

THE CHALLENGES FACED BY FINANCIAL SERVICE AUTHORITIES IN IMPLEMENTING SUPERVISORY DUTIES ON BANKING

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ABSTRACT

The purpose of this study is to determine the challenges faced by the Financial Services Authority of Office of Regional 5 in North Sumatra in carrying out supervision of banks and to find out how the Office of Regional 5 in North Sumatra Financial Services Authority faced challenges in carrying out banking supervision duties. The method of data collection was obtained by interview method directly with the informant who was the Head of Banking Supervision Section at the Financial Services Authority of Office of Regional 5 in North Sumatra, with a guided interview technique. The guided interview technique was carried out with a guideline in a list of questions submitted to the OJK, as supporting data for secondary data obtained by conducting in-depth interviews (in-depth interviews) designed to raise questions freely frankly from the speakers, namely OJK. Then the data obtained were analyzed descriptively normatively logically and systematically. The results of the study show that the challenges of the OJK in carrying out banking supervision duties are as follows the capital of several large banks in Indonesia than banks in other countries, such as Bank Bangkok (Thailand), Maybank (Malaysia), and Kookmin (South Korea). A similar profile is seen in the infrastructure level of service of banks in Indonesia, such as the number of branches, Automated Teller Machines (ATMs) and the number of savers. The structure of financial services assets in Indonesia is still concentrated in banks by 80 percent, while insurance is only 10 percent, pension funds 2.5 percent, financing 5.5 percent, are not sufficient to promote economic growth evenly. The Indonesian banking sector still has enormous market potential. There are several challenges faced by OJK, one of which is limited human resources, where Bank Indonesia employees, especially banking supervision, are temporarily transferred to become OJK employees voluntarily without coercion. The OJK's way of dealing with these challenges is by giving OJK employees the opportunity to remain OJK employees or to move to become Bank Indonesia.

Keywords: Challenges, Financial Services Authorities, The Duties of Supervision, Banking

INTRODUCTION

Since December 31, 2013, validly bank regulatory and supervisory functions to switch from Bank Indonesia (BI) to the Financial Services Authority (FSA)¹, This policy was taken because of the problems of the banking sector crisis involving 21 (twenty one) national private banks liquidated by Bank Indonesia, which found irregularities giving rise to many questions concerning the supervision of Bank Indonesia², This is in accordance with the mandate of Law Number 21 Year 2011 on the Financial Services Authority. transfer of regulatory and supervisory functions under Article 34 of Law No. 23 of 1999 concerning Bank Indonesia that in paragraph (1) the task of supervising the banking system will be done by the supervisory board for the financial services sector that is independent and is formed by the Act, and in paragraph (2) governing the conduct of supervisory agency no later than 31 December 2002, while Article 34 of Law No. 3 of 2004 on the Amendment of Act No. 23 of 1999 concerning Bank Indonesia stated in paragraph (1) the task of overseeing the Bank conducted by the supervisory board for the financial services sector that is independent and is formed by the Act.³,

The transfer of the banking supervision function of BI appears under President BJ Habibie, when the Government prepares a bill on BI (which later became Act No. 23 of 2009)⁴, The regulations also set firmly in the Bank Indonesia Law Article 8 Clause C of Law No. 23 of 1999 concerning Bank Indonesia Bank Indonesia that have the nature of regulating and supervising banks, whereas in Article 5 of Law No. 21 Year 2011 on the Financial Services Authority also has the function of an integrated supervision of the overall activities in the Financial Services sector.

The formation of the FSA aims to make the overall activities of financial services in the financial services sector held regularly, fair, transparent, accountable, and capable of realizing the financial system that grows in a sustainable and stable, able to protect the interests of consumers and society. FSA is expected to support the national interests of the financial services sector so as to improve national competitiveness⁵, Law on the Financial Services Authority (hereinafter referred to Law FSA) basically contains provisions concerning the organization and governance (governance) of the agency that has regulatory authority and supervision of the financial services sector. Whereas provisions on the types of financial products, the scope and limits of the activities of financial institutions, the qualifications and criteria for financial services institutions, soundness, setting prudential and provision

¹ https://www.bi.go.id/id/ruang-media/siaran-pers/Pages/sp_155613_Dkom.aspx, accessed on January 10, 2019 at 18:00

² Surti Yustianti, 2014 "Banking Regulation and Supervision Authority by Bank Indonesia and the Financial Services Authority (FSA)

³ Bambang Muryadi, 2012, the Financial Services Authority (FSA) of the New Financial Institutions Supervisory Authority Having Investigation, p. 1

⁴ Zulkarnain, Sitompul, 2004 "Welcoming the presence of the Financial Services Authority", pilars, January 12 to 18, 2004, No. 2 Year VII, p. 1

⁵ Hasanah, Ulfia, 2014, Effective Supervision of Financial Services Authority (FSA) under Act No. 21 of 2011 on the Financial Services Authority, Journal of Business Applications, Volume 5, No. 5, 85-99

of supporting services, the financial services sector regulated by law sectoral namely Law on Banking, Capital Markets, Insurance Business, pension funds and other legislation related to the financial services sector eat it⁶,

Formulation of the problem

1. What are the challenges faced by the Financial Services Authority Regional Office 5 North Sumatra to perform oversight on banks?
2. How does the Financial Services Authority 5 North Sumatra Regional Office faced challenges in carrying out the task to supervise the banks?

Research purposes

1. To know Facing Challenges in Implementing Task FSA Supervision of Banking
2. To find out How to FSA Facing Challenges in implementing the tasks do Supervision of Banking

Financial Services Authority (FSA)

Earlier the government of President BJ Habibie, the government submitted a draft law on the Bank Indonesia which gives independence to the Central Bank. The design of this Act while providing independence, but also issued a banking supervision function of Bank Indonesia⁷, The idea of separation of functions of the Central Bank's supervision of Helmut Schlesinger, former governor of the Bundesbank (German central bank) which at the time of preparation of the Draft Law on Bank Indonesia (later became Act No. 23 of 1999 concerning Bank Indonesia) acted as consultants. In Germany, the banking industry is supervised by a specialized agency Bundesaufsuhtsamt fur da Kreditwesen. At the time of the proposed Bill, appeared a strong rejection by the House of Representatives and Bank Indonesia. According to the agreement, the financial institution that oversees the bank who is also in charge of overseeing financial replace Bank Indonesia⁸, In 2004 the government proposed Bill (the Bill) of Bank Indonesia, which provides the central bank independency goal that Bank Indonesia (hereinafter referred to as BI) with monetary management of the State in matters of banking supervision are always technical.⁹

The initial plan Law FSA will be adopted at a plenary meeting of December 17, 2010, but cannot be implemented because there is no agreement between the Government and the Parliament regarding the structure and procedure of formation of the Board of commissioners FSA, where the government proposed Board of Commissioners consists of seven members and two of whom are ex -officio are automatically derived from the Ministry of Finance and the central bank.¹⁰

In 2011 legalization FSA became Act approved by Parliament in a plenary meeting in October 2011, with the results: (1) The function of the investigation the FSA agreed; (2) BI transition period is 3 years since the FSA was enacted or the end of 2014, for Pengawan Agency Capital Market and Financial Institutions should have merged at the end of 2012; (3) The Board of Commissioners shall have been chosen in June 2012 in which the Board of Commissioners candidate selectors committee headed by the Minister of Finance.

Objectives, Functions and Duties of the Financial Services Authority (FSA)

Purpose FSA

Objectives established the Financial Services Authority (FSA) in all activities in the financial services sector is¹¹:

- a. Can be held on a regular basis, fair, transparent and accountable
- b. Financial system is able to realize sustainable growth and stable, and
- c. Capable of protecting the interests of consumers and the public

Functions FSA

Financial Services Authority has organized a function and regulation system integrated supervision of the whole financial services sector activity¹²

Task FSA

Financial Services Authority (FSA) has the task of setting and monitoring of¹³:

⁶ Dasrol, 2013, the Institute of Strategic Function of the Financial Services Authority in the Indonesian Banking Supervision, Economic Journal, Volume 21, Number 2, 1-10

⁷ Ibid.

⁸ Ibid., P 81

⁹ Tito Sulistio for Pro Market Economy: A Note on Capital Markets, Privatization and Local conglomerate, (Jakarta: The Investor, 2004), p 252

¹⁰ FSA, FSA Special Coverage: Welcome to the New Referee Industrial Finance, retrieved October 24, 2018, at 18:34 <http://www.lipsus.kontan.co.id>

¹¹ Article 4 of Law FSA

¹² Article 5 of Law FSA

¹³ Article 6 of the Law FSA

- a. Banking sector financial services activities;
- b. Activity Capital Markets financial services sector; and
- c. Financial services sector activities Insurance, Pension Funds, Institutions

Financing and Other Financial Services Institutions

FSA Act mandates that the FSA carrying out the functions of investigation of the crime of the financial services sector. To carry out the mandate of the FSA did some good programs that are internal as well as coordination with agencies or other institutions related to law enforcement. Internal activities that have been carried out by the FSA, among others, the regulation of the FSA governing authority of the investigation by the investigator FSA (investigator Police and investigators employed in the FSA), access to confidential bank and securities accounts by investigators FSA, community participation in the prevention and treatment of criminal offenses financial services sector¹⁴

Privileges FSA

Privileges that relate specifically to the supervision and regulation of financial institutions, banks:

- 1) Licensing for the establishment of banks, opening bank offices, the basic budget, work plan, ownership, management and human resources, mergers, consolidation and acquisitions of banks, as well as the bank's license revocation
- 2) The business activities of the bank including the source of funds, provision of funds, hybridization product and activity in the service
- 3) The setting and monitoring of the health of banks include: liquidity, profitability, solvency, quality ASAT, minimum capital adequacy ratio of credit, loan to deposit ratio and the reserve bank, bank statements related to the health of banks, debtor information system, testing of credit and accounting standards bank.
- 4) Regulation and supervision of the bank's prudential aspects include risk management, the bank's governance, the principle of know your customer and anti-money laundering and prevention of terrorist financing and banking fraud and bank checks.

Privileges associated with setting up financial institutions, banks and non-bank among others include:

- 1) Establish rules and decisions of the Financial Services Authority
- 2) Establish rules about supervision in the financial services sector
- 3) Establish policies regarding the implementation of the tasks of the Financial Services Authority
- 4) Establish rules concerning procedures for establishing a written order to the financial services institutions and certain parties
- 5) Establish rules concerning procedures for establishing the statutory manager at a financial services institution
- 6) Establishes the organizational structure and infrastructure, as well as manage, maintain, and administer its assets and liabilities.
- 7) Establish rules concerning the procedures for the imposition of sanctions in accordance with the provisions of the legislation in the financial services sector

As a comparison, In Indonesia the Law regulating Business Competition Law is Law No. 5 of 1999 About Prohibition of Monopolistic Practices and Unfair Business Competition. This Law aims to strive for fair business competition in every business activity undertaken by every business actor. The presence of Business Competition Law is welcomed by all Indonesian people and at the same time expect that the regulation can be implemented well by business actors, and in this context, a related governmental body, called the Business Competition Supervisory Commission, can apply its law enforcement and stakeholders can perform the role in accordance with what is known for example there is known a or some business actors to do banned, monopolistic practices, or abuse of dominant position are expected to report immediately to the Commission¹⁵.

¹⁴Alum Simbolon, 2015, "Financial Services Supervisory Authority Against Insurance Company Activities", Journal of the Faculty of Law UPH Terrain, Law Pro Justitia, Volume 1 No. 1, pp. 16

¹⁵ Alum Simbolon, 2019, Prevention Of Monopolistic Practices And Unfair Business Competition Through Business Competition Supervision, Journal of Legal, Ethical and Regulatory Issues, Volume 22, Special Issue 1, Print ISSN: 1544-0036; Online ISSN: 1544-0044, page, 2

depositors. Asset structure of financial services in Indonesia is still concentrated in the bank (80 percent), while only 10 percent of insurance, pension funds 2.5 percent, 5.5 percent financing, not enough to boost economic growth evenly. Indonesia's banking sector has huge market potential. However, the opportunity was not yet fully optimized for development of banking products. Conventional banking fund management as it nevertheless resulted in persistently high funding costs (cost of funds) and lending rates¹⁹,

2. Vulnerability in the Face of Global Crisis

The financial services sector in Indonesia is still very vulnerable to external shocks. The financial crisis may occur as a result of the effects of contaminated, either from neighboring countries, regionally, and globally. 1998 monetary crisis impact on the economy of Indonesia is very large, with a cost of crisis recovery reached 60 percent of GDP. Indonesian banking sector is practically collapse if the government does not recapitalize the banks. The crisis of 1998 provides a lesson on the importance of prudence and management and supervision of banking professionals. The existence of hybrid financial products, in the form of derivatives, which was not followed by the regulations that govern it, provoked mortgage crisis (subprime) 2007. In April 2010, the G-20 adopted the provisions of Basel III. FSA must anticipate the new provisions concerning capital adequacy and derivative transactions under Basel III although implementation began in 2019 as a continuation of Basel II. The risk-based banking supervision under Basel II is an unresolved challenge because of the complexity of implementation²⁰,

3. Confidence in the FSA

Indonesia uses an integrated approach (integrated approach) in which the FSA to oversee all financial institutions, such as the Financial Services Authority (FSA) in the UK, Australia, and South Korea. Challenges ahead FSA is that problems that occur in the United Kingdom and South Korea is not repeated in Indonesia. History indicates the failure of coordination with the Bank of England in the handling of Northern Rock. In South Korea, the FSA is currently under intense political pressure in order to be returned to the central bank's supervision due to rampant corruption²¹,

FSA is the authority institution formed from the integration of two large institutions, namely the Directorate of Banking Regulatory and Supervisory BI and the Capital Market Supervisory Agency and Financial Institution of the Ministry of Finance. In addition to the challenge inaction of time, the effectiveness of institutions, and the scope of the work area, the FSA faces problems in achieving optimal integration model for the role and interests of each tend to be different, which is between prudential principles on banking and financial institutions as well as openness on the capital markets²²,

In terms of macro coordination, the addition of this new institution will increase the number of members in the forum of policy makers, especially in times of crisis. Financial System Stability Committee (KSSK) and the Coordination Committee (KK) which is a decision-making forum in the current crisis that previously consisted only of BI, the Ministry of Finance, and the Deposit Insurance Agency will be increased with the inclusion of FSA to be the Coordination Forum of Financial System Stability (FKSSK). Additional members of this forum consequential difficulties of coordination at the critical time, when the crisis.

4. Limited human resources

Employees of Bank Indonesia in particular banking supervision was transferred to the Financial Services Authority. However, this raises an issue that is the removal of voluntary and not coercive, BI employees who want to move away sufficient amounts so as to face the crisis the number of inspectors,

Number of bank supervisors to be loaned temporarily to the FSA about 1300 people. The issue is the budget salaries and facilities to inspectors that have not been budgeted by the FSA and the Bank. The budget did not cover the salary and bank supervisors according to the agreement between the Finance Committee (XI), House of Representatives (DPR) of Rp 2.4 trillion, because the reason is budget has not been included because the bank supervisors still a BI employees. Based on a statement from Harry Azhar Azis, Executive Vice Chairman of Commission XI is a budget value of salary and bank supervisors that an issue Rp 1 trillion. While BI budget can not include salary and bank supervisors for their work supervision for the FSA, not for BI, since bank supervision function to start early 2014²³,

5. Culture and Work Process

6. Availability of reliable data

How FSA Facing Challenges in Implementing Supervision of the Banking

Against Deepening Challenge

¹⁹ *ibid*

²⁰ *Ibid.*

²¹ *Ibid.*

²² *Ibid.*

²³ 2013, the transition challenges of banking supervision to the FSA, <https://keuangan.kontan.co.id/news/tantangan-transisi-pengawasan-perbankan-ke-ojk>, Quoted from the Cash Weekly 1 - XVII, 2013, the Main Report

In resolving the problems / challenges faced by the FSA on financial deepening is the acceleration of economic growth through the expansion of access to those who do not have adequate financial strength of capital structure, infrastructure and financial services product innovation.

Facing Challenges in Implementing Supervision of the Banking, FSA under special supervision in terms of meeting the criteria. Determination of Systemic Banks other than Bank under special surveillance be notified in writing by the FSA. In addition to the notification to the Bank other than the Systemic Banks, the determination of the status of the special surveillance notified by the FSA to LPS. Notice to the Bank in addition to Bank Systemic load determination in addition to Bank Systemic Bank under special surveillance accompanied by reasons for the determination and supervision of steps or actions that must be done by the Bank in addition to Bank Systemic.

Systemic bank other than Bank under special surveillance are required to conduct additional capital to meet the Capital Adequacy Ratio and / or obligation to fulfill the reserve requirement in accordance with provisions of the legislation. Capital increase referred to in paragraph (1) shall be met by the Bank in addition to Bank Systemic within the period referred to in Article 5 (3). Article 17 paragraph (1) in addition to Bank Systemic Bank under special surveillance shall conduct surveillance measures ordered by the FSA, paragraph (2) surveillance measures ordered by the FSA as referred to in paragraph (1), namely:

- a. prohibit bank other than Bank Systemic sell or decrease the amount of assets without the approval of the FSA except for the Certificate of Bank Indonesia, Bank Indonesia Sharia Certificates, Certificates of Deposit Bank Indonesia, Securities Bank Indonesia Foreign Exchange, current accounts with Bank Indonesia, the bill between the Bank and / or Securities Country;
- b. Bank forbade except Bank Systemic change ownership for: 1. The shareholders who own shares of the Bank in addition to Bank Systemic of 10% (ten percent) or more; and / or 2. PSP include parties that exercise control over other than the Bank Systemic Bank in the Bank's business group structure other than the Bank Systemic, unless it has been approved by the FSA; and / or
- c. Systemic Banks other than Bank ordered to report any change of ownership in addition to Bank Systemic Bank less than 10% (ten percent) to the FSA.

1. Vulnerability in the Face of Global Crisis

FSA, BI and the government collaborate to deal with global economic pressures. Some of the steps taken by the FSA as providing incentives to banks to finance the export-oriented industries and import substitution goods industry and the tourism industry including conducting LPEI and capital market financing facility for the 10 new tourist attractions²⁴, According to the Council Komisioner Wimboh Santoso FSA, the FSA still need to be prepared in the face of global economic pressures, as rising global interest rates potentially rising domestic interest rates. This is supported by data from relatively strong capital, good liquidity and controlled risk levels with the banks' capital adequacy ratio maintained at the level of 23%²⁵,

2. Confidence in the FSA

In increasing public confidence in the Financial Services Authority (FSA) needs to build confidence for the financial industry needs the stimulation of the human self finance. In other words, should fix themselves first, then public confidence can be obtained, it is stated by Muliaman D. Hadad, Chairman of the Board of the FSA Commissioner interrupted Seminar Building a Trusted Industry, in Jakarta, Friday (22/07/2016)²⁶, The rise of community fund raising activities and investment management without authorization or permit is not occurring in regions in Indonesia, it is necessary to set up the Regional SWI Working Group in order to optimize efficiency and rapid response of the Regional Working Team SWI on complaints and / or reporting of the public²⁷,

Regional SWI Working Team was formed in order to increase the effectiveness of the operational level coordination of the technical implementation of the Memorandum of Understanding on Coordination of Prevention and Handling of Legal Actions Against Allegations in Public Sector Fund Raising and Investment Management by the leaders of seven ministries and / or agencies. To implement these objectives, the Regional Task Team SWI assigned to conduct an inventory of cases of alleged illegal investment and analysis and coordination with relevant agencies for the field, including the possibility of joint examination and report to the local police²⁸,

²⁴ CNBC Indonesia, 2018, the FSA Steps to Face Global Economic Pressure, <https://www.cnbcindonesia.com/news/20181010180541-51-36858/langkah-ojk-hadapi-tekanan-ekonomi-global>, accessed on March 30, 2019

²⁵ Ibid.

²⁶ presented by D. Hadad Hadad, Chairman of the Board of the FSA Commissioner interrupted Seminar Building a Trusted Industry, in Jakarta, Friday (07/22/2016), cited by Early Hariyanti, 2016, the FSA: Faith Communities to Banking Industry Well, <https://finansial.bisnis.com/read/20160722/90/568314/ojk-kepercayaan-masyarakat-terhadap-industri-perbankan-baik>, Accessed on March 30, 2019.

²⁷ The Indonesian Banking Booklet 2018, op.cit, p 40

²⁸ Ibid.

With the establishment of the Regional Working Team SWI, is expected to benefit not only for a certain group, but it can also be useful for the Financial Services Industry (IJK), and Society²⁹,

Benefits for IJK is³⁰:

- a. increase community interest and confidence back on products of financial services it offers; and
- b. increase revenues both in terms of third party funds or in terms of the loan so as to support economic growth.

Benefit to society is³¹:

- a. people can more quickly get information related to the activities of public fund raising and investment management against the law;
- b. reduce the potential for greater losses due to treatment less effective;
- c. facilitate the public in reporting and / or questions related to the fund-raising activities and investment management without permission and potentially harmful; and
- d. spared from investing activities in financial instruments that are not clear.

Deputy Chief Commissioner of the Financial Services Authority, Nurhaida states there is an indication that investor confidence in the financial markets in Indonesia increased when compared to the first half of 2018, where conditions at the time the stock market looks investments or foreign purchases still net sell, while the second half of 2018 has begun happening net buy, which means the confidence of foreign investors has increased³²,

3.Limited human resources

At least 27 officials of the Financial Services Authority in the environment of a remodeled good position at the head office as well as regional and local. Substitution leadership element is part of the optimization process and the development of human resources refreshment FSA³³,

Challenges experienced by the FSA in terms of banking supervision task is about the availability of human resources in the FSA inspectors, which includes salary and supervisors. Value salary budget and bank facilities, the problem is to reach 1 trillion. However, Hadad said Hadad, Chairman of the Board of Commissioners of the FSA, the value of bank supervision budget is not reached Rp 1 trillion, but only \$ 810 billion³⁴, Nonetheless, Yovi Sukandar, Head of Regional Bank Supervision FSA Kantro 5 Northern Sumatra also stated in an interview that the bank supervisor with the status of BI employees will be assigned to the FSA until the end of 2015, after which they must choose an employee of the FSA or return to BI³⁵,

4.Culture and Work Process

In carrying out their duties and functions in the field of regulation and supervision, the FSA during 2017 has issued 79 Regulation of Financial Services Authority (POJK) covers 23 regulatory sector of Banking, 48 regulatory sector Capital Markets, seven regulatory sector Financial Industry Non-Bank, and the rules on investigation of the Financial Services Sector. One arrangement published are the provision of municipal bonds and green bonds support the national infrastructure funding³⁶,

To maintain stability in the financial system, the FSA has carried out strategic activities include Crisis Management Protocol Traffic strengthening institutions, strengthening the investigative function, as well as the development of Licensing and Registration Information Systems Integrated (SPRINT) with modules for issuers of bonds and Sukk Bank. FSA also undertake the development of the Financial Information Service System (SLIK) which is an information system managed by the FSA to support the implementation of supervisory duties in financial and information services. FSA launches SLIK which is an extension of the Debtor Information System (SID). SLIK is a means of financing or credit information exchange between the Institute for the financial sector. FSA hopes SLIK buffer helps increase the amount of the provision of funds and unable to control the growth of non-performing loans. Through SLIK, In financial institutions will deliver debtor report complete, accurate, current, complete and timely so that the information the debtor can stay awake. Debtor information accessible to the needs of providing a credit facility, risk management and compliance with FSA regulations³⁷

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid.

³² Nurhaida, Deputy Commissioner of the FSA, which was quoted by Agus Salim, 2018, the FSA: Investors increasingly believe in the Indonesian financial market, <https://www.antaraneews.com/berita/768986/ojk-investor-makin-percaya-terhadap-pasar-keuangan-indonesia>, Accessed on March 30, 2019

³³ Ropesta Sitorus, 2017, this 5 Kick Employees Wimboh to overcome limitations of the FSA, <https://kalimantan.bisnis.com/read/20170904/90/686829/ini-5-jurus-wimboh-untuk-mengatasi-keterbatasan-karyawan-ojk>, Accessed on March 30, 2019, 20:00 pm

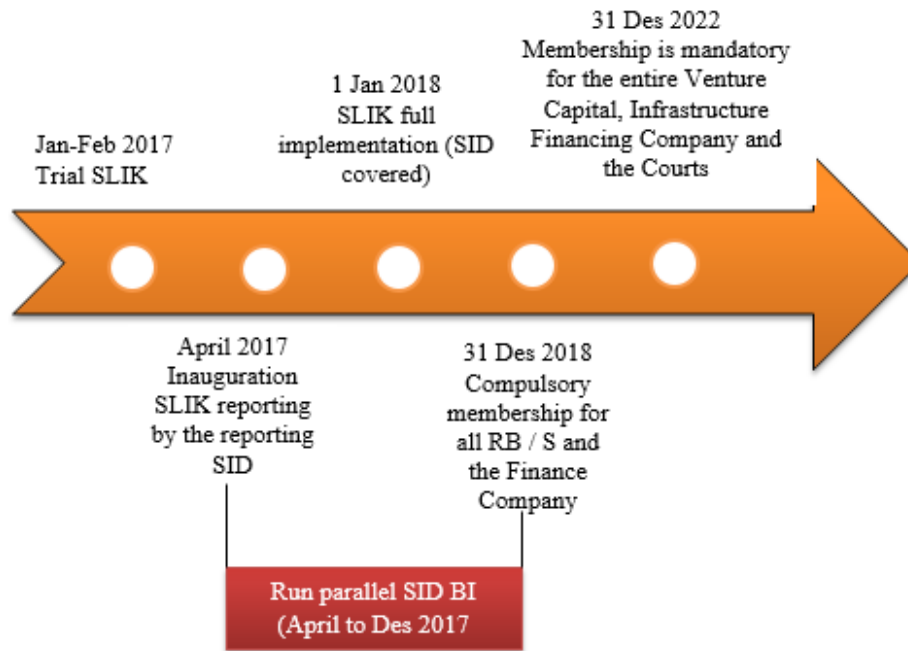
³⁴ Cash Weekly, 1-XVIII, 2013 Main Report, 2013, "The Challenges of transition banking supervision to FSA", <https://keuangan.kontan.co.id/news/tantangan-transisi-pengawasan-perbankan-ke-ojk>

³⁵ Ibid.

³⁶ FSA Financial Statements 2017, 2017, Governance and Strategic Management, Maintain Stability and Improve Welfare

³⁷ Ibid, hlm38

Figure 4.2. Implementation Roadmap SLIK



SLIK implemented in full from 1 January 2018. Since that date, the public can obtain information about the debtor's services via the FSA Central Office (Contact Center FSA) and the Regional Office / Office of the FSA (Gerai perpetrator) , Operation SLIK application refers to POJK 18 / POJK.03 / 2017 concerning Debtor Reporting and Information Requests through Financial Information Service System (SLIK). Explanation of the POJK contained in Chapter IV ,

According to Article 4 of Law FSA stated that one of the tasks the FSA is to provide protection to consumers and / or community. With regard to consumer protection, the law states:

- a. Financial Services Institutions (LJK) is an organization that conducts activities in the sector of Banking, Capital Markets, Insurance, Pension Funds, Financing Institutions and Other Financial Services Institutions
- b. Consumers are parties that put their funds and / or utilize the services provided at LJK, among other clients in Banking, investors in the capital market, policyholders in insurance, and a participant in the Pension Fund, based on the legislation in Sector Financial Services (SJK).

In accordance with GDSS period 2013 - 2027, the FSA has two approaches in performing its functions in the field of education and consumer protection, namely SJK :

1. Preventive action (preventive)

Preventive action is carried out in the form of regulation and implementation in the field of education and consumer protection. Preventive education is required as an initial step to improve the financial literacy of society so that they have a good understanding of the products and financial services (including basic features, benefits and risks of the product and / or financial services, as well as the rights and obligations of the financial consumer). Preventive activities conducted through various media and how is the provision of financial information and education, both directly (face to face), through public service announcements, and through the online media (sikapiuangmu.ojk.go.id, and social media);

2. Action Handling (repressive)

Action handling is done in the form of complaints resolution, facilitation of dispute resolution, termination of activities or other measures, and legal defense to protect consumers. FSA perform preventive and repressive actions that lead to financial inclusion and financial system stability. Repressive measures carried out by:

- a) facilitation of complaints resolution; and
- b) Consumers of legal defense (ordered PUJK to resolve consumer complaints).

FSA as the Financial Services Sector Authority should be able to respond to the dynamic changes and to respond to the expectations of the Government and the public to play a more effective FSA in maintaining the stability of the financial system

and encourage the financial services industry's role in financing the development wheel motion, improve social welfare and reduce the level of inequality. To overcome this, the FSA took a common policy among others, through:

1. *Fine tune* organization and rotation of employees in order to optimize the use of existing resources and creates a faster decision process and the quality of the work that can overcome the problems faced
 2. Formation of Strategic Committee and Research Center (SCPR) is directly responsible to the Member of the Board of Commissioners.
 3. Providing opportunities for potential employees who have experience in a new and learn to deal with complex problems
 4. Efficiency in the use of the budget is directed to finance a more strategic activities and strengthen the core function FSA.
 5. Availability of reliable data
- Article 5 of Law No. 21 Year 2011 on the Financial Services Authority FSA mandated to organize a system of integrated regulation and supervision is done through a variety of activities including:
- a) Forming Unit (PIU) which carries out the regulation, licensing and supervision of integrated
 - b) LJK integrate the entire arrangement of the banking sector, capital market, IKNB

FSA has been and will continue to make efforts to integrate the rules of cross-sector financial services. Integrated setting is a setting, both conventional and Islamic, which is valid for at least two sectors and sectoral arrangements which have a significant impact in itself. Some of the rules that have been integrated is POJK the Fit and Proper Test (Fit and Proper Test) and POJK the registration of public accountants (AP and KAP). Integrating oversight of all sectors of Financial Services (hereinafter referred to SJK) beginning with exercising oversight over some LJK who belong to a conglomerate. In connection with this, the FSA has published three relevant provisions of the integrated supervision of the financial conglomerate (KK), namely:

1. POJK No. 17 / POJK / 03/2014 on the Application of Integrated Risk Management to Financial conglomeration
2. POJK No. 18 / POJK.03 / 2014 concerning Governance Implementation of the Integrated Financial conglomerate; and
3. POJK No. 26.POJK.03 / 2016 on Requirement.

To carry out the supervision of the conglomeration of Finance, the FSA develop methods of supervision, among others, the FSA develop monitoring methods include the Know Your Financial conglomerate (KYFC), Integrated Risk Rating (IRR), and Integrated Supervisory Plan (ISP) to document the understanding of the supervisor of the conglomeration of Finance group-wide basis. FSA has also developed the Integrated Surveillance Information System (SIPT) to assist the Trustees in conducting the analysis and decision making process related to the supervision of financial conglomeration.

Some things are done in order to carry out the functions of Research, Regulation and Development of Integrated Supervision on Financial conglomerate can be described as follows:³⁸

- 1) Publishes roadmap of integrated supervision

Drafted roadmap aims to provide policy direction, development of system / methodology of supervision and strengthening the implementation of the integrated supervision of the financial conglomerate, as well as in line with the general policy supervision of the Financial Services Sector contained in the Master Plan 2015-2019 SJK, includes three main aspects, namely:

- e. Integrated Control Policy on Financial conglomerate;
 - f. Integrated Control System and Methodology of the financial conglomerate; and
 - g. Implementation of Integrated Control against conglomeration Keuangan
- 2) *enhancement system* Integrated Surveillance Information (SIPT)
 - 3) Technical Assistant (TA) development of integrated surveillance
 - 4) Monitoring implementation of the Integrated Financial conglomeration

In carrying out the task of banking supervision, the FSA is currently carrying out surveillance by using two approaches,³⁹:

1. Under the supervision of Compliance / Compliance *based Supervision* (CBS), the monitoring of bank compliance with the provisions relating to the operation and management of the bank in the past with the aim of ensuring that the bank has operated and managed properly in accordance with the principles of prudence. Supervision of compliance with aspects of compliance is an integral part of the implementation of bank supervision based on risk; and
2. Supervision Based on Risk / Risk Based Supervision (RBS) is a bank supervision strategy and methodology based on the risks enable bank supervisors can detect a significant risk early and take appropriate control measures and timely. Supervision / inspection of banks based on the risk to do the kinds of risks as follows

³⁸ FSA Annual Report, 2017, p 70

³⁹ Indonesian Banking Booklet, op.cit, p 34

CONCLUSIONS AND RECOMMENDATIONS

1. Conclusion

In the banking challenge is the financial sector in Indonesia is a consequence of the deepening of the financial sector, the vulnerability of the global risk and the credibility of the FSA. The financial sector is the "center" of the system in an economy. The failure of the financial sector could weaken the performance of the entire system in the economy. One of the key financial deepening is the acceleration of economic growth through the expansion of access to those who do not have sufficient financial strength of the capital structure, infrastructure, financial services and product innovation. The problem is, funding several large banks in Indonesia was still under similar banks in Asia. Capital Bank Mandiri da BRI lower than banks in other countries, such as Bangkok Bank (Thailand), Maybank (Malaysia) and Kookmin (South Korea).

2. Suggestion

Should the FSA It exercises supervision on banks, as prescribed by the Act FSA that did not experience a banking crisis as happened when Bank Indonesia supervision so as to hundreds of banks should be closed, in the frozen bank operations, bank takeovers, banks suspended operations or whatever time of crisis monetary occurred in 1997 and 1998.

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