修士論文要旨　（2009 年 3 月修了）

A Study on the Establishment of Financial Services Authority in Indonesia

インドネシアにおける金融庁の設立に関する研究

指導教員：柳田辰雄教授

国際協力学専攻　47-76885　Siahaan Mario

Keyword: Single Supervisory Authority, Financial Sector, Conglomerates, Central Bank

I. Research Background

There is no doubt that the financial sector is a very important part for a country's economy. Finance has an important role to pump the flow and progress of economic growth through an economy. Economic growth in one country demands not only banking sector but also non-banking sector growth. Meanwhile, with the rapid creation of new financial instruments and services offered by various local and global financial institutions, boundaries between the different types of financial institutions such as banking, securities, capital market, and insurance have blurred. Global experience on the issue of an integrated financial regulator is still mixed.

There are arguments both in favor of such an arrangement as well as in favor of a model where there are different regulatory authorities systems. In Indonesia, a decision to establish an integrated supervisory agency, namely Financial Services Authority (FSA), to regulate and supervise all financial sectors is now still debatable.

Some backgrounds of the necessity to establish FSA in Indonesia can be given as below:

A. Weak regulation and supervision on financial conglomerates in Indonesia.

B. Demand of global trading in financial sectors and to reduce financial crimes such as money laundering.

C. A necessity to establish supervisory agency in every country in the world in order to strengthen global supervisory and regulatory coordination.

D. Article 8 of Indonesian Law no. 23/1999, which defines:

a) The Central Bank is responsible for the tasks of regulating and supervising the banking sector.

b) The Ministry of Finance is responsible for the insurance sector.

c) The Indonesian Stock Exchange (securities) is under the direct supervision of its own Capital Market Supervision Authority (BAPEPAM).

E. A law to establish FSA for regulating and control financial institutions in Indonesia was approved by Indonesian Law in 2002.

F. Limited official target date for the implementation of supervisory agency in Indonesia no late than December 2010.

II. Research Purpose

The objective of this research is to identify some potential challenges associated with the initial design process of FSA in Indonesia. This research also examines if Indonesia is ready to establish an independent supervisory authority by 2010.

III. Research Methodology

This research examines the preparation of the establishment of FSA by using:

1. Theoretical analysis, which discusses the merit and demerits of a single supervision system. This will also illustrate world trends in establishing an integrated supervisory agency in some countries.

2. Political analysis, which evaluates the current constraints, requirements and some potential problems of the establishment of FSA in

Indonesia.

IV. Research Summary

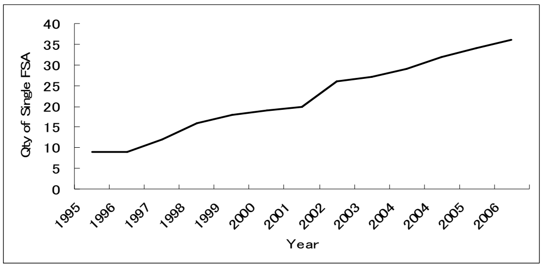
Financial conglomerates that operate in the banking, securities, and insurance industries are among the most powerful corporations in many countries, including in Indonesia. In order to supervise such entities effectively and in particular to insure that supervisory oversight of risk management by such conglomerates is not fragmented, uncoordinated, or incomplete, this research argues that a supervisor with broad scope to cover all financial services is necessary.

Table1. Pros and Cons of Single Supervisory Agency

Agree	Against
Facilitates the supervision of financial conglomerates	The merger process may result in lower supervisory effectiveness
Allows better monitoring entire financial system	Not recognizing the unique characteristics of the banking, securities and insurance industries.
Allows the development and implementation of a unified approach of regulation and supervision	There are other schemes to achieve, prompt information-sharing and collaboration among existing agencies
Strengthens accountability of supervisors.	May only work in certain countries and may be more suited for developed financial systems
Maximizes economies, contributing to a better use of resources.	Gains in terms of economies of scale may not be significant.

As shown by pro arguments in Table 1, a single supervisory authority will become more efficient in Indonesia condition since separated supervisory system will make the bureaucratic complicated as we can easily find in current daily operational of those multiple institutions.

The number of integrated supervisory agencies in the world has grown rapidly in the last two decades (Graph 1). This phenomenon shows the necessity of making an integrated supervisory agency in every country.



Graph 1. Number of Single Supervisory Agency in the World

Central Bank of Indonesia is against the establishment of FSA, as they stand to lose privileges that come with supervising and regulating the banking sector. Fortunately, since new-elected Governor of Central Bank, is one of the early advocates of FSA establishment, the Central Bank is expected to cooperate with Ministry of Finance to establish the new authority.

The risk of the authority becoming a super-power tool that may be exploited by the incumbent government or political parties is very real in Indonesia. Total independence is a must for the new authority in accomplishing its functions.

V. Research Conclusion

Establishing a unified FSA is a correct decision in order to achieve efficient and effective mechanisms of supervision on financial sector in Indonesia. The plan to adopt a unified authority must come with a commitment to proceed with a much wider scope of economic, judicial and political reforms in the country.

VI. Main References

1. Heru Subiantoro, Phd (2004), “Fiscal Policy, A thought, Concept, and Implementation”, Fiscal Analysis Board, Indonesian Ministry of Finance.
2. Martinez, J, and Rose, T.A. (2003), “International Survey of Integrated Financial Sector Supervision”, World Bank Policy Research Working Paper, no. 3096, July.