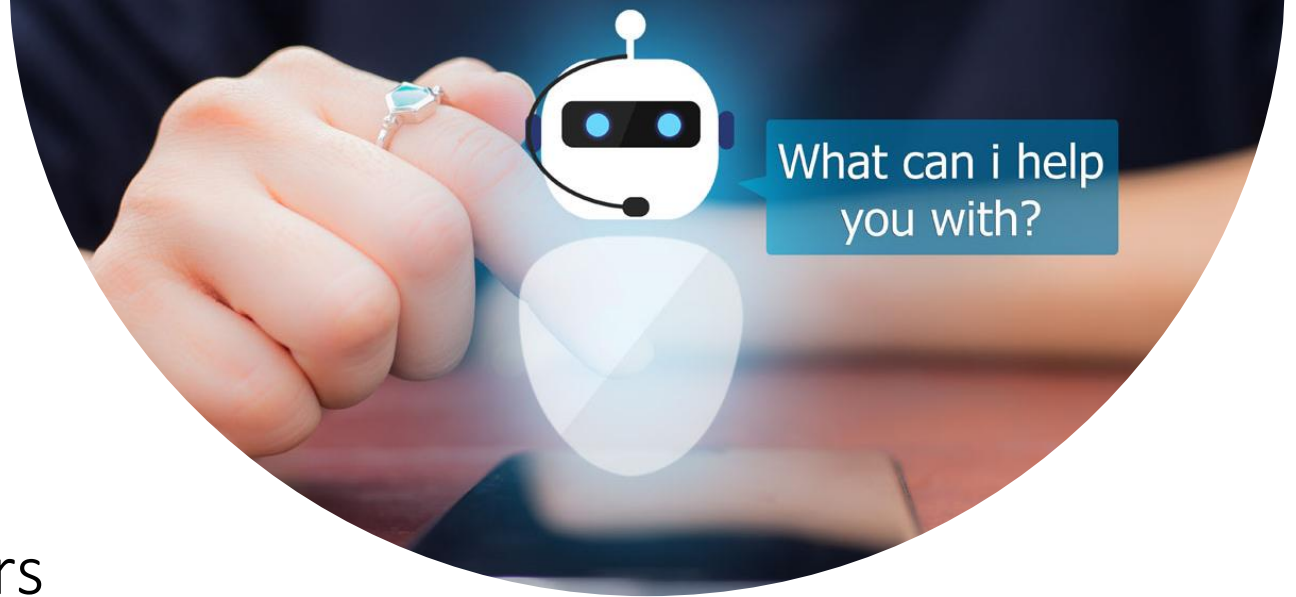
Customer Engagement


Disputes

In-app and application request

Dispute reason selection

Optional message






Selamat Datang di
Jenius Help

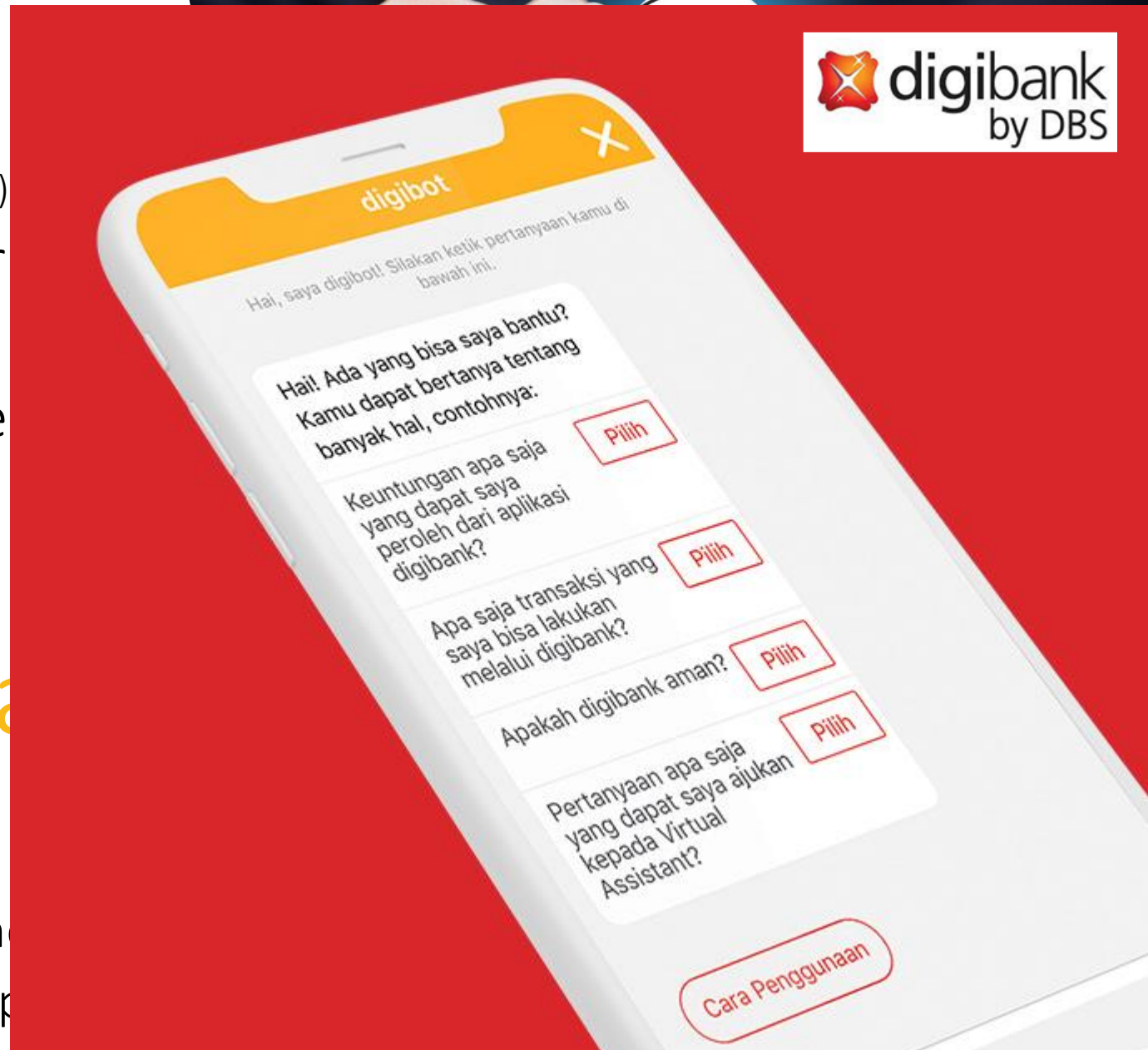
Punya pertanyaan seputar Jenius?
Hubungi Jenia, yuk!

Nama

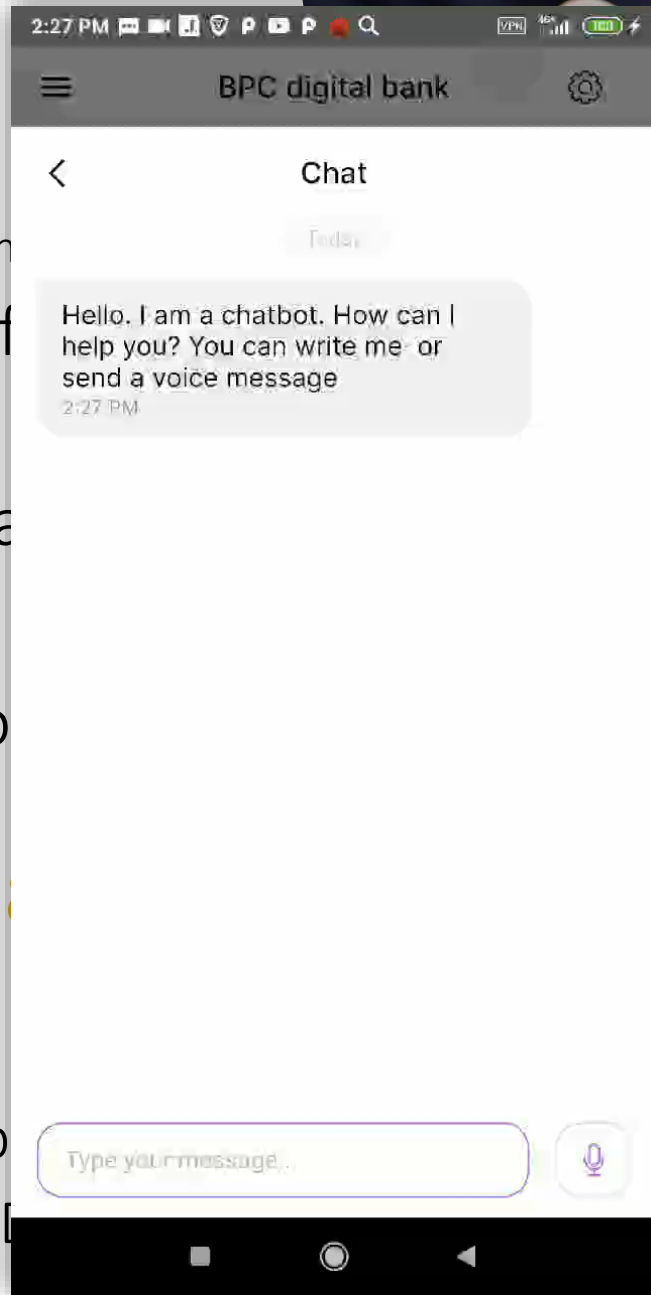
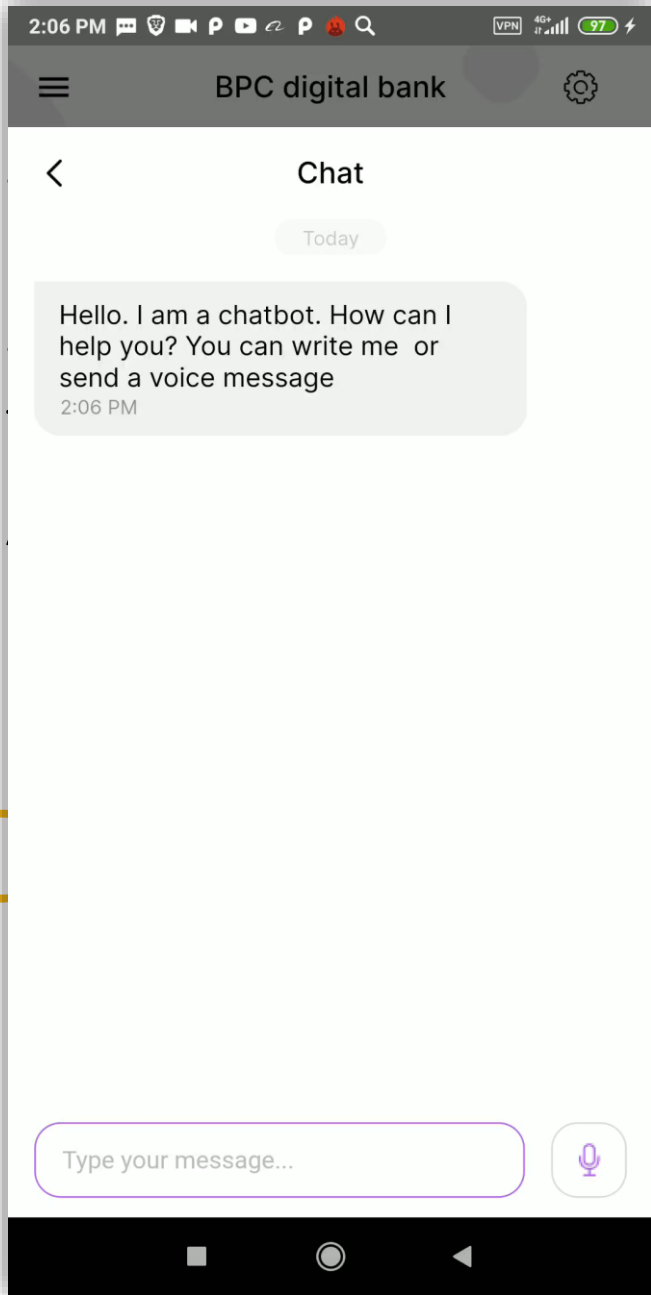
Email



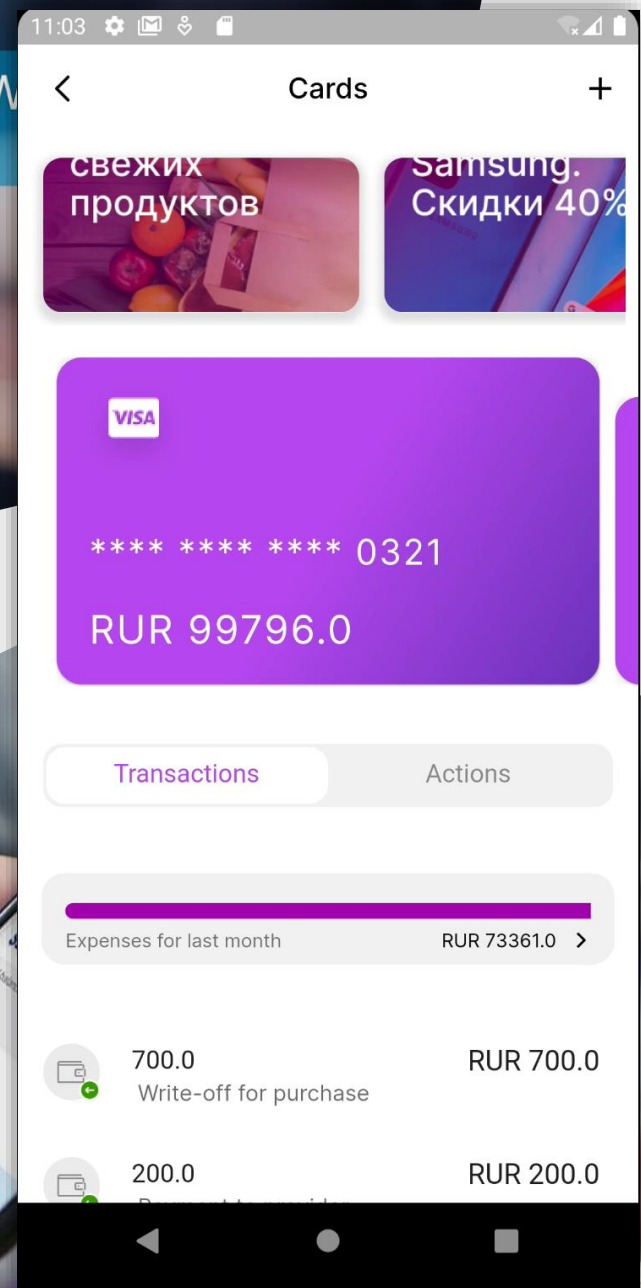
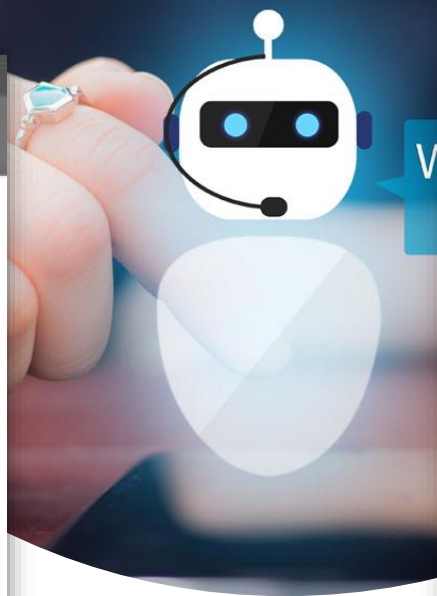
SUBMIT



Optional message

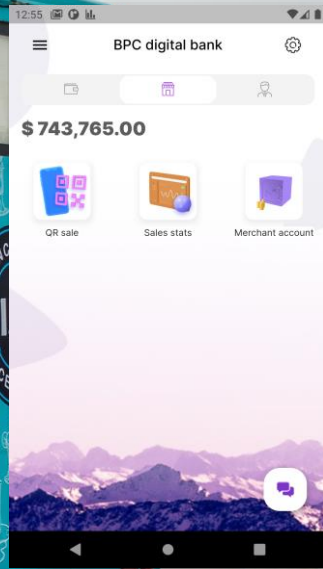


Optional message



Merchants

Teller and cash desk extension
QR Sell and refunds
Transaction reports



Multi Role Enablement

Agents

Customer registration
Cash-in and cash-out
Agent reporting and performance



Technology Consideration

Digital Bank System

Platform Agnostic

Cross-platform code for Android/iOS,
web, and desktop
Accommodate variety of use cases and
user preferences

Design Driven Development

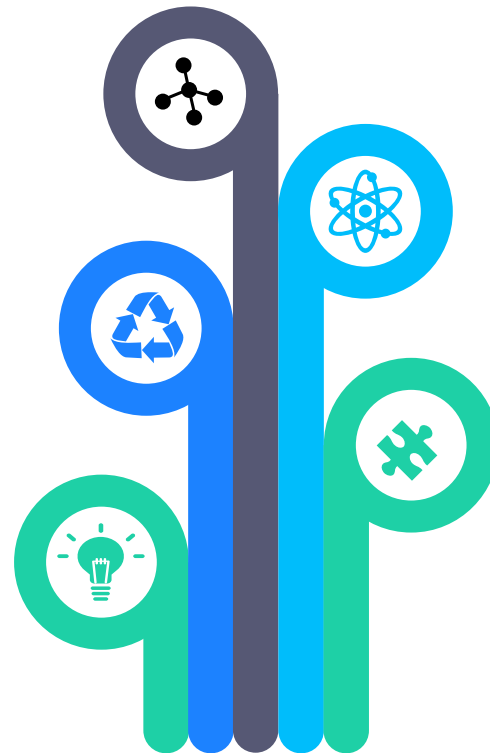
Functional metadata driven, low-code
approach

UI and business logic libraries

Flexible and Adaptive Infrastructure Technology

Microservice architecture for scalability

Clouds ready by preparing container-
ready to enable elasticity



Full server-side control

Add, remove, and edit app centrally to
allow rapid deployment

API native and Open Banking Oriented

Implementing “Banking as a Service”

Allow future integration and extensibility

Preparing for large ecosystem
integration

Other Considerations

System Architecture

Investment and Effort

- Infrastructure
- Software Provisioning
- Installation and Implementation
- Rollout

AISP, PISP, TPP Implementation

Implementation of open banking standards (SNAP)

Omni channel layers

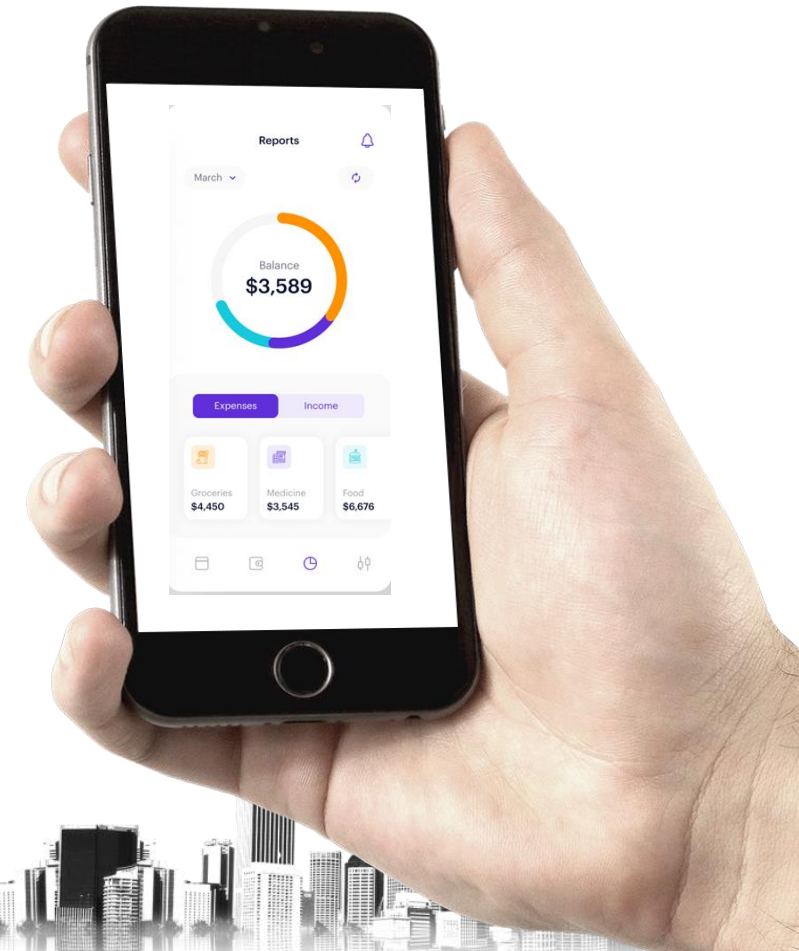
Efficient system development and consistent experience

API Management

Integration with others application solution

Comprehensive and Modular Architecture

Remote banking, Integration, back-end, marketplace, fraud control, AI





Zero Bank Branches



Card Issuances
through Smart Kiosks



Online POS and
Merchant Acquiring



ACS for Online
Payment



e-Commerce gateway



Fraud Management



50K customers
In 2 Months

1M+ customers
In 12 Months

Access to
40,000
ATMs

750
Service Kiosks

10,000
Cash Points

95,000
Transactions
per day

**Unique Low-cost
Innovations** to their clients

Adoption Strategy

On Premise

Own and managed by Customers

or

Solution as a Service (SaaS)

SV Applications

Data

Middleware

Operating System

VM's

Hardware

Network

SV Applications

Data

Middleware

Operating System

VM's

Hardware

Network

Proven

Proven system with clear track record and relevant experiences

Zero Capex

No initial capital expenditure,

SLA based service

The system availability is part of the service provisioning

Secured

All software is audited and certified

Hassle less

Full support from partners, from initialization to operations

Alignment with Corporate Digital Transformation Strategy



Related Regulations

Digital Bank in Indonesia

Digital Bank Related Regulations

Current and Future Anticipation



PERATURAN OTORITAS JASA
KEUANGAN
REPUBLIK INDONESIA
NOMOR 12 /POJK.03/2021
TENTANG
BANK UMUM

PERATURAN OTORITAS JASA
KEUANGAN
NOMOR 12 /POJK.03/2018
TENTANG
PENYELENGGARAAN LAYANAN
PERBANKAN DIGITAL OLEH BANK
UMUM

PERATURAN BANK INDONESIA
NOMOR 23/6/PBI/2021
TENTANG
PENYEDIA JASA PEMBAYARAN

RANCANGAN
UNDANG-UNDANG REPUBLIK
INDONESIA
NOMOR ... TAHUN ...
TENTANG
PELINDUNGAN DATA PRIBADI

Future Regulations

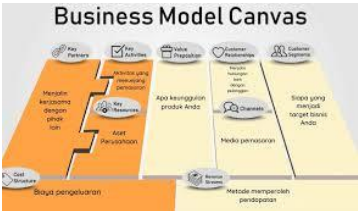
PERATURAN OTORITAS JASA KEUANGAN REPUBLIK INDONESIA NOMOR 12 /POJK.03/2021 TENTANG BANK UMUM



Institutional Regulatory Requirement of Digital Bank on Article 24

Legal standing for Digital Bank in Indonesia

Digital Banking as a business strategy



New Business Model



Min. of Capital
10 Trillion IDR

A risk matrix titled 'Basel IV Implementation'. The vertical axis represents 'Probability' with four levels: (81-100)%, (61-80)%, (41-60)%, and (21-40)%. The horizontal axis represents 'Impact' with five levels: 1 (Negligible), 2 (Minor), 3 (Moderate), 4 (Significant), and 5 (Severe). The matrix cells are color-coded: green for low risk, yellow for moderate risk, orange for high risk, and red for extreme risk. The text 'Basel IV Implementation' is overlaid on the matrix.

Impact →	1	2	3	4	5
Probability ↓					
(81-100)%	Negligible	Low Risk	Moderate Risk	High Risk	Extreme Risk
(61-80)%	Negligible	Low Risk	Moderate Risk	High Risk	Extreme Risk
(41-60)%	Negligible	Low Risk	Moderate Risk	High Risk	Extreme Risk
(21-40)%	Negligible	Low Risk	Moderate Risk	High Risk	Extreme Risk

Risk Management



BOD members with Solid IT Competency



Personal Data Protection
Data Governance CDO, and DPO



Contribution to Financial Ecosystem Development and Financial Inclusion

PERATURAN OTORITAS JASA KEUANGAN REPUBLIK INDONESIA

NOMOR 12 /POJK.03/2018 PENYELENGGARAAN LAYANAN PERBANKAN DIGITAL OLEH BANK UMUM



Readiness checklist for Digital Banking Service Provisioning

All Digital Bank Service is subject for approval

Any issuance should meet certain regulatory requirement



Organization Structure and Overseeing Management



Policies, System, Procedures and Governances



ICT Infrastructure Readiness



Risk Assessment and Analysis Result



Cyber and Information Security related Risk Management



1 (one) year business plan

PERATURAN BANK INDONESIA

NOMOR 23/6/PBI/2021 TENTANG PENYEDIA JASA PEMBAYARAN

Institutional Regulatory Requirement for Providing Payment Services in Digital Bank Context



Institutional

Could be Bank or Non-Bank

E-wallet/e-money, payment gateway, remittances

3 Categories



Capital and Financial

15 Billion for category 1, 5 Billion for category 2, and 1 billion for category 3



Risk Management

Policies, system and procedure for risk management

3rd party collaboration



ICT Capability

Security control

Fraud Management System

IS Audit

ICT Infrastructure and Capabilities

Digital Bank should meet the regulatory requirement for Payment related Services



RANCANGAN UNDANG-UNDANG REPUBLIK INDONESIA TENTANG PELINDUNGAN DATA PRIBADI

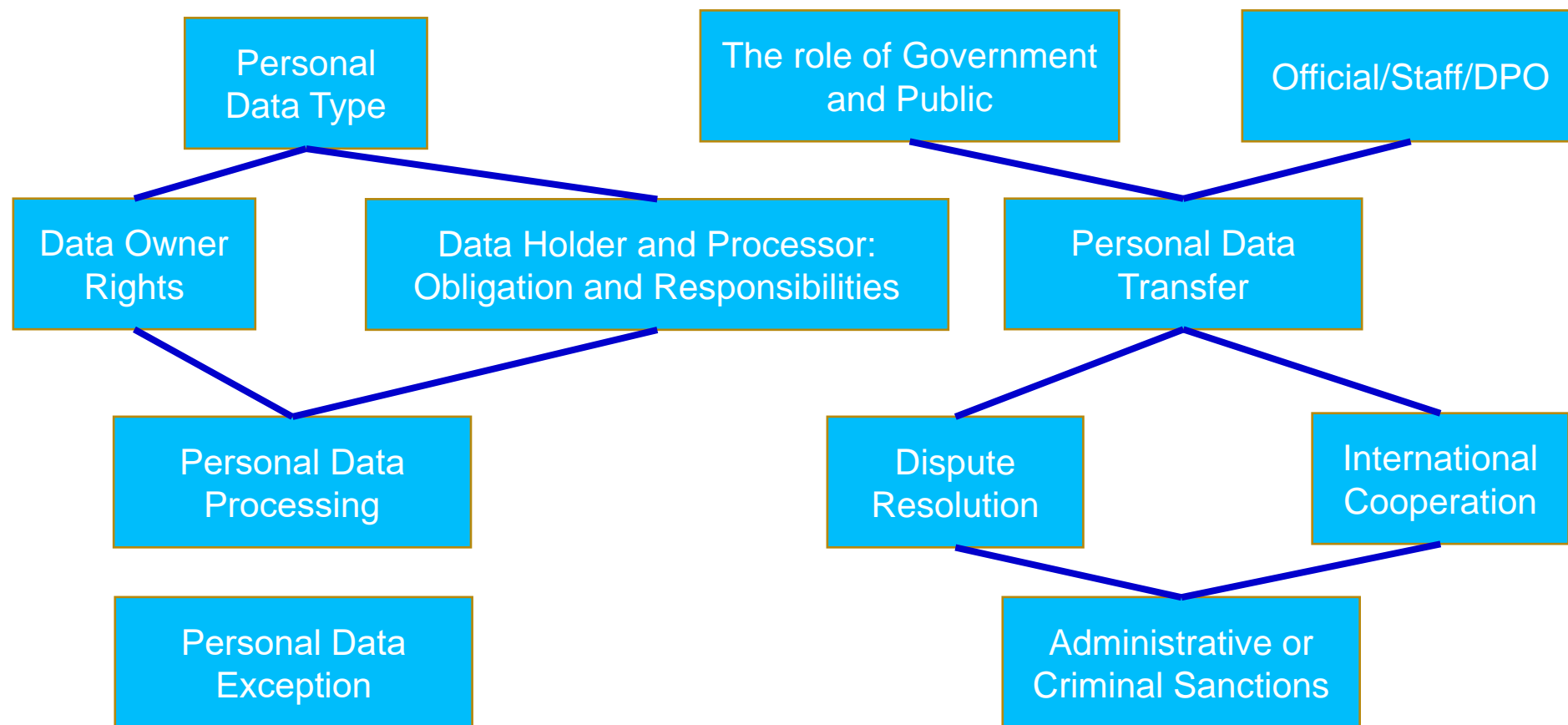
Regulatory Requirement to allocate resources for personal data protection

Started in 2012

Full name, Gender,
Citizenship, Religion,
Identification,
Medical record,
Biometric, Genetic,
Personal Ideology,
Financial Information

New Role: DPO

Up to 70 billion
sanction infringement





About us

PT. Finpoint Solusi Indonesia

ASABA Group of Companies

Reputable and
Successful Business

Established in May 1974

A solid, respected, and
reputable Indonesian
company

Over 40 Years of Lasting &
Continuous Strategic
International Partnerships

Strong business units excel and leading in
each establishment and market

Variety of business models: Manufacturing,
Distribution, Franchise, and Consulting



Business Pillars:
Office & Stationary,
Consumer Foods, and
Others



**Independent
Subsidiary
Companies**

More than 70
Companies
operating under
the group as a
profit center

**Evolving and
Transforming**

Over 45 years of
business
establishment,
coming from
Industrial towards
Digital Business





ASABA COMPUTER CENTRE

Transformation Towards Digital era

Digital Platform Provider

Digital Platform | Business Solution Service | IT Consulting | Training Services | IT Managed Service



Reputable IT Company

Founded in 1990, as an IT Business unit of Asaba Group of Companies. Has served medium and large companies, focusing in the financial service industry, government, manufacturing & distribution and others market



Thrive in Digital Era

Solution as a Service (SaaS) Provider






ASABA
http://asaba.id

Office & Stationary

Representing Digital Office In State-of-The-Art Solutions In

Manufacturer and Distributors:
Wide Variety of Solution Coverage

Stationary | Office Equipment | Digital Co
Digital GraphicArt | IT Product | Digital ar
System Integrator

Market Leader in each Segme
International Strategic Partnership, ex
and networks, dedicated and focused



PT. Asaba Industries
Metal Products

Manufacturing



PT. Zebra Asaba Industries
ZEBRA
Open your imagination.

PT. Staedler Indonesia
STAEDTLER

Property

Business Districts, Real Estates, and Villas



Lucky Park Grisendra
Housing Estate



Bizpoint Cikupa
Business Complex



Ujung Genteng
Leisure Villas



Retail Office
Stationary Stores
in Major Cities

TOKO BUKU & STATIO

PROMEXX

PT. PROMEXX



Digital Printing | Textile &
Garment | Cutting Solution | Sign
& Display | Passbook |
Hospitality & Inventory | Product
Identification

aleph

Digital Printing | Photo Copier |
Packaging | Labeling | Point of
Sales | Digital Scple | Point of Sales



PT SAMAFITRO
KORITMEN DALAM PELAYANAN

Consumer Foods

Successful Foods Business with Strong Brands

Hundreds of Stores, Outlets, and Franchises

Candy Manufacturing and Bakery

Francis Artisan Bakery
Healthy Bread
PT. Anugerah Citra Rasa

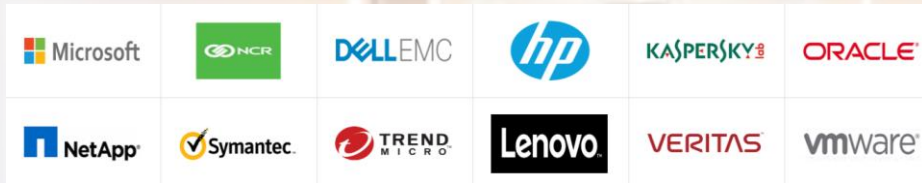
Koala-la Cotton Candy
Classic Indonesian Snacks

Holland Bakery
Indonesia Leading Bakery Chains



ASABA COMPUTER CENTRE

Transformation Towards Digital era



Financial Service Platform
PT Finpoint Solusi Indonesia



Digital Security Solution
PT. Indonesia Digital Security



Distribution Platform
PT zestHub Inovasi Mandiri



Cyber Security Consulting
PT Alpha Citra Siber Indonesia

Digital Platform Provider

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Training Services | IT Managed Service



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Thrive in Digital Era

Solution as a Service (SaaS) Provider



A Trusted **Digital**
Transformation Partner
for **Financial Services**
Business

We are providing a world class Digital Banking, CMS, Payment Switching, and Fraud Management solutions for Financial Service businesses, available as a Solution as a Service (SaaS) platform or a managed service

Our intention is to expedite digital transformation initiative and become an efficient and more competitive business with less risk and hassle free

International Partners



BPC Banking Technology

An international banking and payments technology firm with 230+ clients include leading financial institutions in more than 90+ countries and several of the world's largest banks. We provide long-term support and partnership for our customers, that's why we have global network of 19 offices, all with local language support.



Digital Bank

The Future of Banking Industry

Contact me:

Wirianto Widjaja

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Conclusions

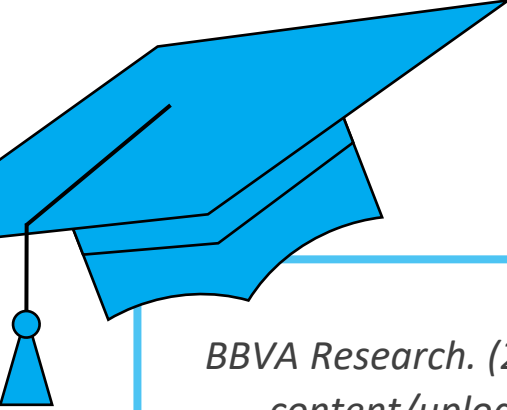
Digital era promotes transformation and disruption in many aspects of life, social, and businesses, including in Financial Service Industries

A digital bank (also known as an neobank, online bank, internet-only bank, virtual bank or digital bank) is a type of direct bank that operates exclusively online without traditional physical branch networks.

Digital Bank don't replace traditional banks. Some allow to link your traditional bank accounts to the neobank to enjoy the best of both worlds.

Neobank/Digital Bank is one of the manifestation of digital transformation in FSI. It also serves as strategy and tools to launch cutting-edge business innovation, tap into new opportunities and in many cases promote unprecedented growth.

With correct strategy, Neobank can be adopted with manageable risk and less hassle.



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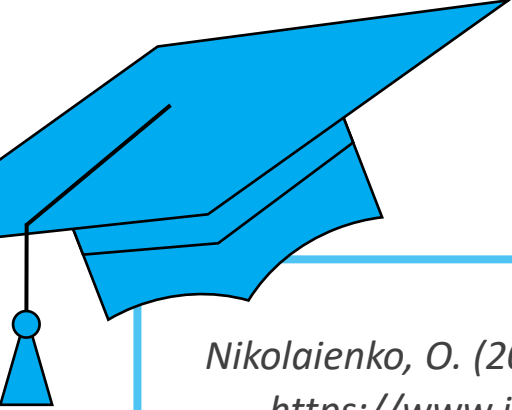
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