

COMPETITION AND ANTITRUST; CONSUMER PROTECTION

POJK 22/2023 Reminder: Key Reporting and Compliance Obligations in the Financial Services Sector



Starting from November 2024, Indonesia's financial services industry will be subject to several important consumer protection obligations under Financial Services Authority (*Otoritas Jasa Keuangan* or "**OJK**") Regulation No. 22 of 2023 on Consumer and Public Protection in the Financial Services Sector ("**POJK 22/2023**"). While POJK 22/2023 has been in effect since 20 December 2023, it is important for financial service providers to be aware of the key obligations coming into force in November 2024. These obligations, which are part of the broader implementation of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (commonly called the P2SK Law), focus on strengthening consumer protection within the industry. This client alert serves as a timely reminder of these upcoming requirements and provide guidance on ensuring compliance.

As a refresher, POJK 22/2023 emphasises seven core principles designed to protect consumers:

- Adequate education.
- Disclosure and transparency of product and/or service information.
- Fair treatment and responsible business practices.
- Protection of consumer assets, privacy, and data.
- Effective and efficient complaint handling and dispute resolution.
- Enforcement of compliance.
- Fair competition.

Financial service providers must integrate these principles into all their operations. Failure to comply with these principles can result in serious penalties, including fines of up to IDR15 billion or even the revocation of products or business licenses.

As the financial services industry continues to adapt to these core principles, it is crucial to stay ahead of the regulatory obligations that reinforce them. With upcoming deadlines approaching, we have highlighted the following obligations from POJK 22/2023 below.

Reporting on Financial Literacy and Inclusion Realisation

POJK 22/2023 requires all financial service providers to regularly report on the realisation of their efforts to promote financial literacy and inclusion. These reports must be submitted to the OJK twice a year, according to the following deadlines:

- **First semester:** 31 July of the current year.
- **Second semester:** 31 January of the following year.

For providers that are part of a financial conglomerate, each individual provider within the conglomerate must submit a separate report to the OJK.

If a provider is required to submit a business plan to the OJK, this report must be submitted earlier by 10 July 2024.

Failure to submit reports or submitting them late can result in penalties, including:

- Written warnings;
- Fines between IDR25 million to IDR50 million for failure to submit reports, depending on the nature of the provider's business activities; and
- Daily fines of IDR50,000 to IDR100,000 for late submissions, depending on the nature of the provider's business activities.

These penalties apply to **each individual report**. Therefore, it is essential for financial services providers to have robust reporting processes in place.

Reporting on Complaint Services

POJK 22/2023 also introduces new obligation timeline for reporting on how financial service providers handle consumer complaints. These reports, which cover the periods from January to June and July to December of each year, must be submitted to the OJK by the 10th of the following month. This means that the first deadline for this report is 10 July 2024, covering complaints received from January to June 2024.

Upcoming Obligations for 2024 and Beyond

As part of the ongoing compliance under POJK 22/2023, financial service providers need to be aware of these upcoming deadlines:

- **Financial literacy and inclusion plan reports**

By **30 November** of each year, financial service providers must submit their **plans** for promoting financial literacy and inclusion in the following year. If the provider is part of a financial conglomerate, each provider within the group must submit its own report.

For financial service providers subject to the business plan obligation, the OJK specifically requires this report to be submitted by **30 November 2024**.

The penalties for failing to submit these plans or submitting them late are the same as those for the financial literacy and inclusion realisation reports (written warnings and fines ranging from IDR25 million to IDR50 million).

- **Adjustment of standard agreements**

All financial service providers must review and adjust their existing standard agreements to ensure they comply with the requirements of POJK 22/2023. Any adjustments must be made by **31 December 2024**.

Failure to adjust these agreements can result in serious consequences, including:

- Restriction or suspension of products/services;
- Dismissal of corporate management;
- Fines of up to IDR15 billion; or
- Revocation of licenses.

It is important to note that these penalties can be imposed with or without prior written warnings.

- **Future timeline for specific financial institutions**

In addition to the above obligations, POJK 22/2023 also outlines specific compliance deadlines for different types of financial institutions:

- **Microfinance institutions:** Must comply with POJK 22/2023 by 12 January 2027 (within three years from 12 January 2023).
- **Cooperatives engaged in financial services activities:** Must comply with POJK 22/2023 starting on 12 January 2026.
- **Digital financial asset trading companies:** Consumer protection provisions for will apply starting on 12 January 2025.

Conclusion and Next Steps

POJK 22/2023 marks a significant step in strengthening consumer protection within Indonesia's financial services sector. To ensure compliance and avoid potential penalties, financial service providers should take swift actions, including reviewing and updating their reporting mechanisms and standard agreements to ensure that they fulfil the new requirements under POJK 22/2023.

Additionally, specific institutions such as microfinance Institutions, cooperatives engaged in financial services, and digital financial asset trading companies should pay close attention to the specific deadlines outlined in POJK 22/2023.

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