

## Client Alert

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## Bank Indonesia Launches an Indonesian Standard for QR Codes on Independence Day

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### Recent development

As part of Indonesia's Payment System 2025 Visions that were introduced in May this year, Bank Indonesia ("BI") has launched a national standard for quick response ("QR") codes called the Quick Response Code Indonesian Standard ("QRIS"). This standard will have to be used for all electronic payments that use QR codes (e.g., server-based electronic money, electronic wallet or mobile banking) in Indonesia.

The QRIS was officially launched on 17 August, following pilot programs in September-November 2018 and April-May 2019 as well as the issuance of BI Members of Board of Governors Regulation No. 21/18/PADG/2019 on Implementation of the National Standard for Quick Response Codes for Payments ("PADG 21/18") on 16 August. The implementation of QRIS is expected to make the payment system more efficient, boost financial inclusivity and support the micro, small and medium enterprises segment.

### Overview

The QRIS was prepared by BI and the Indonesian Payment System Association (*Asosiasi Sistem Pembayaran Indonesia* ("ASPI")) based on the international EMV Co standard. ASPI has been appointed as the standardization institution that is responsible for both the creation and management of the QRIS.

In the initial stage, BI is focusing on implementing the QRIS in the merchant-presented mode, where the merchant will display the QR code to be scanned by the customer. This is the opposite of the customer-presented mode, where it is the customer that displays the QR code to be scanned by the merchant.

### Key implications

#### Implementation of the QRIS

A payment transaction using the QRIS will involve the following parties:

- i. a payment system service operator (i.e., a front-end operator, such as an electronic money or debit/credit card issuer or acquirer)
- ii. a switching institution (i.e., an institution appointed by BI to carry out switching activities in the national payment gateway and approved by BI to process QRIS transactions)



- iii. a merchant aggregator (i.e., a party that (i) carries out merchant acquisition activities and (ii) settles payouts from QRIS transactions to the merchants, under BI-approved cooperation with the payment system service operator)
- iv. a national merchant repository manager (i.e., a manager of a system that administers merchants' data, which may be BI or another party that it appoints)

Under PADG 21/18, a payment system service operator must obtain prior approval from BI to provide QR code-based payment services. To obtain the approval, the operator must submit the required documents set out under PADG 21/18. If the operator took part in the QRIS pilot program(s), the required documents will be different.

In addition to the approval requirement, the operator must also obtain a QRIS document (containing the technical and operational specifications of the QRIS) from the standardization institution.

The maximum nominal amount of each QRIS transaction is IDR 2 million. The electronic money or card-based payment instrument issuer may also determine a maximum daily/monthly cumulative nominal amount of QRIS transactions conducted by each customer depending on its risk management.

The scheme and fee for the processing of QRIS transactions is determined by BI, who may take into consideration any recommendations by the standardization institution.

#### *Payment transactions using offshore-administered source of funds or payment instruments issued outside Indonesia*

The obligation to use the QRIS for QR code-based transactions also applies to payment transactions using offshore-administered source of funds or offshore-issued payment instruments that are conducted in Indonesia (e.g., QR code-based payment services used by foreign tourists to conduct transactions in Indonesia).

In line with BI Regulation No. 20/6/PBI/2018 on Electronic Money, QRIS transactions using offshore-administered source of funds or payment instruments issued outside Indonesia may only be done through cooperation with an issuer/acquirer in the form of a BUKU 4 bank (i.e., a bank established under the laws of Indonesia with a core capital of at least IDR 30 trillion). In such case, the bank will have to obtain prior approval from BI to enter into the cooperation and process QRIS transactions.

#### *Transitions*

The QRIS will be implemented nationwide from 1 January 2020. Existing market players are provided a transitional period up to 31 December 2019 to migrate to implementing the QRIS and obtain any required approvals from BI. BI considers that any cooperation between a payment system service operator and a party that carries out functions as a merchant aggregator (but not as a payment



gateway operator) in QR code-based payment transactions existing prior to the issuance of PADG 21/18 is cooperation that requires approval from BI by 31 December 2019.

## Closing

The QRIS is intended to minimize fragmentation caused by the various QR code standards currently in place. According to BI, as of mid-August 2019, there are 26 QR code-based payment service providers (banks and non-banks) with differing models and specifications. With the QRIS in place, merchants will no longer need to implement different standards of QR codes from different issuers. Consequently, the QRIS will contribute to the creation of a more interconnected and interoperable payment system.



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