

LEGAL INSIGHTS

OMNIBUS LAW FOR FINANCIAL SECTOR

PART 1 - Law on the Prevention and Control of Financial System Crisis



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I Background

In the early 2023, the Government has issued Law Number 4 of 2023 regarding the Financial Sector Development and Strengthening ("Law 4/2023"). The Financial System Stability Committee (Komite Stabilitas Sistem Keuangan - KSSK), which is one of the institution in the financial sector pursuant to the Law Number 9 of 2016 regarding the Prevention and Control of Financial System Crisis, has undergone several changes of its provisions since the enactment of the Law 4/2023.

Should you need more information about the topic, or you need support regarding legal matter, kindly contact our legal partners:

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II The Amendments in Law Number 9 of 2016 the Prevention and Control of Financial System Crisis ("Law 9/2016")

A. Financial System

The Financial System does not only consist of financial service institutions, financial markets, and financial infrastructures, including payment systems, which interact in facilitating the collection of public funds and the allocation thereof to support national economic activities. It also includes the corporations and households connected to financial service institutions, as a unity.

Law 4/2023 stipulates a new arrangement that in the event that the President decides on a Financial System Crisis, the Minister of Finance, the Governor of Bank Indonesia, the Chairperson of the Board of Commissioners of the Financial Services Authority, and the Chairperson of the Board Commissioners of the Deposit Insurance Corporation, shall jointly implement the measures to resolve the Financial System Crisis.

B. The Financial System Stability Committee

The Financial System Committee established based on the Law 9/2016, which consists of the following members:

- (1) the Minister of Finance as coordinator and member with voting rights;
- (2) the Governor of Bank Indonesia as member with voting rights;

- (3) the Chairman of the Board of Commissioners of the Financial Services Authority as member with voting rights; and
- (4) the Chairman of the Board of Commissioners of the Deposit Insurance Corporation as member with voting rights.

The Chairman of the Board of Commissioners of the Deposit Insurance Corporation, who previously only had the right to express his opinions and excluded from having a voting right, now is given the voting right in decision making.

The Financial System Stability Committee shall perform coordination for monitoring and maintaining of the Financial System Stability, perform resolution of the Financial System Crisis, and also preform

coordination for resolution of problems of the Systemic Banks, during the normal and Financial System Crisis condition.

The several changes on the authorities of the Financial System Stability Committee are:

- (1) no longer authorize to hand over the resolution of solvency problems of Systemic Banks to the Deposit Insurance Corporation; and
- (2) has the authority to coordinate steps to stipulate steps to be taken by members of the Financial

System Stability Committee to support the handling of Systemic Bank problems by the Deposit

Insurance Corporation, including purchases by Bank Indonesia of State Securities owned by the

Deposit Insurance Corporation for handling Systemic Banks.

C. Secretary of the Financial System Stability Committee

In conducting their duties, the Financial System Stability Committee is assisted by a Secretary who is an Echelon I Officer from the Minister of Finance. Furthermore, in order to support the implementation of the duties and authorities of the Financial System Stability Committee, there is a new regulation which stipulates in the Law 4/2023 that the Secretary of the Financial System Stability Committee can conduct the analysis, research and/or assessment of financial stability, by:

- (1) use the data and information from information exchange facilities in an integrated manner as referred to in the law regarding the Financial Services Authority; and
- (2) gain an access to data and information available in each member institution of the Financial System Stability Committee and/or originating from inter-institutional coordination forums that are members of the Financial System Stability Committee.

D. Meetings and Decision-Making Process

- ▶ Besides the periodically meetings or at any time upon request, the Financial System Stability Committee may hold the coordination meetings in the framework of monitoring and maintaining Financial System Stability.
- ▶ Meetings shall be attended by the all members of the Financial System Stability Committee physically and/or virtually.
- ▶ The decision making of the Financial System Stability Committee is carried out in a meeting of the Financial System Stability Committee by the deliberation to reach a consensus. In the event that deliberations for consensus did not achieve, now decision-making can be carried out based on majority votes.
- ▶ However, if a decision based on majority vote cannot be achieved, now the Minister of Finance as the coordinator of the Financial System Stability Committee is authorized to make a decision on behalf of the Financial System Stability Committee.
- ▶ The arrangement regarding the rescheduling of meetings at any time based on a member's request (no later than 1x24 hours and held in the presence of at least 2 (two) members with voting right and able to make decisions), is removed.