



Coordination System Between Financial Services Authorities And Deposit Guarantee Institutions In Handling Failed Banks Based On Law Number 21 Year 2011 Concerning Financial Services Authorities

King Richter Sinaga

Sumatera University Faculty Of Law. E-mail: kingsinaga@gmail.com

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ABSTRACT

The occurrence of the monetary crisis in 1997-1998 has become a very valuable lesson for the Indonesian people, especially for the government. The crisis resulted in reduced public confidence in existing banks. In order to restore public confidence in banking, the government established a government guarantee called a blanket guarantee. As the times progressed, the government guarantee was no longer effective, and then the Deposit Insurance Corporation was formed. The LPS' task is to carry out deposit insurance and actively participate in maintaining banking stability. In addition, IDIC is also tasked with handling failed banks, both with systemic and non-systemic impacts. The Financial Services Authority was established by law, namely Law Number 21 of 2011 concerning the Financial Services Authority. OJK is an institution that is independent and free from interference from other parties, which has the functions, duties and authority to regulate supervision, examination and investigation. OJK's independence will be fully effective if there is Good Corporate Governance in the financial and banking world. Because the implementation of the Good Corporate Governance system has consistently been proven to improve quality and can also become an obstacle to performance engineering activities which result in financial statements not reflecting the company's fundamental values. LPS and OJK cooperate in handling failed banks. In terms of handling failed banks, Bank Indonesia also plays a role in assisting LPS and OJK. IDIC will rescue systemic and non-systemic failed banks. For failed banks that are not systemic, the rescue does not include the old shareholders. This means that all costs incurred for the rescue will be provided by the IDIC.

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1. Introduction

In order to carry out the task of regulating and supervising banks, Bank Indonesia is given the authority to stipulate regulations and licenses for bank institutions and business activities as well as impose sanctions on banks in accordance with the prevailing laws and regulations.

In addition, the financial and banking crises that occurred in 1997-1998 have provided very valuable lessons on the importance of creating a framework for financial system stability where financial system stability is a series of processes and activities that begin with monitoring, identifying the possibility of a crisis occurring, to the prevention of the crisis. The aspect of monitoring and identifying crises is one of the important pillars in maintaining financial system

stability because preventive and anticipatory measures are seen as cheaper steps than crisis resolution. Basically, the establishment of this LPS was carried out only as an effort to provide protection against two risks, namely irrational run against banks and systemic risk. In running their business, banks usually only leave a small portion of the deposits they receive in case of withdrawal of funds by customers. Meanwhile, the largest part of the existing savings is allocated for lending. This situation will cause banks to be unable to meet requests in large quantities immediately for customer deposits they manage, in the event of sudden and large withdrawals. This limitation in the provision of cash funds is due to the fact that the bank cannot immediately withdraw the loan that has been disbursed. If the bank is unable to fulfill the deposit withdrawal request by the customer, then the customer will usually panic and will close his account at the bank in question, even though the bank is actually healthy. Meanwhile, systemic risk occurs when the bankruptcy of a bank has a negative impact on other banks, thus destroying the largest segment of the banking system.

Therefore, IDIC is expected to be able to maintain public trust in the banking industry and to minimize the emergence of risks that will burden the state budget. In order to continue to increase public confidence in banking, the IDIC does not only act as an institution that will guarantee customer deposits at the bank, but the IDIC also plays an important role in maintaining the stability of the financial system in Indonesia.

It is not only LPS that play a role in maintaining financial system stability. If we look at the mandate of Article 34(1) of Law Number 23 of 1999 concerning Bank Indonesia, it is stated that: "The task of supervising banks will be carried out by an independent financial services sector supervisory agency, and established by law." If viewed from the contents of Article 34(1) above, it can be said that the Article emphasizes the supervisory agency to act as a supervisory board (supervisory board), and can issue provisions relating to the implementation of bank supervision tasks and coordinate with Bank Indonesia. The establishment of this supervisory agency is mandated to be established by law no later than December 30, 2010. Due to the increasing number of banks that have begun to emerge in Indonesia, plus problems in the financial sector, there will be a need for a higher and better professional institution. in supporting the performance of banks in Indonesia.

With the enactment of the Law on the Financial Services Authority (OJK) on November 22, 2011, the banking situation in Indonesia has entered a new phase. Regulation and supervision in the banking sector are no longer with Bank Indonesia but have been transferred to OJK as an independent institution with the functions, duties and authority to regulate, supervise, examine and investigate the financial services sector in Indonesia. Every bank operating in Indonesia is required to become a participant in the LPS and pay a loan premium. In the event that the bank is unable to continue its business, and its business license must be revoked, the IDIC will pay the deposit of each customer of the bank up to a certain amount. Unsecured deposits will be settled through the bank's liquidation process. This liquidation is a follow-up to the settlement of banks experiencing financial difficulties. IDIC takes action to settle or handle banks experiencing financial difficulties within the framework of an integrated, efficient, and effective working mechanism to create resilience in the Indonesian financial sector or known as the Indonesia Financial Safety Net (IFSN). IDIC together with the Minister of Finance, Bank Indonesia, and the Banking Supervisory Agency (LPP) became members of the Coordinating Committee until the formation of the LPP or OJK in accordance with the mandate of Law no. 3 of 2004, the function of the LPP is still carried out by Bank Indonesia.

2. Method

The type of research used is normative juridical, so the approach taken is a statutory approach with a starting point on the analysis of Law Number 21 of 2011 concerning the Financial Services Authority. This research is focused on the coordination system between OJK and LPS

with the starting point of the OJK Law itself. This can be achieved by conducting library research, or literature study. This research is also inseparable from research on mass media materials or materials from the internet. In addition, the author also uses a juridical research method, by looking at the provisions that exist in the community and the impact of these provisions on the community.

Primary legal materials, namely: legal materials consisting of statutory regulations, such as Law Number 21 of 2011 concerning the Financial Services Authority, Law Number 24 of 2004 concerning Deposit Insurance Corporation, Banking Law, namely Law Number 7 of 1992 jo. Law Number 10 of 1998, Law Number 23 of 1999 jo. Act Number 3 of 2004 concerning Bank Indonesia and other laws and regulations relating to bank supervision and management.

Secondary legal materials, namely: materials related to primary legal materials and can be used to help analyze existing primary legal materials. Legal materials obtained can come from textbooks, foreign journals, opinions of scholars, legal cases, and other sources originating from the internet that are related to the subject matter.

Tertiary legal materials, namely: legal materials that provide meaningful instructions or explanations for primary and secondary legal materials, such as legal dictionaries, encyclopedias, and others.

3. Analysis And Results

3.1 Coordination System Between Financial Services Authority And Deposit Insurance Institutions In Handling Failed Banks

a. Banking Supervision System Conducted by Bank Indonesia and the Financial Services Authority.

The current improvement in the economic system in Indonesia is supported by the rapid development of banking institutions. This development is supported by the increasing value of public trust in this institution. This increase in trust will certainly support the performance process of banking institutions, which in fact function as a place to store public funds. The significant development experienced by this institution, of course, requires a careful monitoring system to ensure and reduce the risk of misappropriation of public funds. The Indonesian government has made a good contribution in supervising this institution by establishing an institution that can provide guidance and supervision to banks by issuing regulations regarding banking, namely Law no. 10 of 1998 concerning Banking. In the regulation, especially in Article 29, it is explained that the development and supervision of banks is carried out by Bank Indonesia. In the elucidation of Article 29, it is known that the coaching referred to is the efforts carried out by establishing regulations concerning institutional aspects, ownership, management, business activities, reporting and other aspects related to bank operational activities. Meanwhile, the supervision includes indirect supervision, especially in the form of early supervision through research, analysis and evaluation of bank reports. it is known that the coaching referred to is the efforts made by establishing regulations concerning institutional aspects, ownership, management, business activities, reporting and other aspects related to bank operational activities. Meanwhile, the supervision includes indirect supervision, especially in the form of early supervision through research, analysis and evaluation of bank reports. it is known that the coaching referred to is the efforts made by establishing regulations concerning institutional aspects, ownership, management, business activities, reporting and other aspects related to bank operational activities. Meanwhile, the supervision includes indirect supervision, especially in the form of early supervision through research, analysis and evaluation of bank reports.

However, new regulations reappeared with the issuance of Law No. 23 of 1999 concerning Bank Indonesia which was further amended by Law Number 3 of 2004, which in Article 34 explains that:

- 1) The task of supervising banks will be carried out by an independent financial services sector supervisory agency, and established by law.
- 2) The establishment of the supervisory agency as referred to in paragraph 1 will be carried out no later than December 31, 2010

Then based on the mandate of Article 34, an independent banking supervisory agency was established, namely the Financial Services Authority (OJK). Institutions in charge of supervising the effectiveness of banking, insurance, pension funds, capital markets, venture capital, and payment companies, and other agencies that manage funds.

However, before the formation of the OJK, the banking supervision system was in the hands of Bank Indonesia. The form of bank supervision is compliance supervision and risk-based supervision. Compliance supervision is monitoring bank compliance in implementing banking regulations determined by BI and ensuring that banking activities are carried out properly. Risk-based supervision itself is forward-oriented supervision, focusing on the risks inherent in bank activities. So it is possible for supervisory agencies to be proactive in preventing problems that could potentially arise in banks.

BI conducts supervision in two ways, namely indirectly and directly. Indirectly includes supervision on the basis of bank statements, through research, analysis and evaluation of bank statements. Meanwhile, directly, namely in the form of inspections at the bank office concerned, in the form of inspections followed by corrective actions. The supervision carried out by BI on banks is carried out in accordance with the status of the bank. This status consists of normal supervision, intensive supervision, special supervision.

- 1) Normal Supervision is supervision of a bank that does not meet the criteria of a bank's assessment that has potential difficulties that endanger its business continuity as stipulated for intensive supervision status and special supervision status.
- 2) Intensive Supervision is an improvement in the bank supervision process which was originally under normal supervision with the aim of restoring the bank's condition. This recovery is carried out with supervisory actions that are in accordance with the bank's problems.
- 3) Special Supervision is an increase in the bank supervision process which was originally under normal or intensive supervision with the aim of restoring the bank's condition. This recovery is carried out with supervisory actions that are in accordance with the bank's problems

Bank Indonesia, as an institution appointed by the Government as a banking supervisory agency, certainly has a tough task. When many banks are starting to develop and compete in collecting public funds, these banks have the possibility to run their business without using the principle of prudence until the occurrence of banking crimes.

To prevent this, Bank Indonesia conducts supervision based on a compliance approach and risk-based supervision. So that when Bank Indonesia has carried out supervision based on these two things, it can be seen whether the bank is healthy or not. OJK is an institution mandated by Article 34 of the BI law as an institution established as a supervisor for banking, but must coordinate and cooperate with Bank Indonesia in carrying out banking supervisory duties. The provisions for regulatory and supervisory duties regarding banking supervision are stipulated in Article 5 of the OJK Law, namely regulating and supervising matters relating to banking. Further regulation between the two tasks is further stipulated in Article 6 letter a of the OJK Law which states, "OJK carries out the task of regulating and supervising financial service activities in the banking sector". Because OJK has the duty to carry out the regulation

and supervision, the OJK is given the authority to do so. Although the issuance of the OJK Law which explains that banking regulation and supervision is under the authority of the OJK, in accordance with Article 11 paragraph (3) of the BI Law, it is explained that BI is also able to make arrangements and supervision of banks when it comes to the implementation of monetary policy.

Based on the similarity of authority between BI and OJK as specified above, it is a combination of authority to regulate and supervise between BI and OJK. Therefore, in order to carry out the duties and authorities of regulating and supervising banks as referred to above, these two institutions are carried out through integrated coordination. If it is not carried out through integrated coordination, the synergy in making bank regulations and supervision between BI and OJK will not be synchronized, meaning that at one time it could cause a substance incompatibility in the regulation and create a conflict of interest in the context of bank supervision.

Regulatory duties of the Financial Services Authority relating to bank supervision are carried out through coordination in which OJK requests an explanation from BI regarding the required macro data information as referred to in Article 34 paragraph (1) of the BI Law, which in the explanation of Article 34 paragraph (1) follows: The financial services supervisory agency to be established will supervise banks and other financial services sector companies, which include insurance, pension funds, securities, venture capital, and finance companies, as well as other agencies that manage public funds. This institution is independent in carrying out its duties and its position is outside the government and is obliged to submit reports to the Supreme Audit Agency and the House of Representatives.

In carrying out its duties, OJK coordinates and cooperates with Bank Indonesia as the Central Bank which will be regulated in the Act establishing the said supervisory agency. This supervisory agency may issue regulations relating to the implementation of bank supervision duties in coordination with Bank Indonesia and request explanations from Bank Indonesia regarding required information and macro data.

In this explanation, it can be explained that Article 34 paragraph (1) of the BI Law determines that OJK's task is to issue provisions relating to the implementation of supervisory duties on banks in coordination with BI, so the role of OJK is nothing but a supervisory board. The mandate of Article 34 paragraph (1) of the BI Law clearly stipulates that the task of supervising banks will be carried out by an independent financial services sector supervisory agency by issuing provisions relating to the implementation of bank supervision duties. The mandate of Article 34 paragraph (1) of the BI Law emphasizes that the OJK institution acts as a supervisory board, can issue provisions relating to the implementation of bank supervision tasks that are coordinating with BI.

However, it turned out that after the presence of the OJK law, the authority possessed by the OJK was not in accordance with the mandate in Article 31 of the BI Law. The OJK Law gives broad authority to OJK to make arrangements and supervision and even has the authority to act as investigators like the KPK. In Article 5 and Article 6 it is emphasized that the OJK has the authority to carry out regulation and supervision, even though it is known beforehand as stipulated in the mandate of Article 34 paragraph (1) of the BI Law, its authority is to issue provisions relating to the implementation of bank supervision duties, but the regulatory norms determine the authority of the OJK. includes regulating, supervising, examining, and even as an investigator.

b. Determination of Failed Banks Made by the Financial Services Authority

These reasons make the government want to establish an independent financial supervisory institution with the hope that there will be an arrangement of the financial system, with the intention of achieving a more effective coordination mechanism in dealing with problems that arise in the financial system so as to better ensure the achievement of stability. financial system. Then the regulation and supervision of all financial service activities must be carried out in an integrated manner. OJK as a financial services supervisory agency for both banks and non-banks, can also make decisions regarding failed banks. Before this institution existed, the determination of failed banks was carried out through the process of the board of governors meeting at Bank Indonesia. This determination is made so that there is no intervention from any party, considering that OJK is an independent institution. However, the process of handling failed banks is still the same as that handled by BI at this time. Where, after the stipulation of a bank as a failed bank, the Deposit Insurance Corporation (LPS) will handle it.¹⁶²

Failed banks are basically divided into two types, namely failed banks that have a systemic impact and failed banks that do not have a systemic impact. Failed banks that have a systemic impact if bank failures will have a tremendous impact both in withdrawing funds (rush) as well as on the smoothness and continuity of the national economy.

Systemic impact measurement is situational. Systemic impacts can be caused by many things, internal or external. Internal matters are problems within the bank institution itself. While external can be in the form of natural disasters, global financial crises or terrorist attacks. This makes the systemic impact difficult to define. A financial institution can be declared to have a systemic impact in certain situations, but does not have a systemic impact in different situations. It takes a professional decision to decide this. Meanwhile, a failed bank with no systemic impact is the inability of a bank to fulfill its obligations to its depositors or because it cannot pay or fulfill requests for other funds that are still part of its obligations and the bank's failure does not have a systemic impact on the national economy. assets abroad and flees from Indonesia

In determining failed banks, OJK established the Financial System Stability Coordination Forum (FKSSK) with members consisting of:

- 1) the Minister of Finance as member and coordinator;
- 2) Governor of Bank Indonesia as member;
- 3) Chairman of the OJK Board of Commissioners as a member; and
- 4) Chairman of the Board of Commissioners of the Deposit Insurance Corporation as a member.

FKSSK establishes and implements the necessary policies in the context of preventing and handling crises in the financial system in accordance with their respective authorities. FSSK decisions related to the settlement and handling of a failed bank suspected of having a systemic impact are binding on the IDIC. FKSSK policies related to state finances must be submitted for approval by the DPR.

Based on Article 44 of the OJK Law, FKSSK is assisted by a secretariat led by an echelon I official at the Ministry of Finance. Decision making in the FKSSK meeting is based on deliberation for consensus, if it is not reached then the decision is made based on the majority vote or voting (Article 44 of the OJK Law). If under normal conditions (there has not been a crisis in the financial system), then FKSSK:

According to Article 45 paragraph (2) of the OJK Law, in abnormal conditions (there has been a crisis in the financial system), then for the prevention and handling of crises, the Minister of Finance, Governor of BI, Chairman of the OJK Board of Commissioners, and/or Chairman of the LPS Board of Commissioners indicates If there is a potential crisis or there has been a crisis

in the financial system, each of them can submit to the FKSSK for an immediate meeting to decide on steps to prevent or deal with the crisis. Based on the provisions of Article 45 paragraph (2) of the OJK Law, it is known that efforts are made to handle banks through FKSSK if there is a crisis in the financial system, namely a condition where the financial system fails to carry out its functions and roles effectively in the national economy as indicated by the deterioration of various economic and financial indicators between other forms of liquidity difficulties, solvency problems, and/or decreased public confidence in the financial system.

Article 45 paragraph 3 of the OJK Law states that, the Minister of Finance, Governor of BI, Chairman of DK OJK, and Chairman of DK LPS are authorized to make and implement decisions for and on behalf of the institutions they represent in the context of making FKSSK decisions. Through coordination within the FKSSK, the necessary policies are established and implemented in the context of preventing and handling crises in the financial system in accordance with their respective authorities, this is based on Article 45 paragraph 4 of the OJK Law. Then in making FKSSK decisions related to the settlement and handling of a failed bank, namely a condition of a bank experiencing financial difficulties and endangering its business continuity and being declared unable to be rehabilitated by the OJK in accordance with its authority, and this FKSSK decision is binding on the IDIC.

FKSSK policies related to state finances must be submitted for approval by the DPR. The DPR decision must be enacted within 24 (twenty four) hours after the submission of approval as referred to in paragraph (1) is received by the DPR (Article 46 of the OJK Law). Based on this provision, it is known that in relation to the DPR, FKSSK's handling policy for troubled banks for disbursing funds from the government must be through a DPR decision no later than 1 x 24 hours. In carrying out its duties, the OJK institution coordinates and cooperates with BI in issuing regulations relating to the implementation of bank supervision duties, as well as in requesting explanations or information from BI regarding the required micro and macro data. Meanwhile, BI continues to carry out its duties and functions in accordance with the BI Law independently in certain corridors and does not conflict with the OJK Law.

c. Coordination between the Financial Services Authority and the Deposit Insurance Corporation in Handling Failing Banks.

The Deposit Insurance Corporation (LPS) is an independent institution that functions as a deposit guarantor for banking customers in Indonesia. The regulation regarding LPS is contained in Law Number 24 of 2004 concerning Deposit Insurance Corporation. LPS in carrying out its duties is responsible to the president and stands as an independent, transparent and accountable legal entity. In short, LPS functions as: Guaranteeing deposits from depositors and actively participating in maintaining the stability of the banking system in accordance with their authority. Regarding the duties of this institution consists of:

- 1) Formulate and stipulate policies for the implementation of deposit insurance.
- 2) Implement deposit insurance.
- 3) Formulate and establish policies in order to actively participate in maintaining the stability of the banking system.

Formulate, stipulate, and implement a policy for the settlement of Failing Banks that does not have a systemic impact. In anticipating a disturbance to the state financial system, it is necessary to set up an adequate mechanism that allows cooperation between OJK, BI, the Deposit Insurance Corporation (LPS), and the Ministry of Finance. Cooperation among the supporting institutions of the financial services sector is very much needed in the current conducive condition of the Indonesian economy.

This is primarily intended to anticipate handling in a more organized manner with a more structured and consistent policy pattern in the event of a failure in one or a group of financial

services industries that has the potential to cause shocks or disruptions to the financial services system as a whole.

The mechanism for saving the financial services sector through a coordination forum among the four important pillars of the financial services sector is one of the implementation efforts of the Financial Safety Net concept. Broadly speaking, the relationship between OJK and other institutions in the financial safety net is reflected as follows:

- 1) OJK performs functions as a regulator and supervisor of banking
- 2) BI performs functions as a monetary authority, payment system functions, including the function of lender of the last resort.
- 3) LPS performs the function of guaranteeing bank customer deposits
- 4) The Ministry of Finance functions as a fiscal authority

In general, in this working mechanism, OJK will always provide reliable and timely information to Bank Indonesia and LPS. If it is considered that in the financial services sector there are indications that are dangerous, OJK must immediately report it to the Minister of Finance. Based on the information from the OJK, the Minister of Finance must invite BI, LPS and OJK to discuss the necessary settlement steps in order to minimize the danger.

In the event that a bank ultimately has to be liquidated, the proceeds from the sale of liquidated bank assets will be distributed in priority to the cost of salaries and severance pay for employees, operational costs and costs incurred by the IDIC. If the proceeds from the sale of assets are still insufficient, the remainder will remain the obligation of the old shareholders.

From the scheme for handling failed banks by the IDIC as described above, it can be concluded that in the event of a systemic bank failure there is a more definite and structured settlement mechanism. In addition, there are clear and firm sanctions to shareholders that cause the bank to fail. This will certainly provide a more adequate protection for both the community and the government. However, it must be realized that the existence of LPS has not been able to relieve the government's burden. This is because if the LPS's capacity, both in terms of capital, accumulated premiums and reserves, as well as business surplus, is not sufficient, the shortage will still be requested from the government. If it is seen that the possibility exists, then LPS is not a reliable savior god.

In the end, it must be believed that the most effective and effective handling of failed banks is if the existing banks are always healthy. There may be an opinion that the failure of a bank depends on the element of supervision. That impression is not wrong but it is not always true either. Because in everyday life that determines whether a bank is healthy or not, it is returned to the manager and owner.

As an anticipatory step in the future, it is certainly better to find a more comprehensive approach in order to develop a strong and healthy banking system. There is an ideal approach and needs to be studied further. Let BI focus on monetary management and regulators, then OJK (Financial Services Authority) will focus on supervision and LPS in handling failed banks.

4. Conclusion

If viewed from Article 2 paragraph 2, OJK is an independent institution in carrying out its duties and authorities, free from interference from other parties, except for matters that are expressly regulated in this Law. In the General Explanation, it is stated that the independence of the Financial Services Authority is manifested in 2 things, namely: institutionally the Financial Services Authority is not in the Indonesian government system and the Financial

Services Authority Leaders have certainty over their position. Based on this explanation, the independence of the OJK seems difficult to realize because the process of filling in the members of the Board of Commissioners as regulated in Article 10 of the OJK Law determines that 2 out of 9 members are filled *ex officio*, namely 1 from Bank Indonesia, 1 from the Ministry of Finance. Because it is *ex officio*, the issue of the position of the Board of Commissioners depends on the term of office at the institution of origin and at the agency of origin there is no equality in the recruitment process, because some need to get confirmation from the DPR, some are proposed through the Minister of Finance to the President and some are directly to the President (Article 11 and Article 13). The independence of OJK will be fully effective if there is Good Corporate Governance in the world of finance and banking. Because the implementation of the Good Corporate Governance system has consistently been proven to improve quality and can also be an obstacle to performance engineering activities which result in financial statements not reflecting the company's fundamental values. The supervisory function does not lie in the establishment of a new institution or not, but from the presence or absence of the implementation of good corporate governance. Another issue that affects the independence of the OJK is the financing at the OJK which is sourced from the APBN and/or levies from parties conducting activities in the financial services sector.

The Deposit Insurance Corporation is an independent, transparent and accountable institution in carrying out its duties and authorities. As an independent institution, accountability is very important to implement so that stakeholders know what and how IDIC carries out its functions and duties as mandated in Law no. 24 of 2004 concerning the Deposit Insurance Corporation. One of the strategic efforts in creating and maintaining public trust in the banking industry is the need for a deposit guarantee scheme that is run by an independent institution. The institution is designed to be part of a financial system security net whose establishment has been adopted by many countries in order to create financial system stability. Especially, The banking industry is one sector that is experiencing rapid development in line with economic growth and the increasingly complex global financial and trade transactions. With the presence of the IDIC, it is expected to support a healthy and stable banking system by conducting a deposit guarantee program for bank customer deposits that is carried out independently and continuously. Building public trust in the banking industry is one of the important keys in efforts to maintain banking stability. With the presence of the IDIC, it is expected to support a healthy and stable banking system by conducting a deposit guarantee program for bank customer deposits that is carried out independently and continuously. Building public trust in the banking industry is one of the important keys in efforts to maintain banking stability. With the presence of the IDIC, it is expected to support a healthy and stable banking system by conducting a deposit guarantee program for bank customer deposits that is carried out independently and continuously. Building public trust in the banking industry is one of the important keys in efforts to maintain banking stability.

In relation to the duties of the IDIC as stated in the IDIC Law, namely to formulate, determine, and implement policies for the settlement of failed banks that do not have a systemic impact, and carry out the handling of failed banks that have a systemic impact, of course, must coordinate with the OJK. In carrying out its duties, OJK coordinates with Bank Indonesia in making supervisory regulations in the banking sector. In the event that Bank Indonesia in carrying out its functions, duties, and authorities requires a special examination of a particular bank, Bank Indonesia may conduct a direct examination of the bank by giving prior written notification to the OJK. however, cannot provide an assessment of the soundness of the bank and the report on the results of the examination is submitted to the OJK no later than 1 (one) month after the issuance of the results of the examination. Bank Indonesia to take steps in accordance with the authority of Bank Indonesia. The coordination that occurs in the handling of failed banks between LPS and OJK is shown by the confirmation made by OJK to the Deposit Insurance Corporation regarding troubled banks that are in the process of restructuring by OJK and the Deposit Insurance Corporation can conduct inspections of banks related to their

functions, duties and authorities, as well as first coordinate with OJK. LPS as an institution that examines bank health will certainly conduct a study and decide whether to be saved or not. So it can be concluded whether the bank is only a troubled bank or a failed bank. If the IDIC decides to rescue, then there is a difference in treatment between the rescue of systemic and non-systemic failed banks. For failed banks that are not systemic, the rescue does not include the old shareholders. This means that all costs incurred for the rescue will be provided by the IDIC. then there is a difference in treatment between systemic and non-systemic failed bank rescues. For failed banks that are not systemic, the rescue does not include the old shareholders. This means that all costs incurred for the rescue will be provided by the IDIC. then there is a difference in treatment between systemic and non-systemic failed bank rescues. For failed banks that are not systemic, the rescue does not include the old shareholders. This means that all costs incurred for the rescue will be provided by the IDIC.

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