



Issue 8 | March 2025

Financing Company Regulations Amended in OJK Regulation No. 46/2024

From the proliferation of buy-now, pay-later services to tougher capital and governance requirements, Indonesia's Financial Services Authority (“**OJK**”) is ensuring the regulatory framework for financing companies remains up to date with the latest developments.

OJK Regulation No. 46 of 2024 on the Development and Strengthening of Financing Companies, Infrastructure Financing Companies, and Venture Capital Companies (“**OJK Reg. 46/2024**”) was issued as part of broader financial sector reforms, aligning with Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector.

The regulation focuses on improving governance, capital structure, and risk management for financial service institutions. It applies to various entities, including financing companies, sharia financing companies, infrastructure financing companies, venture capital companies, and sharia venture capital companies. By introducing stricter licensing, operational, and compliance requirements, OJK Reg. 46/2024 seeks to strengthen the sustainability of these institutions, contributing to greater financial stability and consumer protection.

This advisory focuses on the amendments to the key pillars of financing company regulations under OJK Reg. 46/2024, specifically:

- OJK Regulation No. 10/POJK.05/2019 on the Implementation of the Business of Sharia Financing Companies and Sharia Business Units of Financing Companies (“**OJK Reg. 10/2019**”);
- OJK Regulation No. 35/POJK.05/2018 on the Implementation of Financing Company Business (“**OJK Reg. 35/2018**”); and
- OJK Regulation No. 47/POJK.05/2020 on the Business and Institutional Licensing of Financing Companies and Sharia Finance Companies (“**OJK Reg. 47/2020**”).

A. IMPORTANT CHANGES TO OJK REG. 47/2020

OJK Reg. 46/2024 introduces various changes to the licensing requirement for financing companies (*perusahaan pembiayaan* – “PP”) and sharia financing companies (*perusahaan pembiayaan sharia* “PPS”) that were previously governed by OJK Reg. 47/2020.

Below are some of the key updates in OJK Reg. 47/2020:

No.	Material Changes	Remarks
1.	Form of legal entity and ownership of PP and PPS	<p>a. PP and PPS may now be in the form of a Limited Liability Company or a Cooperative.</p> <p>b. PP and PPS must identify their beneficial owners in compliance with the laws and regulations related to anti-money laundering, terrorism financing, the proliferation of weapons of mass destruction, and other financial crimes.</p> <p>c. Foreign ownership limits will be set by government regulation. Pending issuance of this regulation, the foreign ownership cap is 85%. Companies holding a business license at the time this regulation is issued, with foreign ownership exceeding 85%, will be grandfathered from this requirement provided their ownership structure remains unchanged.</p>
2.	Ease of opening a branch office of a PP	Previously, approval from the OJK was required to open a branch office. Now, the company only needs to report the opening to the OJK.
3.	Requirement to split the sharia unit business (<i>unit usaha sharia</i> – “UUS”)	If the UUS of a PP reaches a core capital of at least IDR100 billion and its assets account for at least 50% of the total assets of the PP, the PP must separate the UUS by either establishing a new PPS or transferring the USS to an existing PPS.
4.	Change of ownership in a publicly listed PP and PPS	<p>A change of ownership in a publicly listed PP and PPS only requires OJK approval if there is a change in the controlling shareholder of the company.</p> <p>If a publicly listed PP or PPS amends its paid-up capital without changing the controlling shareholder, the company only needs to submit a report to the OJK no later than 10 business days after change in paid-up capital.</p>

B. IMPORTANT CHANGES TO OJK REG. 35/2018 AND OJK REG. 10/2019

OJK Reg. 35/2018 and OJK Reg. 10/2019 govern the operational implementation of PP and PPS, respectively. The following covers some changes introduced by OJK Regulation 46/2024, which apply to both PP and PPS.

Financing Services Business Agreement

Previously, every financing agreement between a PP and a debtor had to be set out in a written agreement. However, with the enactment of OJK Reg. 46/2024, the scope of “written agreements” has been expanded to include agreements made in printed and/or electronic form through an electronic system.

Recognition of digital financing for PP and PPS

The regulation now formally allows the possibility of PP and PPS providing digital financing services (commonly known as buy-now, pay-later) to customers. Digital financing is defined as a service provided by financing companies (or sharia financing companies) that utilize electronic systems to offer debtors and/or prospective debtors access to financing facilities and/or services from the company’s partners. This can be carried out independently by debtors and/or prospective debtors.

Now, under OJK Reg. 46/2024, a PP can provide digital financing services through working capital financing and multipurpose financing models. Meanwhile, a PPS can provide digital financing services through sale and purchase financing and service financing.

In carrying out digital financing activities, several key requirements must be met, including, among others:

- a. establishing standard procedures for business activities that use information technology.
- b. ensuring that at least one member of the Board of Directors (“**BOD**”) and one executive directly below the BOD, responsible for information system management, hold a professional competency certification in information technology.
- c. employing staff who have at least three years of experience and expertise in information technology, and can develop, modify, and delete electronic systems used by the PP and PPS.

In addition to the above, PP and PPS providing digital financing services must implement credit scoring assessments. For this, the BOD must prepare guidelines for the credit scoring assessments.

Capital Requirements

PP and PPS must maintain core capital of at least IDR 100 billion. Capital consists of core capital and supplemental capital. Core capital is defined as capital from non-debt instruments that do not have the characteristics of liability. Supplemental capital, which is sourced from debt instruments, is also non-liability and is capped at a maximum of 100% of the core capital. Meanwhile, the ratio of core capital to paid-up capital must be at least 50%.

General Prohibitions

- a. PPs are prohibited from entering into engagements, agreements or setting requirements that compel them to provide financing that would violate the Maximum Financing Limit (*Batas Maksimum Pemberian Pembiayaan* – “**BMPP**”).

PPs must comply with BMPP provisions for related parties, which are capped at a maximum of 50% of the PPs capital.

- b. PPs are prohibited from insuring or collateralizing non-performing financing receivables.
- c. PPs are prohibited from using insurance or guarantee mechanisms that limit the value of insurance claims to a percentage of the premium value.

C. CONCLUSION

OJK Regulation No. 46/2024 brings stricter governance, higher capital requirements, and clearer compliance rules to strengthen Indonesia’s financial sector while fostering innovations such as digital financing. Businesses must adapt to new standards in capital, risk management, and reporting obligations. While these regulations may require operational changes, they also present opportunities to enhance market confidence. To ensure a smooth transition, companies should assess their compliance needs and seek legal guidance to maximize the benefits of a more secure financial framework.

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