The Role of Regulatory Sandboxes and Innovation Hubs in Fostering Innovation in Insurance

OECD-ADBI-IRDAI
Roundtable on Insurance and Retirement Saving in Asia
May 24-25, 2023
Hyderabad City, India

Indonesia Financial Services Authority
(Otoritas Jasa Keuangan)
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Background and Objectives of OJK Regulatory Sandbox

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Background

Innovation and Business Models

Regulation Development

Framework to support innovations

"Light Touch & Safe Harbour"approach

Tools to identify types of innovations

Testing ground for innovators's business models & IT

Market

105 Digital Financial Innovators

15 Clusters of business models (including insurtech)

3 clusters of business models graduated from regulatory sandbox and continue licensing process

- Project financing business model – clustered as Securities Crowdfunding
- Social network business model– clustered as Marketing Partners of Securities Traders
- Online gold depository business model – follow pawnshop regulations

Objectives

Encourage innovations in the financial services sector

Regulatory Development

Consumer Protection

Provide space for collaboration and information exchange

OJK Regulatory Sandbox Mechanism

testing mechanism conducted by Financial Services Authority to assess business processes, business models, financial instruments and governance of innovators.

1

Fintech Business Innovation

activity of updating business process, business model, and financial instrument which provides novel added value in the financial services sector by involving digital ecosystems.

2

Phase 1: Application (recording)

to Financial Services Authority by using the form listed in the Attachment in the POJK 13/2018 or GESIT (OJK Minisite)

3

Phase 2: Regulatory Sandbox

1. Recommended
2. Not Recommended
3. Correction

4

Registration

Phase 3: Registration

Submit registration /license application to the Financial Services Authority

Digital Innovations:
Solution for Indonesia's Challenges in Financial Inclusion & Literacy

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Challenges

- Financing gap US$ 165 billion (OJK, 2020)
- Low velocity of money ratio compared to neighboring countries (Grab, 2019)
- Country with many islands but with limited IT infrastructure
- Unequal Economic distribution

Eligibility Criteria For Regulatory Sandbox

- Innovative and forward looking
- Utilize technology in service delivery
- Beneficial and widely usable
- Can be integrated with existing financial services
- Enhance financial inclusion and literacy
- Adopt a collaborative approach
- Data and consumer protection

Recent Development and Way Forward

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RECENT DEVELOPMENT

Law Number 4 of 2023 concerning Financial Sector Ombinus Law
Law Number 27 of 2022 concerning Personal Data Protection

Omnibus Law in Financial Sector

- Strengthening the legal framework for Fintech providers, give legal certainty and protect society from illegal practices.
- Enhancing coordination in regulation and supervision for market efficiency.
- Strengthening the role of fintech associations to support oversight by authorities.
- Emphasizing the needs to regulate crypto-asset

Personal Data Protection

- Safeguarding privacy, ensure individuals have control over their personal information, prevent unauthorized access, use, or disclosure of personal data.
- Requiring companies to implement robust data protection policies and practices; including accountable data processing activities, transparency, and seek consent when necessary.

WAY FORWARD

Supervisory Technology

Enhancing Synergy

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THANK YOU