The Digitalization of Mutual Fund Distribution in Indonesia

Deputy Director of Investment Management Licensing
Investment Management Directorate
Financial Services Authority
November 2\textsuperscript{nd}, 2018
• AUM and Mutual Fund Products increase significantly year by year
• On average, Mutual fund AUM grow 21% per year, and 244 additional products every year.

• In line with the growing of AUM and number of products, investors of mutual fund increase 29% every year since 2014
• New investors mainly come from digital platform during these past 3 years.
• However, it is only 0.3% of the total population of Indonesia investing in Mutual Fund

*The potential for Mutual Fund to grow continuously can be leveraged by digitalizing Mutual Fund distribution across Indonesia*
Mutual Fund Online Digital Platform in Indonesia

Outlets
- Mobile Apps
- E-Commerce
- E-Money
- HR Consultant
- Online Transportation
- Investment Advisor
- Cooperative
- P2P Lening Platform

14 DIGITAL PLATFORMS

Selling Agent
- Banks
- Securities Companies
- Securities Companies specialized in selling mutual fund

18

13

Investment Manager
Direct selling through digital platform

Online Transaction in Trillion Rupiah (per year)

Source: Financial Services Authority and Selling Agent Report, 2018
Mutual Fund Digital Ecosystem

Payment

e-commerce

Consultant

Internet & Mobile Banking

Fund Manager & Selling Agent Platform
Efforts to Increase Mutual Fund Investor Base Through Digitalization

- Regulations Related to Electronic Transaction and Payment
- Integrated Investment Management System (S-Invest)
- Allowing Fund Manager and Selling agent to Cooperate with Outlets to Grab its Customer Base
- Intensive Discussion with Market Players and FinTech Community
- Increased Investor Base Penetration
Since Indonesia is an archipelagic country, we aware that the digitalization of mutual fund distribution is important, so that we have allowed mutual fund to be transacted electronically since 2014...

OJK Circullar Letter Number: 7/SEOJK.04/2014 Concerning Guidelines to Subsctiption and Redemption of Mutual Fund Electronically

- Allowing mutual fund to be transacted electronically by Investment Manager and Selling Agent
- Setting up requirements for Fund Manager and Selling Agent to perform mutual fund transaction through electronic platform, including the reliability and the security of electronic platform (recommended by Information Technology Ministry)

OJK Regulation Number: 23/POJK.04/2016 Concerning Mutual Fund in the Form of Collective Investment Contract

- Providing more detail requirements and procedures to transact mutual fund electronically
- Allowing electronic payment (E-Money)

OJK Circullar Letter Number: 51/SEOJK.04/2016 Concerning The Implementation of Mutual Fund Distribution Through Outlets

- Setting up requirements and procedures for distributing Mutual Fund electronically through outlets
Digital Consumer Protection

**Investor Data**
- Confidentiality of customer data (Article 47 of Law No.8 of 1995)
- Location of Data Center (Article 17 Paragraph 2 of Government Regulation No.82 of 2012)

**Investor Assets**
- Fund transfers (subscription & redemption) are only execute between the custodian bank account and the investor account (Article 17&22 of OJK Rule No.23/POJK.04/2016)
- The assets of an Investment Fund must kept with a Custodian Bank (Article 25 Law No.8 of 1995)
- Liquidity of redemption fund (max 7 day) (Article 24 of OJK Rule No.23/POJK.04/2016)
- Buy back by Investment Manager provision (Article 20 Paragraph 2 of Law No.8 of 1995)

**Electronic Transaction System**
- Electronic system provider Lisence from the Ministry of Communication and Information (Article 35 Paragraph 2 of OJK Rule No.23/POJK.04/2016)
- OJK Approval of electronic transaction system (chapter 3 number 1 letter c of OJK Circular Letter No. 7/SEOJK.04/2014)
- System reliability (chapter 3 number 5 of OJK Circular Letter No. 7/SEOJK.04/2014)

**Information Disclosure**
- Custodian Confirmation Letter to the customer (Article 28 of OJK Rule No.23/POJK.04/2016)
- Custodian Monthly Report to the customer (Article 29 of OJK Rule No.23/POJK.04/2016)
- Availability of Fund Prospectus (information (including investor rights and obligations, information about funds, provisions related to transactions and fees) (Article 71 of Law No.8 of 1995)

**Complaint Handling**
- Consumer complaint service in the financial services sector (OJK Rule No.18/POJK.07/2018)
- Mutual Fund Investor Complaint resolution (Article 42&43 of OJK Rule No.43/POJK.04/2015)

---

**INFRASTRUCTURE**
- S-INVEST Platform
- E-monitoring System
- ARIA System

**SUPERVISION**
- Licensing (Entities, Product & Person)
- Monitoring (Based on Report)
- Supervision (Regular and Irregular)

**ENFORCEMENT**
- Administrative Fine
- Certain Supervision Action
Thank You