

BANK INDONESIA
PADG 18/2024: IMPLEMENTING REGULATION ON DISPUTE SETTLEMENTS
IN FINANCIAL SECTOR

February 2025

Bank Indonesia (“BI”) has issued implementing regulations for the LAPS-SK or Alternative Institution for Dispute Resolution in the Financial Sector (“PADG 18/2024”). In September, we published a client alert on the LAPS-SK¹ which is designed to strengthen the financial dispute resolution sector.

Key Highlights

Establishment of LAPS-SK – LAPS-SK will be licensed by BI and will be in the form of an association (*perkumpulan*). The structure of LAPS-SK comprises the following organs: (1) manager (*pengurus*), and (2) supervisor (*pengawas*). Candidates of each organ shall go through an interview process to assess their respective qualifications, and BI will issue its approvals of the selected candidates.

Regulations issued by LAPS-SK – LAPS-SK may issue written regulations that contain the materials regarding the settlement of disputes between customers and the Organizers (as defined bank and non-bank institutions supervised by BI), among others: (1) dispute mechanism, (2) fees, and (3) code of ethics.

Dispute Resolution – Under PBI 3/2024 and PADG 18/2024, mechanisms for dispute resolution through LAPS-SK are as follows: (1) direct face-to-face resolution; (2) online meeting; and/or (3) document inspection.

Mediators and Arbitrators of LAPS-SK – LAPS-SK is required to have a list of mediators and arbitrators qualified and eligible in resolving the financial disputes related to (1) payment system; (2) money service; and (3) money market and foreign exchange market. The list of mediators and arbitrators will be valid for 3 (three) years and the manager of the LAPS-SK will assess the registered mediators and arbitrators before the period ends.

Under PADG 18/2024, if the mediation has reached a mutual agreement, it may be written into a deed of peace (*akta perdamaian*) (as intended by the parties involved), which can be done through an arbitral process at LAPS-SK.

Requirements of Dispute – Disputes settled by LAPS-SK shall meet certain requirements/criteria as set out under PBI 3/2024 and PADG 18/2024. Further, LAPS-SK may handle disputes exempted from those criteria with the prior approval of BI.

¹ BI Regulation No. 3 of 2024 on Alternative Institution for Dispute Resolution in the Financial Sector (*Lembaga Alternatif Penyelesaian Sengketa* or “LAPS-SK”) (“PBI 3/2024”). PBI 3/2024 was as mandated under Law No. 4 of 2023 regarding Development and Strengthening of Financial Sectors.



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Sanctions – Non-compliance with certain provisions under PADG 18/2024 by LAPS-SK may be subject to the following sanctions: (1) administrative sanctions; (2) written warning; and/or (3) replacement of manager and/or supervisor.

The organizers (as the member of LAPS-SK) may also be subject to sanctions in the form of among other things, written warnings, restrictions or suspension of products, services, and/or business activities in parts or as a whole, revocation of product and/or service permits, and revocation of business permits.

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