

PRINCIPLES OF CODE OF CONDUCT
IN PROVIDING CREDIT SCORING SERVICES
IN A RESPONSIBLE MANNER
INDONESIA FINTECH ASSOCIATION
(AFTECH)

I. FOUNDATION

Considering:

- (a) With the growing number of Digital Financial Innovation (DFI) Operators, the innovative credit scoring business model cluster is a form of advancement in DFI and the growing financial technology market in Indonesia,
- (b) In an effort to avoid irresponsible practices, fill the legal absence, and to promote and maintain consumer protection in the Financial Services Sector and all related parties, the Indonesia Fintech Association needs to establish Principles of Code of Conduct in Providing Credit Scoring Services in a responsible manner as an effort to implement and supervise the principles of good market conduct.

In view of:

- 1. Indonesia Fintech Association's Articles of Association and By-laws
- 2. Financial Services Authority (OJK) Letter No. [] date [] pertaining to appointment of the Indonesia Fintech Association as the DFI organizing association.
- 3. The Principles of Code of Conduct for DFI in the Responsible Financial Services Sector dated February 2019, compiled by the Indonesia Fintech Association.

II. GENERAL PROVISIONS

(a) DEFINITION

- 1. The Indonesia Fintech Association (AFTECH), hereinafter referred to as the "**Association**", is an association of business actors officially appointed by the FSA as the official association of DFI organizers.

2. Principles of Code of Conduct in Providing Credit Scoring Services in a responsible manner, hereinafter referred to as the “**Code of Conduct**” are a set of principles and processes established based on mutual agreement of the Operators who have been registered as members that bind all members of the Association as a guide for ethics and responsible behavior for Operators that offer innovative credit scoring services.
3. Consumers are parties that utilize services available in banking financial service institutions, non-banking financial service institutions, and non-financial service institutions based on the laws and regulations in the financial services sector.
4. Unless otherwise stipulated, each definition and term used in this Code of Conduct refers to the Financial Services Authority Regulation that governs DFI in the Financial Services Sector.

(b) OPERATORS

1. The Code of Conduct is binding for each member of the association that offers innovative credit scoring services that are registered and / or registered with the FSA (hereinafter referred to as the “Operator”).

(c) SUPPORTING OPERATORS

1. Supporting Operators are data contributors to Operators, among others, banking financial service institutions, non-banking financial service institutions, credit information management institutions, electronic trading platforms that facilitate the provision of services to users or merchants on their platforms, offers information technology-based lending and borrowing services (*LPMUBTI*), telecommunications companies, electronic signature Operators, data center Operators, DFI Operators, and other supporting service Operators.
2. In addition to binding to the Operator, the Code of Conduct is also binding on other Operators that provide support services for Supporting Operators, who bind themselves to this Code of Conduct voluntarily based on the agreement as stipulated in the cooperation agreement and / or other agreements made by and between the Operator and the Operator Supporters.
3. In relation to point C. 1 above, the Operator is committed to providing or giving access to Supporting Operators to the text of the Code of Conduct.

(d) OBLIGATION TO COMPLY WITH APPLICABLE LAWS

1. Each Operator complies with every provision of laws and regulations, including among others:
 - a). The Law of Republic of Indonesia which regulates consumer protection,
 - b). The provisions of laws and regulations in the field of financial services stipulated by the Financial Services Authority related to consumer protection,
 - c). The provisions of laws and regulations in the field of communication and information technology related to personal data protection, data security and the administration of electronic transactions and systems and other related regulations,
 - d). Other statutory provisions, among others, are the Financial Services Authority Regulations governing DFI services and other applicable regulations relating to consumer protection.
2. The provisions in this Code of Conduct are prepared as complementary provisions for the obligations of the Operator as stipulated in the prevailing regulations and as a form of supervision of the principles of good market conduct.

(e) PROCESS FLOW

This Code of Conduct is a tool that consists of:

- a). The main points of setting the Code of Conduct.
- b). Technical guidelines or standard operating procedures (SOP) as the implementation of the main points of regulation.
- c). Simple compliance examination and supervision of the principles of good market conduct by the Association secretariat for Operators in the regulatory sandbox stage held by FSA.
- d). Subject to any gradual and periodic updates taking into account the readiness of the industry and external parties supporting the implementation of this Code of Conduct.

(f) GROUND RULES

This Code of Conduct is prepared based on the following basic principles:

1. Integrity and quality of credit scores that can be accounted for

Each Operator is committed to having integrity and applying the principles of good faith, among others, each Operator is committed to implementing and using a systematic and standardized assessment system methodology for the purposes of credit score assessment aimed at producing accountable quality credit scores and can fulfill the process historical objective validation and backtesting process.

2. Data source transparency and data processing

Each Operator is committed to prioritizing transparency of data sources, benchmarks, assessment system methodologies and criteria in data processing for credit scoring purposes. Each Operator can account for the specified credit score and can provide an explanation for the credit score given. The Operator is obliged to implement the principle of personal data protection in carrying out personal data processing in accordance with the provisions of the applicable laws.

3. Independence

In carrying out credit scoring service provision activities, each Operator is required to apply independence ethics and professional judgment to maintain the independence and objectivity of credit scores, not easily influenced, and not in favor of anyone's interests. Every credit score decision given by the Operator must uphold equality and not be discriminated against certain groups and / or groups.

4. Security Standards

Each Operator is committed to complying with the information system security and feasibility standards in accordance with the applicable laws and / or as stipulated by the FSA and / or other authorities.

III. LOGISTIC PRINCIPLES

(a) Integrity and quality of credit scores that can be accounted for

The quality of credit scores that can be accounted for

1. Each Operator is required to have operational basic SOP and have information technology system governance that meets feasibility and security standards, including but not limited to the use of artificial intelligence (AI) technology, machine learning (ML), cloud computing, feature engineering, algorithms and other data processing models used in data processing and / or credit score for decision making.
2. Each Operator will implement a systematic, comprehensive and standard credit score assessment system and methodology to ensure the accuracy of data and information in order to produce an accountable credit score quality that can fulfill the historical objective validation process and the backtesting process. Operators are required to ensure that credit score decisions are obtained based on thorough verification and analysis of all information and data known to the Operator.
3. Each Operator is committed to having various data sources and ensuring that data received in connection with credit scores is data as allowed by the FSA and / or as long as permitted by laws and regulations. In terms of obtaining data, in the event that an Operator cooperates with a financial service institution, the Operator is committed to process internal data belonging to the financial service institution in accordance with the needs of the financial service institution by complying with the applicable laws and regulations
4. Each Operator is committed to owning and devoting all appropriate resources, technology and infrastructure in a series of credit score assessment activities for each consumer, both individuals and business entities being assessed.
5. Operators are required to have employees who have sufficient expertise and competence to conduct credit score assessments, including but not limited to, in terms of the availability of information required for employees to conduct such assessments. The Operator is committed to taking reasonable actions so that the information used in credit score decisions is quality information to support a credible credit score result.
6. Further provisions regarding data verification procedures and assessment processes, as well as methodologies will be regulated in the periodic updating of the Code of Conduct.

Operator Integrity

1. Each Operator and its employees must comply with all laws and regulations in Indonesia.

2. Each Operator is committed to notifying the FSA and / or other authorities in the event of any new developments in credit scoring services that may affect the supervisory function of the FSA and / or the said authority.
3. Every employee of the Operators must be committed to providing services from professional Operators who are responsible and behave fairly and equally, in accordance with the provisions of company regulations and the Operator's SOP and Code of Conduct.

Good Faith

1. Each Operator is obliged to apply the principle of good faith by considering the interests of all parties involved in a balanced manner, as stipulated in the provisions of the DFI Code of Conduct in the Responsible Financial Services Sector.
2. Each Operator is obliged to apply the principle of good faith in the processing of consumer personal data which includes: acquisition and collection, processing and analysis, storage, correction and updating, appearance, announcement, transfer, distribution, or disclosure and / or deletion or destruction of personal data, as applicable, in a series of activities to provide credit scoring services.
3. In the event the Operator cooperates with financial service institutions and non-financial service institutions in the financial services sector, the Operator may only carry out such cooperation with institutions that are official and have been registered / registered / licensed at the FSA.
4. The Operator provides the results of credit score assessments submitted to financial service institutions and other parties which are supporting data that are additional information and / or alternative information and are not the main determinant in decision making for lending and / or other services to consumers for each Institution Financial Services that utilize the services of the Operators.
5. Each Operator is prohibited from using third parties that support the DFI ecosystem which are included in the black list of authorities and / or from the Association. The black list as intended will be compiled from time to time in the periodic update of the Code of Conduct.
6. Each Administrator must have and implement programs that support the national financial literacy and inclusion agenda. The implementation of the programs as

mentioned above can be carried out jointly with other Operators under the coordination of the Association as well as joint initiatives with FSA.

(b) Data source transparency and data processing

Transparency of data sources and Information Disclosure

1. Each Operator must comply with the provisions regarding Information Disclosure as stipulated in the DFI Code of Conduct in the Responsible Financial Services Sector dated February 2019, compiled by the Association.
2. Operators are required to have and carry out a consumer complaint service function, among others, a website, telephone, chatbot, e-mail, as well as providing an FAQ (Frequently Asked Questions) which can be accessed easily by consumers. Operators are required to have and implement a standard procedure and time for handling each consumer complaint.
3. Every Operator cooperates with Supporting Operators is obliged to ensure that the Supporting Operator carries out the standard procedure and time set for handling each consumer complaint.

Personal data processing

1. Each Operator is obliged to respect the personal rights of each individual with respect to the personal data it manages.
2. Personal data collection is carried out in a limited and specific manner, legally valid, fairly, with the knowledge and consent of the owner of the personal data;
3. Data processing includes obtaining, collecting, processing, analyzing, storing, disclosing, and deleting personal data belonging to consumers.
4. In connection with the provisions on transparency of data sources and information disclosure as stipulated above, each Operator is required to provide a privacy policy or protection of personal data which at least contains and / or explains:
 - a) Statement of consent from the owner of personal data;
 - b) How the Operator obtains personal data;
 - c) Purpose of obtaining personal data;
 - d) Types of personal data obtained and used;

- e) Type of processing carried out;
 - f) Disclosure actions taken and the parties receiving the disclosure;
 - g) Technical and organizational measures in place to maintain the security and confidentiality of personal data;
 - h) Personal data storage procedures;
 - i) The method for the owner of personal data to file objections, requests for changes, updates, deletions, and / or requests regarding data processing actions that have been taken in connection with their personal data.
5. Each Operator is obliged to comply with the provisions of the applicable laws and regulations concerning data management, including the provisions regarding the types of personal data that can be processed by the Operator and / or a list of prohibited data (blacklisted) which can be regulated at any time FSA, Associations, or other authorities and will be regulated later in the periodic updating of the Code of Conduct.
6. Further provisions regarding the forms of prohibited practices will be set out later in the periodic Code of Conduct update.

Data deletion and data storage

1. Each Operator is obliged to delete irrelevant electronic information and / or electronic documents under its control at the request of the consumer or the person concerned at the request of the owner of the data concerned or on the basis of a court decision, taking into account the criteria permitted under statutory regulations.
2. Each Operator is obliged to provide a mechanism by which personal data owners can apply for data deletion.
3. Without prejudice to the provisions regarding the deletion of personal data information, to the extent permitted by applicable laws and regulations, Operators are required to keep data information related to credit scores fairly for a period of 5 (five) years or other periods of shorter or longer time as permitted under laws and regulations that apply from time to time.

(c) Independence

1. Each Administrator must apply an ethics of independence and professional considerations to maintain the independence and objectivity of the credit score, not easily influenced, and not in favor of anyone's interests.
2. Every credit score decision given by the Operator must uphold equality and not be discriminated against by certain groups and / or groups and avoid conflicts of interest.
3. Cooperation between Operators and Supporting Operators must be made in writing and include the limitations, powers and responsibilities of each party.

(d) Security Standards

1. Each Operator is committed to complying with the information system security and feasibility standards in accordance with the provisions of applicable laws and / or as stipulated by FSA and / or other authorities.
2. To improve the feasibility and security of Operator's information systems, Operators are required to apply information security standards and meet certification standards as required by FSA, associations and / or other authorities. The Operator can be requested from time to time by the FSA, the Association and / or other authorities to adjust it to the renewal of the certification standard, as relevant.
3. Each Operator is required to locate a data center and disaster recovery center in Indonesian territory.
4. In the event that an Operator uses a data center and a disaster recovery center operated by a third party, the Operator is required to ensure the reliability and security of the data center and disaster recovery center, as well as ensuring service availability guarantees based on a service level agreement, to ensure the sustainability of services and operations of the Operator .
5. Each Operator is required to register itself and its electronic system at the Ministry of Telecommunications and Information Technology in accordance with the prevailing laws and regulations.
6. The infrastructure used by the Operator must:
 - a). Meet the legality aspect with the laws and regulations in Indonesia;
 - b). Meet the aspects of security, interconnectivity and compatibility with the system used;
 - c). Have technical support, maintenance and / or after-sales services from the seller or Operator, as relevant; and

- d). Have a guarantee of service continuity.
- 7. Software used by the Operator must:
 - a). Meet the aspects of security, interconnectivity and compatibility with the system used; and
 - b). Have technical support, maintenance and / or after-sales services from the seller or Operator, as relevant.
- 8. The Administrator must assign competent experts in the field of electronic systems or information technology in order to maintain and improve the operation of electronic systems.

IV. SANCTIONS

- (a) Operators who do not comply with the provisions of the Code of Conduct will be subject to administrative sanctions as stipulated in the DFI Code of Conduct in the Responsible Financial Services Sector, which includes:
 - 1. Written warning;
 - 2. Publication of members' names and the provisions that are violated to FSA and the public;
 - 3. Temporary suspension from membership of the Association; and / or
 - 4. Permanent termination of Association membership.
- (b) Determination of sanctions is carried out in accordance with the procedures for imposing sanctions by the Association's Ethics Committee based on the Association's Articles of Association and Bylaws.
- (c) Sanctions based on the considerations of the Association's Ethics Committee as mentioned in point (b) above are based on the following factors:
 - 1. frequency of violations committed by the Operator;
 - 2. impacts resulting from violations committed by the Operator;
 - 3. intentional and negligent elements; and
 - 4. other factors deemed relevant by the Association Ethics Council, including the scale of business of the Organizer.

As such, this Code of Conduct is compiled and applicable to all parties who bind themselves.