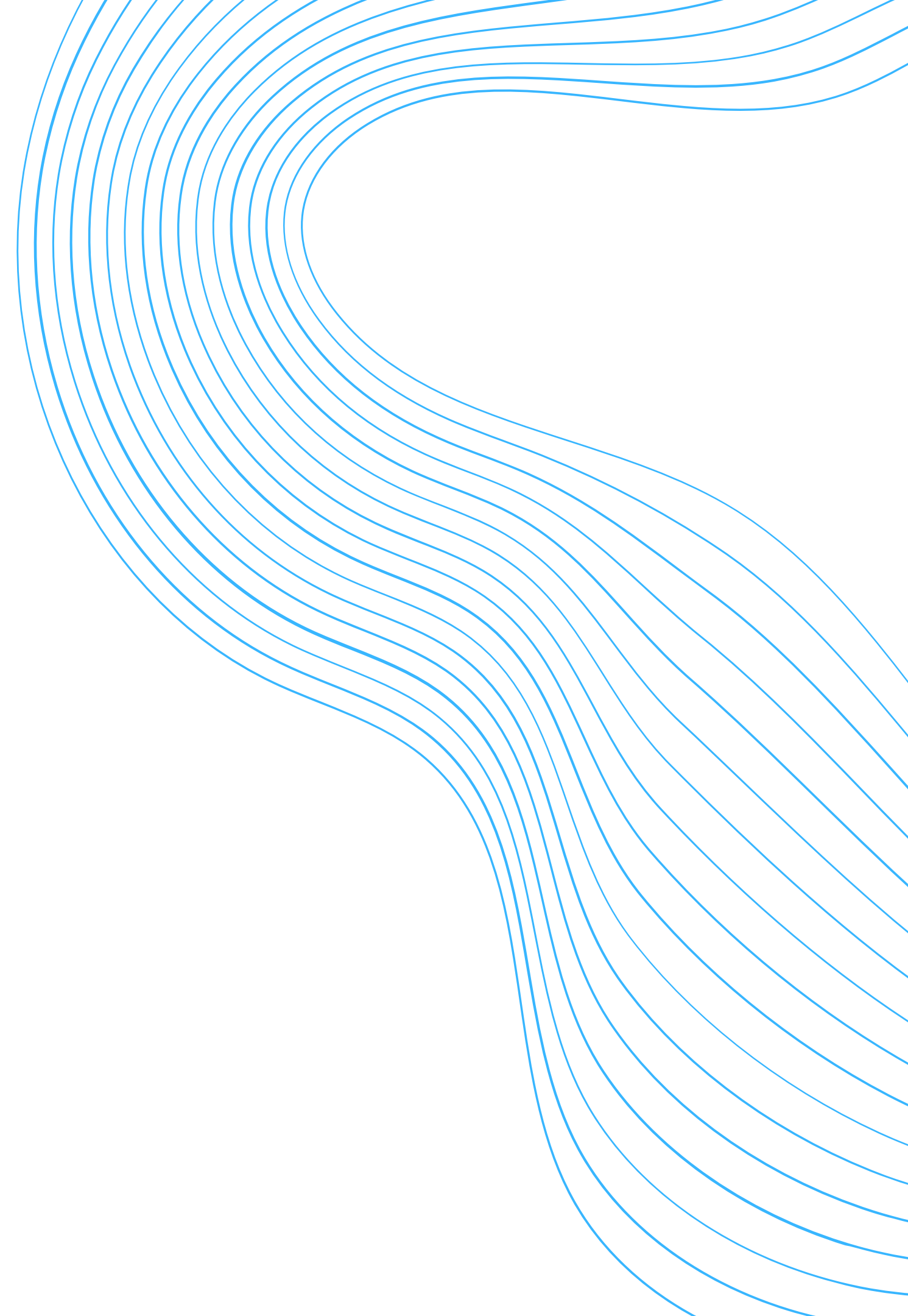


Governing Advanced Technology in Financial Services Sector

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Presentation Highlights

Usage of Advanced Technology in Financial Services Sector
Limitation and Risk
Regulatory Approach
OJK's DFI Roadmap



Usage of Advanced Technology in Financial Services Sector

Industry

Peer to Peer Lending

"Lending with algorithm without knowing a risk"

Digital Financial Planner

"Robot as advisor changing the nature of investment"

eKYC

"Remote and paperless process to simplify customer acquisition processing"

RegTech Program

"A new technology that uses IT to enhance regulatory process"

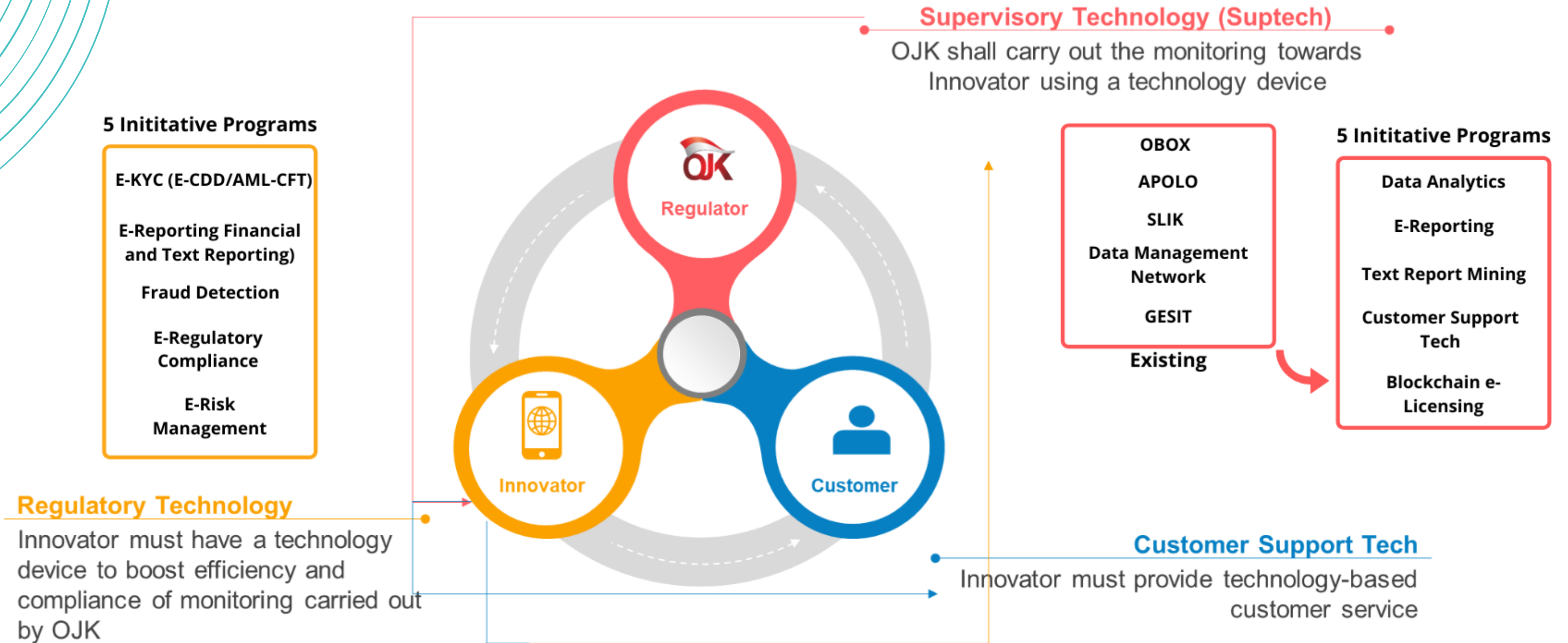
Regulator

SupTech Program

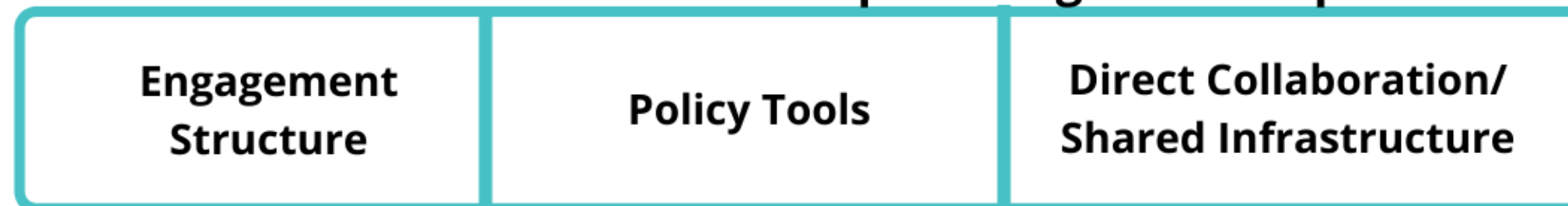
"The application of emerging technology to improve how supervisory bodies conduct supervision"

"The more sophisticated algorithms used and the more data involved, the more predictive and accurate the output"

Technology as The Mean of Everything for Fintech-Related-Compliance



3 Broad Areas in Adoption RegTech & SupTech





Limitation and Risk of Advanced Technology Usage in Financial Services Sector

- The number of missing features on the dataset -> Data validity concern.
- Risk level of misclassification -> False Positive and False Negative.
- Interconnectedness Problem.
- Advanced technology (such as machine learning algorithm) as artificial financial gatekeeper are prone to moral hazard. The technology/algorithm do not act independently as traditional gatekeeper because the model were developed by Fintech itself.
- Algorithms/Advanced Technologies are the mirror of human bias and values
- Noise and bias could affect accuracy

Regulatory Approach

Data Driven Approach

"In most of the advanced technology such as machine learning, having more data is almost more important than having better algorithm"

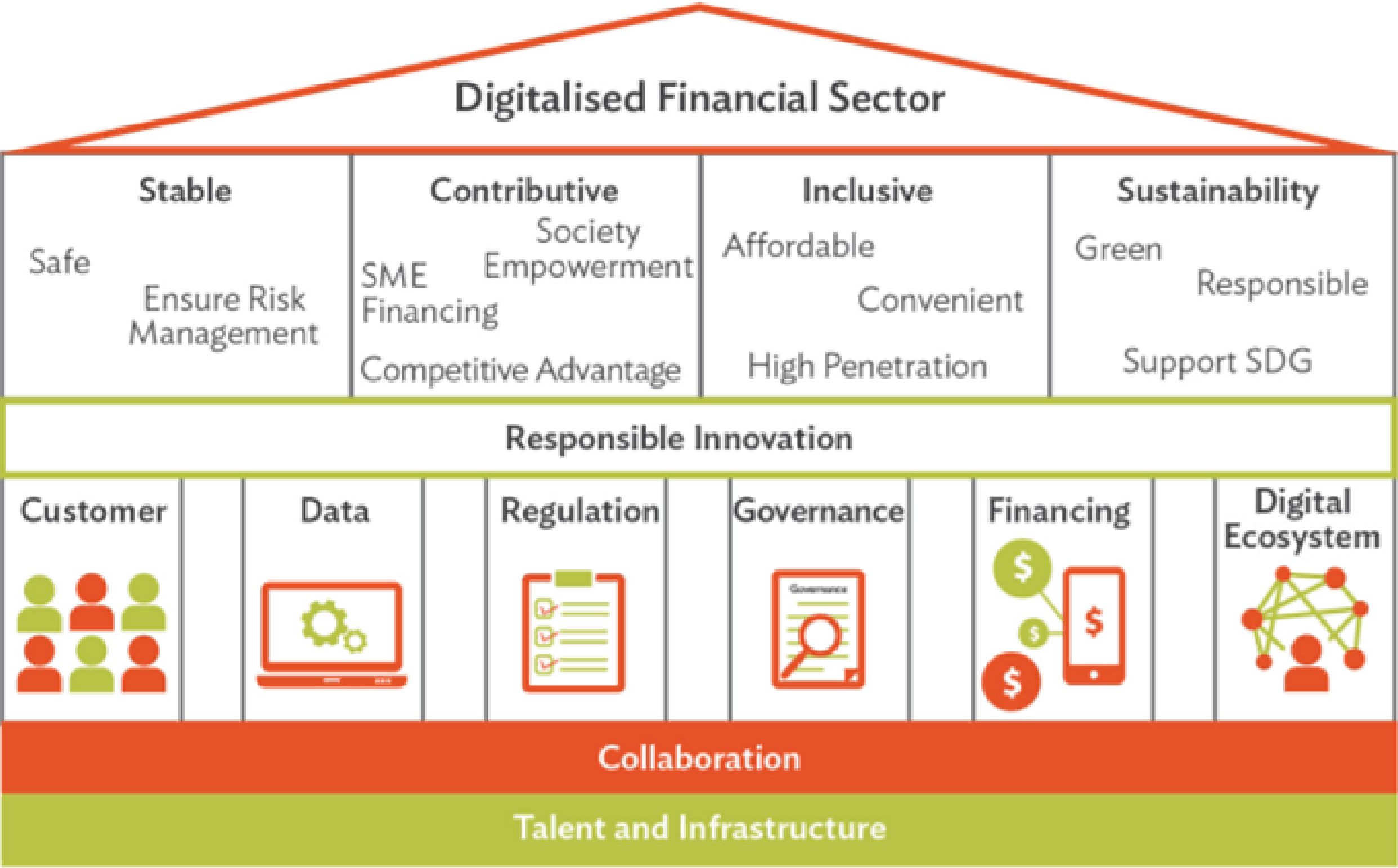
- Focus on the data harmonisation and data driven supervisory action.
- Ensure the accountability and validity of data.
- Skillset to contextualize the data.

Code- Driven Approach

"Changing the rule of the games by combining the capability of human and technology in financial services regulation"

- Build an adaptive, reliable, and governable automated supervisory tools.
- Make a control of the algorithm (in this case in Indonesia, OJK has initiated Regulatory Sandbox approach to see and get an access to the algorithm).

OJK's DFI Roadmap





THANK YOU

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