

Charting Ethical Frontiers in the Indonesian Fintech Industry: OJK Unveils the Ethical Guidelines on the Use of Artificial Intelligence for Fintech Revolution

Prepared by:

Mika Isaac Kriyasa (Partner), Leonardo Richo Sidabutar (Senior Associate), and Thalia Kalista (Associate)

Indonesia has witnessed a remarkable surge in financial technology (“**Fintech**”), transforming the landscape of banking, payments, and other financial services. As of October 2023, there were 101 (one hundred one) licensed Fintech companies operating in Indonesia, according to the data published by the Indonesian Financial Service Authority (*Otoritas Jasa Keuangan* or “**OJK**”). As the industry continues to evolve, so do the challenges and responsibilities associated with the implementation of cutting-edge technologies like Artificial Intelligence (“**AI**”). Recognizing the potential risks and benefits, OJK has taken a proactive approach by issuing ethical guidelines, acknowledging the need for a balanced and responsible integration of AI in the Fintech industry.

On 24 November 2023, in collaboration with four leading Fintech associations in Indonesia, OJK launched the ethical guidelines on AI use in the Fintech industry at the 5th Indonesia Fintech Summit & Expo (IFSE) 2023. The four Fintech associations were the Indonesian Fintech Association (AFTECH), Indonesian Sharia Fintech Association (AFSI), Indonesian Fintech Lending Association (AFPI), and Indonesian Crowdfunding Services Association (ALUDI).

According to Joint Press Release No. SP-172/GKPB/OJK/XI/2023 dated 24 November 2023 the issuance of the ethical guidelines is expected to serve as a reference for the associations in formulating a “code of conduct” to optimize the functions of AI in the Fintech industry. This is aimed at enabling AI to contribute to the development of innovations in the Fintech industry and mitigating potential risks that may arise in the future.

As stated by Hasan Fawzi, the Chief Executive of Technology Innovation, Digital Assets, and Crypto Assets Supervision of OJK, “The launch of this ethical guidelines proves OJK’s commitment to continuing to cooperate and collaborate with industry actors and associations. OJK also consistently embraces positive innovation and provides clear guidance for stakeholders in the financial technology industry to ensure AI implementation is responsible and can be trusted.”

Further emphasizing the importance of this initiative, Mahendra Siregar, the Chairman of the Board of Commissioners of OJK, discussed the pivotal role of technology in national development. He added “It is

important to remember that without sustainability, there is no survival. Every technological advancement must be accompanied by responsibilities, one of which is protecting data and consumers in their use of digital finance, which is the main pillar in building strong trust amidst the dynamics of the digital financial world. Good Corporate Governance (GCG) and Governance Risk Compliance (GRC) play a crucial role in ensuring that financial institutions and digital financial service providers carry out their operations transparently and ethically, and in compliance with applicable regulations.”

The ethical guidelines titled Responsible and Trusted Artificial Intelligence in Fintech Industry (“**Ethical Guidelines**”), set to be accessible on each association’s website, will serve as a valuable resource for the public. It provides a framework for Fintech providers (members of the associations) to ensure responsible and ethical use of AI in the industry, focusing on the following principles:

A. Based on *Pancasila*

Fintech providers commit to aligning the development and utilization of AI with national interests and ethical responsibilities grounded in Pancasila values. The principles’ supporting elements include the realization of the ideals of fairness, diversity, and representation, as well as relevant ethical standards.

B. Beneficial

Fintech providers aim to create AI applications that contribute value to business operations, enhance consumer well-being, improve decision-making, reduce inequality, promote financial inclusion, and support sustainable economies, to optimize its benefits for humans and the environment. Increasing user welfare and preventing harm, improving decision-making capacity, expanding financial inclusion, and promoting inclusive and sustainable growth are some of the aspects that promote this positive principle.

C. Fair and Accountable

AI applications must be fair and accountable, considering factors like validity, accuracy, non-discrimination, and adherence to human rights, diversity, and consumer protection. To do so, Fintech providers must ensure that AI applications do not harm consumers, violate privacy, or lead to discrimination, addressing challenges such as black-box processing. Fintech providers are also encouraged to establish a risk mitigation framework to ensure algorithms, code, input data, and supporting elements align proportionally with AI application goals.

The consistent use of data, algorithms, and programming code; the suitability and updating of technology in the context of developing models and algorithms; the creation of user-friendly and responsive products; the continuous testing (or continuous learning) of algorithms; data integrity and privacy; data collection in compliance with privacy laws and processing requirements; management's involvement in decision-making and that of other relevant parties; and the scalability of supporting infrastructure, data, algorithms, and models all support the application of this principle.

D. Transparent and Explicable

Fintech providers are urged to explain AI processing to consumers comprehensively, promoting transparency and accountability. Providing clear explanations of AI processing, potential risks, and mitigation steps are strongly encouraged to enhance clearer determination of the responsibilities of the parties and consumer understanding.

Supporting elements for the application of this principle include human involvement (humans-in-the-loop), the creation of objective models and algorithms, their interpretability and validation, user involvement, consumer communication mechanisms regarding the use of AI, transparency regarding AI activities (disclosure) involving models, technology, input data, output, and processing mechanisms, legal accountability mechanisms, and consumer protection mechanisms.

E. Robustness and Security

Fintech providers must prioritize the robustness and security of AI applications, with considerations of the following aspects, among others:

- Ensuring parameters based on specific use cases and business models;
- Mitigating vulnerabilities to cyber-attacks and implementing recovery mechanisms in response to cybersecurity incidents;
- Ensuring AI applications are developed by qualified experts or certified individuals in the AI field;
- Conducting thorough and regular testing, learning processes, and validation for both technical processing and security aspects of AI applications to minimize errors or inconsistencies;
- Establishing standards demonstrating measurable validity, ensuring accountability to consumers in compliance with relevant regulations.

Data security, policies for testing and validating models and algorithms, testing and validating AI supporting infrastructure, testing and validating incidents and risks, the consistency of updating and recovering models and algorithms, the consistency of updating and recovering AI supporting infrastructure, the consistency of updating and recovering incident and risk, equitable access to test and validation results, technological updates to support resilience and security, and partnerships with industry players and technology providers are some of the supporting factors that help make application of this principle possible.

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The article above was prepared by Dentons HPRP's lawyers

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