BI Responds to BPK Audit Report Century to the DPR

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JAKARTA | SURYA Online - In connection with the submission of the results of the investigative examination of the Century Bank case by the BPK to the DPR, Bank Indonesia (BI) has provided an official response. Through the Director of the Directorate of Strategic Planning and Public Relations Dyah NK Makhijani, BI presented five points of its position statement. The following is BI's statement in a press release in Jakarta, Monday (23/11).

1. During the investigative audit process, Bank Indonesia has been cooperative and open in supporting the smooth running of the process, by providing all the necessary data and information. Bank Indonesia has also provided explanations and clarifications on Bank Indonesia's policies and actions in handling Bank Century from the time of the merger process to the decision to rescue Bank Century. However, Bank Indonesia deeply regrets that the results of the BPK audit have not fully described the real facts and problems as the response that has been submitted by Bank Indonesia to the BPK.

2. Bank Indonesia also regrets that considerations of the global crisis and its impact on the Indonesian economy, which was the background for the rescue of Bank Century, were not reflected in the audit report. The depth of threat and high uncertainty related to the impact of the global financial crisis on the national economy has demanded the Government to take urgent legal steps, namely by issuing a Perpu as a basis for making financial sector policies by the Government and Bank Indonesia.

3. In an effort to deal with the impact of the global crisis, in just 2 months (October - November 2008) Bank Indonesia has issued various policies, both in the monetary sector and in the banking sector. The focus of most of these policies was on easing banking liquidity, among others in the form of changes to the Rupiah and foreign currency statutory reserves (GWM), lowering the over night Repo Rate, adjusting the Fasbi rate, extending the Fine Tune Operation period, removing restrictions on the daily balance of external loans. short-term foreign exchange, extension of forex swap tenor, commitment to provide foreign exchange for domestic corporations through banking, changes to provisions for the Intra-day Liquidity Facility, changes to provisions for Short-Term Funding Facilities, and the issuance of Bank Indonesia Regulations regarding Emergency Funding Facilities.
4. Therefore, the rescue of Bank Century must be seen in the context of saving the financial system, banking and the economy as a whole, which at that period was on the verge of crisis as a result of the global economic crisis that was currently underway. Bank Indonesia's policy in designating Bank Century as a failed bank with systemic potential is part of the policy pursued by Bank Indonesia in efforts to deal with the impact of the global crisis, with the aim of saving the Indonesian financial system, banking and economy.

5. After the rescue, the condition of Bank Century, which is now called Bank Mutiara, has shown improvement, both in terms of liquidity and capital. Therefore, all parties are urged to maintain a conducive momentum so that the bank can maintain its business continuity so that in time the LPS temporary capital can be returned.

**Banking: Legal Century Bank Rescue [MenKeu]**

By jakarta45 1 Comment
Categories: Articles, Historical Documents, Spirit of 45 Values, News and Opinion

Tags: Bail Out, Banking, Century, Leadership, Nation & Character Building, Nationalism, Statemanship

Minister of Finance: Legal Century Bank Rescue

Sunday, 30 August 2009 | 04:03 WIB

Jakarta, Kompas - Minister of Finance and Acting Coordinating Minister for the Economy Sri Mulyani Indrawati emphasized that all decisions to save Century Bank on November 21, 2008 were legal policies because they were supported by two legal products at once. The basis for decision-making also comes from the results of an assessment by Bank Indonesia, the institution with full authority over banking supervision and handling.

"All government decisions - in this case the Minister of Finance) as Chair of the KSSK (Financial System Stability Committee) - are based on a clear legal basis, namely Government Regulation in Lieu of Law Number 4 of 2008 concerning Financial System Safety Nets and Law Number 24 2004 concerning the Deposit Insurance Corporation," said Sri Mulyani in Jakarta, Saturday (29/8).

As reported, the rescue of Bank Century, which has received an injection of funds of up to Rp. 6.7 trillion, has the potential to harm the state when the government (Deposit Guarantee Agency/LPS) relinquishes its ownership. The rescue process that began with BI's statement that Bank Century as a bank failed and had a systemic potential was questioned.
According to Sri Mulyani, all decisions of the KSSK (if the legal basis used was Perppu No 4/2008) or the Coordinating Committee (if based on the LPS Law) on 21 November 2008 were immediately reported to Vice President Jusuf Kalla on 22 November 2008. At that time, the Vice President instructed The National Police chief arrested Robert Tantular, owner of Bank Century.

Previously, on November 13 2008, the Minister of Finance also reported on the development of Bank Century's condition to President Susilo Bambang Yudhoyono while attending the G-20 Summit in Washington, United States. BI reports to the President after informing the Minister of Finance as Chair of the KSSK or the Coordinating Committee about the deteriorating condition of Bank Century and the possibility of it becoming a failed bank and potentially systemic.

"At that time, BI reported that Century and banking conditions were critical and there was a decline in liquidity in small banks. The Minister of Finance's official report to the new President was submitted on 25 November 2008 and 4 February 2009 as a form of accountability. We will convey all the details, including the chronology and figures from BI and LPS regarding Century," said the Minister of Finance.

In a working meeting with the DPR's Commission XI, August 27 2009, the Minister of Finance explained three reasons underlying the decision to save Bank Century. That reason was also used as a basis for the government not to close Bank Century.

First, there is a decrease in customer confidence. It is feared that the closure of Bank Century, which has 65,000 customers, will trigger public panic. Second, BI stated that the closure of Bank Century would have an impact on financial markets due to the unstable economic situation. Third, BI also stated that the closure of Bank Century could threaten the payment system.

Support CPC

Sri Mulyani emphasized that she supports the Supreme Audit Agency (BPK) and the Corruption Eradication Commission (KPK) to examine all aspects of the KSSK or Coordinating Committee's decisions as soon as possible. The BPK was also invited to examine the accuracy of legal issues, good governance of decisions, and the assessment made by KSSK when it decided Bank Century was a failed and systemic bank.

Since July

The KPK has asked the BPK to examine the process of saving Bank Century since July. At that time, LPS was still injecting funds to cover Bank Century’s capital needs. BPK chairman Anwar Nasution revealed that BPK immediately responded to the KPK's request. "We check. It was a bit difficult. After Pak Darmin came in, things went rather smoothly," said Anwar.
BI Senior Deputy Governor Darmin Nasution confirmed that the BPK audit of BI regarding the Bank Century case began about two weeks ago. "The BPK audit at BI was carried out after I entered," he said.

Darmin explained, BPK examined BI, how was the supervision, what was the process, until Bank Century, when it became a failed bank, was brought to the KSSK and decided as a systemic failed bank.

Darmin said that the injection of funds by LPS in stages into Bank Century was indeed carried out secretly so as not to increase customer panic. "Actually it was published during the financial report, but it didn't really attract public attention," he said. (OINs/DAY)

1 Response to “Banking: Bank Century Rescue
Legitimate [Minister of Finance]”

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1. 1 editor

September 9, 2009 at 2:22 pm

KNEW THE POLITICAL SCENARIO BEHIND THE FUNDING
6.7 TRILLION BAILOUT TO CENTURY BANK

The Deposit Insurance Corporation (LPS) has disbursed Rp 6.7 trillion in funds to Bank Century on the recommendation of the government and Bank Indonesia. This figure has become inflated, even though at first the DPR approved only Rp. 1.3 trillion. (Kompas 1 September 2009).

" How good the government's attitude towards bank owners who have been in trouble all this time. "Why is the government always being protective of banks whose management is problematic?" all of that should be a mystery to us.

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Law Number 10 of 1998 concerning banking, requires all banks to be careful in providing loans. However, the LPS ignored this rule.
The principle of the five C's of credit analysis which forms the basis for providing bailout funds does not seem to be applied by LPS. LPS should examine the character (honesty of bank owners), collateral (bank loan guarantees), capital (capital), capacity (ability to manage a bank) and condition of economy before issuing a bailout.

In the legal process for Century Bank, Century Bank owner Robert Tantular and Bank Century officials have been named as defendants in the embezzlement of customer funds. Even the management of Bank Century has been involved in marketing mutual fund products from PT Antaboga Sekuritas, which is clearly prohibited in Article 10 of the Banking Law.

This means that, in terms of the five C's of credit analysis, Bank Century is actually not at all eligible to receive a bailout from LPS. The irony is that LPS disbursed funds of up to 6.7 trillion to that bank!!!

The question arises, what is the background for the government to provide these bailout funds??? Where will the 6.7 trillion bailout funds go?

The answer, Possibly: first, LPS officials were careless in their actions so that bank officials affiliated with certain political parties took advantage. Second, LPS officials, troubled bank officials and certain political parties conspired to conspire to embezzle bailout funds.

Disbursement of Funds at the Troubled Century Bank

Published on August 29, 2009 by Nurmimi

Minister of Finance and Coordinating Minister for the Economy Sri Mulyani Indrawati explained the government's injection of bailout funds for the recovery of Bank Century
from the previous IDR 1.3 trillion to IDR 6.7 trillion, it didn't come from the APBN, but everything was purely from the Deposit Insurance Agency (LPS)

The government's policy of disbursing Rp. 6.7 trillion in funds to Century Bank deserves to be controversial. Because the bank is not a big bank, it is debatable whether it will really have a systemic impact on the banking world if the bank is not given financial assistance.

This was confirmed by an economic observer from UGM, Sri Adiningsih, yesterday. "Big banks like Bank Mandiri or BNI might have a systemic impact. But for Bank Century there is still a question mark? he said.

According to Adiningsih, the government (Minister of Finance and BI) must be able to explain to the public that if Bank Century is not bailed out (assisted by funds) it will have a systemic impact on the banking world.

Sri Adiningsih said the government should have learned a lot from the previous case (BLBI), which until now has left huge losses. In principle, in using state funds, whether the APBN or LPS must be transparent and supported by clear reasons. Not on the basis of the order of a particular party.

In the Commission XI Working Meeting with the Minister of Finance yesterday it was revealed that the DPR actually only approved IDR 1.3 trillion. But that figure swelled to IDR 6.7 trillion.

Minister of Finance Sri Mulyani in the meeting argued that if Bank Century did not receive disbursement of funds, it would have a systemic impact on the banking world and the funds used would not be the APBN but LPS.

However, the Minister of Finance's reasoning was considered by Commission XI member Harry Azhar Aziz to be incorrect. Because LPS funds consist of several sources including people's money. Of the total LPS funds now Rp. 17 trillion, Rp. 4 trillion is state capital derived from people's money.

Harry smelled the impression of a collusive practice in disbursing funds to Bank Century. "I get the impression that Bank Century uses BI, BI uses the Minister of Finance and the Minister of Finance uses the president.

MRI Research economic observer Rizal Ismail asked President SBY to uphold the principles of good corporate governance by disclosing to the public the case of Bank Century's bailout fund inflation.

"I see this inflation being done deliberately by Bank Century through the applicable banking law instruments. This is in the interest of big businessmen, we know that Robert Tantular, who owns Bank Century, is currently on the run with bailout funds. The funds are people's money and must be returned to the people," said Rizal on Friday night [28/8].

However, Rizal assessed that there should be no rush to blame Sri Mulyani. "Although the Minister of Finance knows for sure that the funds will be disbursed, it must be with clear data and that can be obtained from the results of Bank Century's due diligence (test) on the recommendation of the BPK investigative audit," he said. The case of a government bailout (loan fund) of IDR 6.7 trillion to Bank Century through the Deposit Insurance Agency (LPS)
Rizal said it could indeed be a hot ball for Minister of Finance Sri Mulyani. This is because the Supreme Audit Agency (BPK) will not stop auditing the Century Bank issue.

Main Auditor for State Finance II BPK Syafri Adnan Baharuddin emphasized that BPK had previously communicated the bailout case between BI and LPS. Among them is the increase in the rescue ceiling from IDR 1.3 trillion to IDR 6.7 trillion. Syafri emphasized that the BPK would immediately follow up on a special audit request regarding the Bank Century case. "What is clear is that the audit of Bank Century will continue, the BPK will not back down," said Syafri.

The BPK also requested that currently all parties do not blame each other which would bias this case. The BPK ensures that the initial investigative audit of the Century Bank case can be completed before Eid al-Fitr 1430 H.

Previously, Minister of Finance Sri Mulyani did not explain in detail about the swelling bailout. The Minister of Finance further explained the assistance to Bank Century legally. Meanwhile, the deposit insurance agency (LPS) will take over the details of the funds, as the takeover of Bank Century.

"Before October 15, 2008, the handling of the Century Bank case was in effect Law No. 23/1999 which was later changed to Law No. 3/2004. Including several points related to this case," said Sri.

BI Senior Deputy Governor Darmin Nasution said that since Bank Century was taken over by LPS, as of 24 July 2009 LPS had assisted Rp6.762 trillion. So that Bank Century's CAR for the position of 31 July 2009 was above the eight percent requirement, namely 9.34 percent.

Bank Century has been able to maintain its liquidity since February 2009. Bank Century is no longer violating the minimum reserve requirement (GWM) and third party funds (DPK). This is proven by bank deposits increasing by IDR 937.7 billion or the equivalent of 19.48 percent. Total deposits amounted to IDR 5.751 trillion in the period 31 January to 25 August 2009.

**Century Bank Case From Company Legal Aspect**
Century Bank case  
Review from the Legal Side of the Company  

I. Posita Case  
PT Bank Century Tbk (BCIC) in 2005 became a selling agent for investment products issued by PT Antaboga Delta Sekuritas.[1] Century Bank customers were promised high interest by the bank so that the customers transferred their money to PT Antaboga's account.[2] After investigation, it turned out that the investment product did not have a permit from BAPEPAM-LK.[3] After the money entered PT Antaboga's account, the funds were then taken by Robert Tantular, the majority shareholder of PT Bank Century Tbk. Robert Tantular also applied for credit to Bank Century.[4]  

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BI has banned Bank Century from selling the investment product. In 2006 BI found that Bank Century was still selling the product.[5] After investigation, it turned out that there was no bookkeeping record for the purchase of the product.[6] Other findings noted that there was no Bank Century symbol on the product, even though at the time it was launched in 2005 it contained the Bank Century logo.[7]  
In October 2008 the majority shareholders, namely: Robert Tantular, Rafat Ali Rizfi, and Hesyam Al Waraq, at BI's insistence, promised to pay for maturing securities and increase capital, this was stated by a rights issue.[8] The shareholders also promised to find new investors to solve the bank's problems. However, this promise was not fulfilled so that the bank could not fulfill its obligations to customers. Bank Century's Statutory Reserves (GWM) are also below the limit set by BI.  

BI helped Century Bank's liquidity by providing a short-term loan on November 14, 2008 with the condition that Bank Century's majority shareholder must comply with the letter of commitment.[9] The letter of commitment contains, among other things, a commitment to transfer Bank Century securities to a custodian bank in Indonesia, return the results of payments for securities that are due, and promise not to use securities as collateral to other parties. The letter of commitment was not fulfilled by Bank Century.  

BI returned to assist Bank Century's liquidity on November 18, 2008 because Bank Century failed to clear.[10] However, the deteriorating condition of Bank Century resulted in Bank Century being handed over to the Deposit Insurance Corporation (LPS) on November 21, 2008.  

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II. Case Analysis  
A. Business Activities  
A company is established with the intention of carrying out certain business activities.[11] The business activity in question is not allowed
contrary to the applicable laws and regulations, public order, and/or decency.[12] Banking companies aim to collect public funds in the form of savings and channel these funds back to the public in the form of loans.[13]

Deposits themselves can be in the form of savings, time deposits, certificates of deposit, current accounts, or other equivalent forms, which occur based on deposit agreements.[14] Banks can also place funds from customers to other customers in the form of securities that are not listed on the stock exchange.[15] Initially, Bank Century's problems arose because PT Bank Century sold investment products (mutual funds) to its customers in cooperation with PT Antaboga Delta Sekuritas. A number of customer funds, based on the wishes of the customer, were transferred to PT Antaboga's account as evidenced by the existence of a mutual fund certificate from PT Antaboga.[16] However, it is still necessary to find out further whether the AD of PT Bank Century mentions mutual funds as one of the business activities that will be carried out by the company. This is because the banking business is different from the mutual fund business because there are regulations that stipulate that mutual funds can only be issued by mutual fund limited companies.

B The management of a company can run because there are company organs, which consist of: General Meeting of Shareholders (GMS), Directors and Board of Commissioners. The GMS is a company organ that has authority that is not given to the Board of Directors or the Board of Commissioners within the limits determined by UUPT and/or in the Persero's AD.[17] The Board of Directors is a company organ that is authorized and fully responsible for the management of the company for the benefit of the company, in accordance with the aims and objectives of the company and represents the company, both inside and outside the court in accordance with the provisions of the AD.[18] The Board of Commissioners is a company organ whose job is to carry out general and/or special supervision in accordance with the AD and provide advice to the Board of Directors.[19] The above rules clearly state that the Board of Directors is the only organ within the company authorized to manage. In the Bank Century case, many business decisions were taken by Robert Tantular, one of the largest shareholders of PT Bank Century. The position of the majority shareholder does not authorize Robert Tantular to make decisions regarding the management of the Persero. As a shareholder, Robert Tantular is only entitled to attend and vote at the GMS, receive payment of dividends and the remaining assets resulting from liquidation, and exercise other rights based on the Company Law.[20] There is even an indication that Robert has bad intentions in running the Persero. He uses PT Bank Century as a tool to fulfill his personal needs and ignores the interests of the company and the wider community.

Robert Tantular for his actions can be held accountable for far more than the capital he gave to the Persero. Basically, in a corporation there is a very clear distinction between the corporation's wealth and personal wealth. Shareholders are only liable to the extent of capital
which he deposited with the Persero.[21] However, at this time the protection of holders as mentioned is no longer an absolute thing. Shareholders can now be held personally responsible for their actions against the Persero or on behalf of the Persero. This doctrine is known as Piercing the Corporate Veil.[22] The accountability referred to is not only limited to civil liability but can also be held criminally liable.

A shareholder can be held personally liable if: first, the shareholder acts on behalf of the Persero when the requirements for the Persero as a legal entity have not been met.[23] Shareholders when the Persero is not yet a legal entity are like partners in a firm. Shareholders are jointly and severally responsible for all actions taken before the Persero officially became a legal entity. A Persero will officially become a legal entity when it is announced in the State Gazette.

Second, the shareholders directly or indirectly use the Persero in bad faith for personal gain.[24] In the Bank Century case, Robert Tantular applied for credit to Bank Century using several names. He should be suspected of having used his authority as the largest shareholder to influence the bank's credit granting decisions. He has also taken funds deposited by customers in PT Antaboga's accounts. Even though he does not have the right to collect these funds.

Robert Tantular, for his actions, can be considered to have endangered the health of Bank Century. One of the obligations of the bank based on the law is to maintain the soundness of the bank.[25] The soundness level of a bank can be measured through capital adequacy, asset quality, management quality, liquidity, profitability, solvency and other aspects related to the bank's business. Banks are also obliged to conduct business based on the principle of prudence.

Banks are also required to notify their customers of the risk of loss in transactions made by customers through banks. In this case, Bank Century neglected to notify its customers that it was no longer working with PT Antaboga in running the mutual fund product.

Third, the shareholder concerned is involved in an unlawful act committed by the company.[26] PT Bank Century has committed an illegal act by selling mutual fund products that they offer that are not registered with BAPEPAM-LK. Fourth, shareholders use the company's assets which result in the company not being able to pay off the company's debts.[27] Robert Tantular’s actions, taking funds from PT Antaboga’s account and applying for credit on behalf of several people, have resulted in a decline in the quality of Bank Century's health. This led to Bank Century's clearing failure which resulted in Bank Century being under the supervision of the Deposit Insurance Corporation (LPS).

C. Change of Name
The latest developments in the Century Bank case suggest that there is a possibility
Century Bank changed its name. This name change was taken as a step to save Bank Century. The new name is expected to be able to remove the bad image of Bank Century in society.

To be able to change the name, a GMS must be held first to find out the decision of the shareholders regarding the plan. GMS is also important because changing the name will result in changing the AD of the Persero. Changes to AD can only be made at a GMS.[28]

The name change does not eliminate Bank Century’s obligations to third parties previously. Bank Century still has to pay off all liabilities to third parties after they change their name. The change of name does not abolish its legal subject. In principle, the subject is still the same, only the identity is changed. Therefore, after changing the name, all liabilities of customers who were harmed during Bank Century must be repaid by the bank with the new name, even though the customer will not later become a customer with the new name.

The name change is still possible considering Bank Century is not yet in a bankrupt position. Article 20 states that amendments to AD cannot be made to a company that is declared bankrupt. The position of being bankrupt is not the same as being under LPS supervision, as experienced by Bank Century.

[6] Ibid.
[7] Ibid.

[9] Ibid.
[10] Ibid.
[12] Ibid.
[14] Ibid.
[15] Ibid, Article 6 letter a
[16] Ibid, Article 6 letter j
[16] Mutual funds are based on the Capital Market Act number 8 of 1995 article 1, number 27: "Mutual funds are a vehicle used to raise funds from the investor community to be further invested in a Securities Portfolio by the Investment Manager". Investment Manager is a Party whose business activities are managing Securities Portfolios for customers or managing Investment Portfolios for a group of customers. In this case it is not known what the roles, rights and obligations of PT Bank Century and PT Antaboga are in the agreement.

Based on Capital Market Law Number 8 of 1995 article 18, paragraph (1), there are two legal forms of Mutual Funds in Indonesia, namely Mutual Funds in the form of Limited Liability Companies (PT. Mutual Funds) and Mutual Funds in the form of Collective Investment Contracts (KIK). The limited liability company referred to above must have prior permission from BAPEPAM (Capital Market Law, Article 18 paragraph (3). Mutual funds set forth in the form of a Collective Investment Contract can only be executed by an Investment Manager based on a contract (Capital Market Law Article 18 paragraph (4).).

[17] Indonesia (a), Op. cit, Article 1 paragraph 4
[18] Ibid, Article 1 paragraph
[19] Ibid, Article 1 paragraph
[20] Ibid, Article
[21] Ibid, Article 3 paragraph (1)

In article 3 paragraph (1) it is stated that the Shareholders are not responsible for the engagement made on behalf of the Persero and are not responsible for the Persero's losses exceeding the shares owned.

[22] A Persero is a form of legal subject, rechtspersoon. The Persero can take certain legal actions that result in rights and obligations. To carry out these legal actions, the company is equipped with organs that have their respective functions. These organs carry out everything in the interests and on behalf of the company. This is because the company is not a concrete object that can come, show itself, and speak for itself like humans.

One of the advantages of the Persero compared to other forms of business is that there is a clear separation between the Persero's assets and the personal wealth of its shareholders. This is known as the Corporate Veil Doctrine.

Further problems arose when the Persero was sued by a third party for mistakes made by the shareholders. Are the directors also responsible for the mistakes of the shareholders just because the directors are solely responsible for managing the company. Therefore, the Corporate Veil doctrine cannot be applied in absolute terms. Shareholders can also be held accountable for certain conditions. Shareholders can be held liable when shareholders have failed to comply with certain requirements and formalities.

[23] Ibid, Article 3 paragraph (2) letter
[24] Ibid, Article 3 paragraph (2) letter
[25] Indonesia (b), Op. cit, Article 29 paragraph (2)
[26] Indonesia (a), Op. cit, Article 3 paragraph (2) letter c
Unexpectedly, the government’s efforts to save Century Bank from being destroyed as a result of systematic robberies committed by its owners developed quickly and immediately entered the center of the hot political field.

In fact, the disbursement of funds (which according to Minister of Finance Sri Mulyani was limited to increasing the CAR or capital adequacy ratio) amounted to Rp. 6.7 trillion will only lead to legal investigations at the BPK, KPK or the police if there are indications that there are individuals who are manipulating the disbursement of these fresh funds.

That is, assuming that there are people in the government and in the management of Bank Century who enjoy illicit profits from the disbursement of funds, then this case, as usual, will again add to Indonesia’s long list of corruptors and white collar criminals.

But it turns out that what has spread lately is a horizontal conflict between Vice President Jusuf Kalla, Minister of Finance Sri Mulyani and former BI Governor Boediono who was elected Vice President of the Republic of Indonesia for the 2009-2014 period.

Jusuf Kalla, who felt that he was about to be immersed in this case, immediately reacted. He immediately corrected the date of the audience between himself and Sri Mulyani and Boediono.

Previously, Sri Mulyani admitted that she reported the Century Bank case to Vice President Jusuf Kalla on November 22, or the day before LPS released the first Rp. 2.7 trillion more. But according to JK, the Minister of Finance only appeared before him (since President SBY was still in the US) on 25 November 2009.

“So, as if I know the disbursement of funds. In fact, I don’t know at all,” said the Vice President in a press conference which was supplemented by a complete chronology of the Century Bank case (KOMPAS, 1/9).
In addition, JK also explained that Boediono did not dare to report Bank Century founder Robert Tantular who had clearly defrauded his own bank of Rp. 1.4 trillion to the police.

Because Bank Indonesia did not dare to do anything on the grounds that there was no legal basis, finally Jusuf Kalla took the initiative to instruct the national police chief to arrest Robert Tantular.

JK’s move can be responded with both positive and negative thoughts.

For those who think positively, what JK is doing is the right step in order to position each case on its true portion. This includes the criminal aspect and the government’s steps that are considered not to be firm in dealing with white-collared crimes that have always recurred from the Edi Tansil era to the Robert Tanular era with fantastic losses of up to trillions of rupiah.

But JK’s move can also be seen as an attempt to deflate the elected government. JK is considered to be trying to portray the figure of a Boediono as an indecisive leader.

If this continues to develop without political control from the ruling party and the winner of the election, it is not impossible that the image of the SBY-Boediono government will immediately deteriorate even before the two of them are sworn in in October.

But whatever people’s assessment of JK’s strong statements regarding the Century Bank case, I agree 100% with JK’s words as follows:  

"From the beginning, my opinion is that the solution for troubled banks is not to bail out because according to the experience in 1998, it caused losses to the state of up to IDR 600 trillion in the form of Bank Indonesia liquidity assistance (BLBI). Until now, even for the next 20 years, the people have to pay Rp. 60 trillion in interest and principal through the state budget. In fact, this case should have been the responsibility of strict bank supervisors from Bank Indonesia," he said.

The question is, will Robert Tanular be the last criminal who succeeds in eroding trillions of rupiah from state and public funds through banking channels?

Or tomorrow we will return to read similar cases of robbery?

This article can be read at:

Century Bank, SBY-Boediono’s Gembosi Sacred Card?
Like the head of the LPS, Tuan Firdaus Djaelani, they stated that the state loss in the Century Bank case was hypothetical because it could be sold at a higher price than the injected funds, a myth that has never been proven since the first BLBI. Maybe ladies and gentlemen still remember, the former IBRA’s recovery rate was only 28%.

An argument that is still debatable, what is meant by systemic? Is it true that the hypothesis that if Bank Century is not saved – aka closed immediately – there will be a potential for systemic damage?

Or is it just the paranoid imagination of right-wing bankers – the same ideology that brought down banking in 1998 and America this decade?

The Minister of Finance also repeatedly stated that the policy was valid. That this policy has gone through the correct formal procedures, something which was later partially refuted by the fact that the Perpu on JPS was rejected by the DPR; and evidence that the decision was made without prior approval/approval from the holder of the political mandate, namely Mr. President / Vice President.

Especially Mr. President, until today there is no confirmation whether SBY approved this at the meeting on 13 November 2008.

Several observers – including Mr. Antonius Tony Prasetyantono, Chief Economist of BNI and a lecturer at FE-UGM – stated that there was no potential loss in this case.

The Minister of Finance, Mrs. Sri Mulyani, has repeatedly stated that the reason for saving Bank Century was because this bank had ‘systemic potential’ in undermining the national banking system. Because there is a ‘systemic risk’, the State – in this case LPS – is responsible for injecting 6.7 trillion rupiah into the bank.

I think we need to examine one by one some of the arguments that have been offered to the public recently.

**First, systemic.** To this day BI and the Minister of Finance as the KKSK have never clearly explained what systemic risk is and how it can happen.

What's worse is that the systemic explanation probably didn't reach Tuan's ears President and Mr. Vice President until the last confirmation on 25 November 2008.
when Mrs Sri Mulyani reported to Mr. Vice President, 2 days after the first disbursement of 2.7 trillion on 23 Nov.

Systemic has turned into an inconsequential leap of logic. A problem at a small bank that was started by the criminal mistakes of its bankers was mapped as having a potential impact on the entire national banking system.

The imagination built up that if left unchecked or closed then this will create a rush in national banking needs to be tested: is it true?.

Is there any technical explanation about this?. Or is it possible that there are certain large depositors that need to be protected or bailed out by the LPS?

How are they interrelated with banks or other institutions so that they have a systemic potential?

Various gossips in the banking underworld suspected that there were large depositors who were stuck in their money and had to be bailed out; disturbing and demanding an explanation of what is meant by systemic.

What hurts is the thought that because of a criminal error in a bank – remember the Bank Century case which was initiated by the issuance of fraudulent mutual funds and fraudulent credit exposure – can be ‘assisted by the state’ when it is systemic in nature. What's this ?.

As the message says: be a criminal who has systemic influence, surely the state will help him.

Observers and also the Minister of Finance always say that bailout money is not state money. Is it true ?.

LPS initial deposit of 4 T is state money. The premiums from LPS guarantee participants are actually people’s money.

When the premium is spent – or becomes expensive because of the systemic risks created by rogue bankers – the burden is placed on the shoulders of depositors and creditors.

SBI 6.5% but KPR 15%, a big difference because there is a risk to the system, must be borne by imposing a premium on ‘cost’. And fall at your expense, ladies and gentlemen of our beloved bank customers.

Second, legal matters. The Minister of Finance always takes refuge in the argument that this policy is taken legally.
Mrs. Minister of Finance forgot that in the principle of public policy, *legality* is never enough. There is another principle that is more important, namely *justice*.

All of Pak Harto's policies are also *valid*; in fact, practically all modern corruption cases are also *legal* because administratively they have met the formal requirements.

Modern corruption is regulated in a space of strict legal rules, through a tender process, established through formal and legal rules. It's *legal* but why *isn't it fair*?

How come some people's criminal mistakes are shared by all of us?

**Third,** the potential loss. Some observers -- such as Mr. Toni -- said that there was no loss to the state in the Bank Century case. Is it true?

Even if Mr. Toni takes into account the PV (*present value*) of this injection of funds in the next 3 years; is there no potential loss?

Is it true that we can guarantee that in the next 3 years, Bank Century's sales value will be greater than 6.7 trillion?

Who wants to buy with a value of more than 6.7 trillion when the assets and risk management are much lower than that number?

Especially considering the experience of 1998 when the recovery rate for ex-bank assets was only 28%?

What is even more absurd is the discourse put forward by observers -- for example Mr. Toni -- that this was stated before the (BPK) audit was carried out.

There are no credible factual reports that explain the position of Bank Century's actual assets, what are its liabilities, how much are its Third Party Funds and how much is its net assets.

OK, maybe the gentlemen in the DPR who exposed this case have the pretension of imagining a big loss, but to say that Century has no potential for loss is a *misguided imagination*.

**Fourth,** what is most worrying is the fact that several parties involved are the heart of SBY's current and future cabinets.

BI is guilty of failing to exercise proper oversight; the leader at that time was Tuan Boediono who is now the elected Vice President.

Mr. Boediono was even appointed by General SBY to lead the preparation of the 100 day work program. Another party involved was Mrs Sri Mulyani,
Minister of Finance now and certainly one of the heart of SBY's economic engine in the next cabinet.

Extraordinary. With the same people, the same way of thinking and the same way of managing public policies; I think it 's worrying to imagine how SBY's cabinet will process public policy in the future.

With identical cases in the future or other cases, it is difficult to expect different policy outputs in the coming period.

The same person, the same way of thinking and the same way of managing public policies is an inherent risk in the next SBY cabinet.

And the Century Bank case makes it clear how systemic risks are attached to the next cabinet.

Systemic risk, the risk inherent in the work system of an organization.

Twelve woes, ladies and gentlemen.

This article can be read at:

Century Bank: Systemic Risk of SBY's Cabinet


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While serving as Governor of Bank Indonesia, Boediono was judged not to have the courage to report Bank Century owner, Robert Tantular, to the police for immediate arrest.

Due to the unwillingness of Boediono, who is now the elected vice president to accompany Susilo Bambang Yudhoyono, he then took the initiative to instruct the National Police Chief directly to arrest Robert before he fled. "I asked the Chief of Police to act immediately. That very day, within three hours, Robert Tantular was finally arrested by the police. The Century Bank case is a criminal case," said JK (online compass).

Reading excerpts from Kompas online, JK once again raises claims of courage and speed in acting to tackle the Century Bank problem.
The news became special when JK’s *characteristic character* appeared, that is, he bluntly stated that the governor of BI, who was Boediono at that time, did not dare to reveal and report this case to the police.

In the end, an initiative that was also typical of JK in SBY JK’s administration became a solution for arrests.

The ability to speak without censorship and always take the initiative is considered as a vice president who is *not polite* and is considered *always looking for face*. Both of these things are less favored by the authorities, seen from the expressions when campaigning.

Maybe we will lose initiatives like this, especially with the moving of the vice president’s office to the palace.

Making solid forces one door, from a political point of view, maybe that's good so that state policies become convergent in the success of its big program. However, if the program runs slowly and lacks the courage to converge, this will actually harm the people because delays in responding and taking action will always occur.

2010 was a year of challenges in itself for Indonesia to enter AFTA, AFTA was formed at the time of the Fourth ASEAN Summit (Summit) in Singapore in 1992. Initially AFTA targeted the ASEAN Free Trade Area (AFTA) as a form of agreement from ASEAN countries to form an area free trade in order to increase the economic competitiveness of the ASEAN region. Indonesia needs extra courage and thorough readiness, including eradicating corruption as a terrorist disrupting the stability of this nation. Also, the attitude of countries that condescend to this nation needs a bold and fast response as fast as Manohara’s handling.

Is it possible that Budiono will follow JK’s steps who are quite brave and take a lot of initiative in dealing with various problems? Or are you really not prepared for that?

*This article can be read at:*

**JK Not Over**

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According to an LPS source, all the amount of funds injected into Bank Century until July 2009 amounting to Rp 6.76 trillion was based on BI's assessment. In fact, the injection fund known to the DPR was only IDR 1.3 trillion.
moreover, it turned out that the funds injected were considered too large for the assets owned by Bank Century. Bank Century's assets only reach Rp 2 trillion.

The bailout was based on fears of the aftermath of Bank Century's failure. This reason was also stated by Sri Mulyani who acted as Chair of the Financial System Stabilization Committee (KSSK).

The capital injection of IDR 6.76 trillion is considered by LPS to be final. In the future, it is very likely that there will be no additional capital from LPS for Bank Century.

Under the LPS Law, the LPS is required to sell all bank shares it has rescued for a maximum of three years and can be extended twice for one year each so that the total is five years. The recovery or return value from Bank Century to LPS is very likely to reach Rp. 6.76 trillion, even more than that.

This is because most of the capital that has been injected is not money that just disappears, but is still in the form of assets in the form of reserves or productive assets that have been written off, which can be sold at a later date.

Currently, according to Firdaus, LPS has reserves worth Rp 2.2 trillion in the form of Government Bonds and Bank Indonesia Certificates, which are highly liquid. In addition, LPS also has a number of productive assets that have been written off from the balance sheet, but have a recovery value. These assets are in the form of securities that have matured but cannot be liquidated and collateral assets from bad loans.

It is not yet known how much recovery value can be sought from these gross assets.

The big question is, if only the LPS had predicted that it would again sell Bank Century 3-5 assets in the next 3-5 years with a minimum value of 6.7 trillion, based on BLBI experience which has even been handled by the IBRA agency instead of selling all of these assets instead they experienced a decrease in value liquidity.

Who will guarantee that a number of productive assets that have been written off from the balance sheet can have a recovery value five years later? because these areas are no longer within the reach of public scrutiny.

These assets are in the form of securities that have matured, but cannot be disbursed because of collateral assets from bad loans, well ... who dares to guarantee that these dirty assets can also have a recovery value as long as
the next five years? how do you save bad credit funds, which are allegedly only fictitious credit?

The reason for injecting LPS funds was to avoid the collapse of several banks. It is necessary to question this because the century bank chaos only benefits corporate customers at Bank Century, which account for 60 percent of the total third party funds.

To protect this handful of groups, the state or the people must again lose trillions of rupiah.

According to Sri Mulyani, the Minister of Finance plus PLT, the Coordinating Minister for the Economy, together with Boediono, who was then the Governor of BI, as well as the opinion of acting Governor of BI, Darmin Nasution, that this scenario is legal according to procedures and legal and statutory basis.

This is the weakness of the positive law that was made which does not refer to the vision of a more independent and sustainable economic development, which means why the law needs to be used if in the future it will actually harm the country and the people themselves.

Such was the case with the BLBI case with disbursement of funds of 600 trillion in 1998, which until now is unclear.

Chief Executive of the Deposit Insurance Corporation (LPS) Firdaus Djaelani said his party was continuing to investigate the assets of the former owner of PT Bank Century Tbk, which was declared a failed bank last year. The latest news is that it is suspected that the assets of the former owner of PT Bank Century Tbk are stored in Hong Kong in large quantities. "The value is up to US$1 million," Firdaus told journalists at a press conference, Sunday (30/8) in Jakarta.

Director of Bank Indonesia Supervision Heru Kristyana after a press conference at the BI office, Jakarta, Monday (31/8) explained, the calculation of the injection of funds needed by Century continued to swell because from time to time the central bank found various fictitious records in the books. In addition, prior to being taken over by the Deposit Insurance Corporation (LPS), the old management of Bank Century was not transparent in disclosing the books. "Before that, we didn't know because the employees used to cover it. After the management was replaced, then they were much more transparent," said Heru.

One of them is the transfer of funds amounting to 18 million US dollars made by Dewi Tantular without the permission of the owner, and a fictitious Letter of Credit (L/C) worth more than 100 million US dollars. "We also found fictitious credit," he said.

BI Supervision Director Budi Armanto said another factor that made the injection of bailout funds soar was the conservatism of the calculation. Various
Securities belonging to Bank Century, especially those not rated by a rating agency, even though they were guaranteed by cash, were declared as bad loans. "It means that the reserves provided by Bank Century have increased, and their capital has been eroded," he said.

Once the capital is eroded, Bank Century's capital adequacy ratio will automatically decrease. Finally, the additional bailout funds needed to reach the minimum threshold of 8 percent required by the central bank.

This means that Bank Century funds have been taken abroad by their owners and corporations where one of the corporations is owned by the company group PT. Sampeorna. It's like LPS appears as a mere overslept hero.

Of course this case of running away of funds will benefit the relevant high-ranking officials who have previously received funds and commissions in the process of injecting funds.

"Once again, this is exactly what happened in the BLBI case."

Member of Commission XI DPR Drajat H Wibowo considered it reasonable for the controversy to arise and mutual waiver of responsibility related to the process of rescuing Bank Century. According to him, every process of rescuing a bank would cause controversy. "This is a classic, all parties throw themselves at each other," he said when confirming the LPS statement that the amount of funds injected into Century was based on BI's approval, Jakarta, Monday (31/8).

He explained that BI actually only supervised, examined and assessed the liquidity conditions of Bank Century. Based on the results of this examination, BI assessed Bank Century as a failed bank and recommended it to be rescued.

However, all decisions to rescue Bank Century and hand over to the Deposit Insurance Corporation (LPS) were decisions of the Financial System Stability Committee (KSSK) and Coordinating Committee Decisions (KK) dated 21 November 2008. "BI did this based on CAR Century's position at the time. But it is perforated that they know about Century and LPS. After submitting it to LPS, he is the one who knows the holes," he said.

Thus it is reasonable to suspect that there has been a conspiracy between high-ranking LPS, BI and Bank Century corporations? and it seems that the KSSK authorities only give their blessing, is it possible that there are already shrimp behind the rock?

Speaking while giving a press statement at his office, in the Kebon area Sirih, Jakarta, Monday (31/8), the Vice President stressed, problems are born in the body Bank Century was not because of the crisis, but because of the robbery that was committed
by the owner himself. Under these circumstances what is needed is action from Bank Indonesia. However, in reality it is not. "From the beginning, my opinion is that the solution for troubled banks is not to bail out because according to the experience in 1998, it caused losses to the state of up to IDR 600 trillion in the form of Bank Indonesia liquidity assistance (BLBI). Until now, even for the next 20 years, the people have to pay Rp. 60 trillion in interest and principal through the state budget. In fact, this case should have been the responsibility of strict bank supervisors from Bank Indonesia," he said.

Therefore, said the Vice President, the Bank Century case was a crime. "Because the bank owner robbed his own bank and the funds were rushed abroad. In fact, the bonds he issued were also fake or had no value. This should be monitored properly and correctly by BI," he said again.

The statement by the Vice President, Pak Kalla, also deserves attention. As someone who has been in the business world for a long time before becoming the vice president, he certainly knows a lot about Indonesia's financial jungle. This statement is of course due to his statesmanship, because since the presidential election was over he was a contestant who had congratulated SBY on his victory, of course this was not a maneuver to corner SBY.

"Responding to the reports of the Minister of Finance and the Governor of Bank Indonesia regarding the Bank Century case, which I considered a robbery, I had asked Boediono as the Governor of Bank Indonesia at that time to immediately report to the police to arrest Robert Tantular and the directors who were responsible and seize assets. It turned out that Bank Indonesia did not dare. The reason is that there is no legal basis," Vice President Jusuf Kalla told reporters at the Vice Presidential Palace, Jakarta, Monday (31/8). Kalla held a special press conference responding to the Century Bank case.

Because of Boediono's reluctance, continued Kalla, he took the initiative to directly instruct the National Police Chief to arrest Robert before he fled. "I asked the Chief of Police to act immediately. That very day, within three hours, Robert Tantular was finally arrested by the police. The Century Bank case is a criminal case," he said.

**SBY's view on the disappearance of Rp. 600 trillion in BLBI funds**

BLBI CORRUPTION. Seeing SBY's perspective like this, it is impossible for BLBI funds which amount to Rp. 600 trillion can come back.

If President SBY who has only been elected twice thinks the BLBI case occurred because of bad conditions, so there is no strategic step in the scenario of saving these funds, then how can Bank Century itself be saved?
Finally, we have to bite our fingers again, the 6.7 trillion funds will disappear somewhere, the assets will probably only be like some kind of battered scrap metal for the next 5 years.

Then in 2013-2014 *everything will be forgotten again*, the succession of the national leadership will become a topic of discussion, the former Century Bank corporation will return to being a *donation* like today.

This means that we are indeed forgetful human beings, then our little hearts can only say bitterly, “*goodbye bank century! and the corporations laugh happily abroad enjoying it*?”.

Wallahualam.

*This article can be read at:*

**Century Bank, Repeated BLBI Case Will State and People Lose 6.7 Trillion?**


***

Currently, one of the news that has caught my attention is about the four injections of funds from LPS to Bank Century. Who is harmed?. Country ?. LPS Member Bank?. or Customer?.

According to Pradjoto, as quoted by Kompas in his article entitled *Observer: Saving the Century. No Losses*” on Monday 31 August 2009, the assets of the LPS *(Deposit Guarantee Agency)* as of 31 July 2009 reached Rp. 18 trillion. Of that amount, Rp. 14 trillion comes from *the premiums of participating bank guarantees and investment returns*. So according to Prajoto, *there is no loss to the state considering that LPS funds have nothing to do with the state budget*.

If we look at it from that point of view, there really is no loss to the state.

However, if we understand that *the biggest contributor to LPS's wealth comes from the bank guarantee participant's premiums*, then in the end it comes from *public funds* deposited in these banks. The decision to allocate such large funds must be held accountable by LPS to member banks and member banks must be accountable to their customers.
Is there a mechanism? How effective is it? Then, who pays attention to and defends the interests of the customers of the LPS member banks?

If in the future the LPS cannot get back the full amount of money injected into Century, aka a loss, what will be the responsibility of the LPS towards the banks that are its members? Can the people who are responsible at the LPS be dismissed or prosecuted? What do the 4 stages of injection of funds indicate?

In the previous Kompas article titled "Because of the Century, the State Can Lost Rp. 5 Trillion" dated 28 August 2009, stated that there were four injections of funds from LPS to Bank Century, namely:

- **First** on 23 November 2008 valued at Rp 2.776 trillion (capital used to restore Bank Century’s capital adequacy ratio/CAR from negative 3.53 percent to 8 percent). • **Second**, on 5 December 2008 valued at Rp 2.201 trillion. • **Third**, on 3 February 2009 amounting to Rp 1.155 trillion to cover the CAR shortfall based on the results of BI’s calculations. • **Fourth**, on 21 July 2009 valued at Rp 630 billion.

The gradual injection of funds can be caused by various possibilities, namely:

- **First**, LPS cannot inject funds at the same time. • **Second**, there are no definite calculations at the time of determination decision to save Century Bank • **Third**, wrong calculations to determine how much funds actually had to be injected. • **Fourth**, LPS is suspected of passing the disbursement of US$18 million from Bank Century to a certain party, which has a debt relationship with the old shareholder, but is still in court process.

Let's discuss the second possibility. This is where the need for an audit by BPK to ensure the decision-making process for the disbursement of these funds.

And the BPK should look at whether the various alternative decision-making options have been identified in making these decisions?

Have you systematically carried out integrated cost, benefit and risk analysis?

Is there real data to use in comparing all the alternative choices?
If the decision-making process is not of good quality, it is best if the people responsible resign or are dismissed. Insufficient decision-making processes describe the people involved as not performing or unprofessional, at least in making quality decisions.

We now discuss a third possibility. Technically, incorrect calculations can be due to the use of inaccurate data and assumptions and the use of inappropriate calculation approaches.

Things like that should be easy for BPK to identify.

If it is proven that there was a miscalculation, it means that the initial position of the results of the comparison of costs, benefits and risks is not correct. This means, if indeed the funds that need to be injected it MUST be Rp. 6.77 trillion, perhaps the most appropriate decision is for Bank Century to just close down. This can also be analyzed by the BPK.

Mistakes in calculations that lead to wrong decisions are actions of non-performance by the people concerned, aka unprofessional.

If this second possibility occurs, it is hoped that the people responsible should just resign or be dismissed.

We now discuss the fourth possibility. BPK must prove the existence of these indications. If there is, the KPK can carry out a deeper investigation.

Because, passing the disbursement of 18 million US dollars from Bank Century to certain parties can be categorized as a criminal act of corruption.

Potentially systemic?

Systemic potential is the main issue which is the reason why Bank Century must be saved.

I will not discuss it from the point of view of the rules but rather look at the substance of the meaning of this systemic potential.

Darmin Nasution said that Bank Century was saved because if it was allowed to die, it was feared that the other 23 banks would also be in trouble due to being rushed by their customers.
The 23 banks are banks on the same level and have a business relationship with Bank Century. In the midst of a financial crisis, the bankruptcy of a bank can quickly spread to other banks at the same level.

By using a causal analysis, systemic reasons make sense if used as the basis for saving Bank Century.

The question is *how systemic* is it?

To answer these questions, accurate data and appropriate calculation models are needed. We hope that BPK auditors can analyze how accurate the data and calculation models used are.

These systemic potential factors are included in the risk component when we analyze the costs, benefits, and risks of all existing alternative decision-making options.

Of course we hope that BPK will also carry out a comprehensive analysis regarding the adequacy of alternative options for making decisions that are relevant as well as the adequacy of the cost, benefit and risk analysis.

**Systemic Potential Measurement.**

Pradjoto said that the real problem was why Bank Century could be said to be systemic. However, continued Pradjoto, it is difficult to measure because it is impossible to use current parameters to reach the past.

“If the bank’s condition is like what Century experienced at this time, it is very likely that the bank concerned will be closed. This means that the systemic problems that Century experienced were heavily influenced by the global economic crisis at that time," he said.

Frankly, this statement is confusing to me. Why do we have to measure systemic potential with the current parameters? Precisely the most appropriate is to use the parameters of the past.

The inaccuracy of the rescue decision does not only depend on the ‘systemic potential’ but also on the adequacy and completeness of other considerations such as the cost, benefit and risk aspects and also depends on the identification of all alternative decision-making options.

Not achieving the goal of decision making at this time can also be analyzed from the adequacy of these things.

The injection of these funds can cause *losses or not*? 
Of course LPS has the potential to experience losses. To be precise, when LPS could not get back Rp. 6.77 trillion that has been disbursed.

When was it? The rescue of Bank Century has the potential to harm the state, in this case the Deposit Insurance Corporation, in 2011 when LPS had to relinquish its ownership or had to divest Century shares no later than three years after the takeover on 21 November 2008, which was no later than November 2011.

"With equity now reaching Rp. 500 billion, when it is sold in three years it is estimated that it will only be Rp. 1.5 trillion-Rp. 2 trillion," said a member of the DPR's Commission XI from the National Mandate Party Fraction, Dradjad H Wibowo, in Jakarta, Thursday (27/8), in a working meeting with the Minister of Finance who is also Acting Coordinating Minister for the Economy Sri Mulyani Indrawati and Acting Governor of Bank Indonesia Darmin Nasution.

Let's wait and see whether LPS will actually lose money or not.

But the sad news is the statement by the Chief Executive of LPS, Firdaus Djaelani in his press conference at his office, BRI Building, Jakarta, Sunday (30/08/2009) as reported on Detik.com in an article entitled "LPS Ready to Sell Bank Century for Losses”

After five years, if things don't sell, we can sell Century under the Rp 6.77 trillion disbursed by LPS, said Firdaus Djaelani, because this is permitted by law.

Furthermore Firdaus added that “In accordance with the LPS Law, this guarantee institution will sell for a maximum of 3 years and can be extended 2 times for 1 year each (5 years). Then we will sell (divest) all of Bank Century's shares with a maximum price of Rp 6.77 trillion."

Referring to the statements mentioned above, several questions arise regarding LPS. Is LPS really allowed to lose money?

Are there any criteria that must be met so that LPS may suffer losses?

Is there a limit for losses that can be borne?

Is there a proven mechanism to calculate the amount of the loss?

What is the accountability for LPS losses to member banks?

The permissibility and convenience of LPS in injecting funds but losing money can be an opportunity for greedy and greedy people to
From a government perspective, it is clear that there is no relationship between the use of LPS funds and the government. However, efforts to save the bank are a joint effort made by the Government, BI and LPS.

So we have to look at the duties of LPS from the perspective of the state, not the government.

That is what the Government, BI and LPS must realize. This means that the wider community is the real owner of the problem of rescuing the Bank by the Government and BI using LPS funds.

Hopefully, the BPK can carry out its duties properly so that we can all know that the action to save Bank Century is indeed an act that is truly appropriate.

If it really has to go to the level of investigation, then we hope that the KPK can increase the prosecution, of course with valid evidence.

This article can be read at:

Is it true that Century Bank is a failed bank with systemic potential?

Is there a relationship between LPS and the Government and the State?

I was disturbed when I realized that there were no APBN funds used to inject funds into Bank Century, but in fact there is a potential for the use of public funds through banks and LPS which cannot be accounted for as well as potential efforts to profit from existing bank (read: public) funds at LPS.

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Is it true that Century Bank is a failed bank with systemic potential?
with the selling price of Century Bank if it is later sold, when its condition is healthy again and the value of its shares improves again.

“The Deposit Insurance Corporation (LPS) must divest Century shares no later than three years after the takeover on November 21, 2008, that is no later than November 2011. This means that with equity now reaching Rp. 500 billion, when it is sold in three years it is estimated that it will only be Rp. 1.5 trillion-Rp. 2 trillion”, said a member of the DPR's Commission XI from the National Mandate Party faction, Dradjad H Wibowo.

Dradjad also questioned the existence of Bank Century's bailout figures. According to him, there was ambiguity regarding the disbursement of deposits by certain customers, as well as indications of special treatment for certain customers, while other Century customers had to demonstrate and were ignored.

Ah, it's the month of Ramadan again, said the Ustadz, it's better not to be wise to participate in criticizing and having bad prejudice against the government, because according to the Ustadz, it's called backbiting (if the news is true) or slander (if the news is false), both of which (backbiting and slander) are both sinful you know.

So, he said, it's better to tabayyun first, if there is an explanation from the government, then just qonaah fikriyah on whatever the explanation is.

So, while waiting for the brothers to meet, let's just talk about the obvious ones, do you think the amount of Rp. 5 Trillion is it?

CENTURY BANK CASE

A Banking Crime Act Happened

Sri Mulyani, Minister of Finance.

Thursday, October 1, 2009

JAKARTA (Suara Karya): Commission XI of the House of Representatives announced the interim results of the audit of the Supreme Audit Agency (BPK) on the Century Bank case. Chairman of Commission XI DPR Achmad Hafiz Zawawi in a closed meeting held at the DPR building, Jakarta, Tuesday evening, said that after the DPR studied the results of the BPK's investigative audit, in general, various banking crimes had occurred.

“These crimes included misappropriation of securities, fictitious loans, violations of the LLL, fictitious expenditures, and violations of foreign exchange positions,” he said.

Apart from that, from the results of the interim audit, he added, it was also suspected that there had been an abuse of authority and/or errors in the assessment by Bank Indonesia (BI) and the Financial Sector Stability Committee (KSSK) causing large losses to the state. "There are changes to the BI Regulation (PBI) which were not made through the DPR's approval, namely changing the CAR to 8 percent"
only positive in terms of providing short-term financing facilities (FPJP)," he said.
It was this change that caused Bank Century to receive FPJP even if it followed the old BI regulations it was not entitled to FPJP. Apart from that, at the KSSK meeting there was also an error of judgment in which an error in evaluating Bank Century, which had a systemic impact, resulted in funds being disbursed from only Rp. 630 billion to Rp. 6.76 trillion.

Meanwhile, Minister of Finance and Acting Coordinating Minister for the Economy Sri Mulyani felt "hot" because she was allegedly dragged into committing a violation in the bail-out case or rescue of Bank Century which cost Rp 6.7 trillion.
He asked the Supreme Audit Agency (BPK), which is currently conducting an investigative audit, to "open up" if indeed there were indications of corruption occurring during the Bank Century bail-out process.
"If the BPK finds various criminal irregularities, abuse of authority and even corruption, I'm happy. Please take and reveal who was corrupt in what event, how many, used what authority, and who committed it. Please open, when was the corruption, which incident, who was corrupted what, who did it. BPK please give an indication of that," he emphasized.

Based on these temporary findings, Commission XI also recommended that an investigative audit be completed immediately, especially regarding the amount and use of the flow of funds from LPS.
Member of Commission XI Drajad Wibowo said that this temporary audit has not talked much about details and numbers. This is because this investigative audit is still temporary.
Meanwhile, the investigation into the PT Bank Century (Persero) Tbk case is becoming increasingly unclear and is certain to be neglected.
This is in line with the completion of the 2004-2009 DPR members' terms of office on 1 October 2009 and changes in the composition of the board of the Supreme Audit Agency (BPK).
Economist Kwik Kian Gie said he could not yet predict the fate of the Century Bank case in the future with the completion of the 2004-2009 DPR member's term on October 1, 2009.
However, he cannot assume that the BPK and the DPR deliberately let the Bank Century case go unnoticed.
In Kwik's view, BPK's interim audit results were accompanied by an attitude of secrecy, so that the public did not receive transparent information.

Meanwhile, banking observer Aviliani is of the opinion that in the context of Bank Century there are more political aspects than economic ones.
Because of that, according to him, the Century Bank case is only finding fault with government officials in the coming period.
Responding to the interim results of the BPK investigative audit, Aviliani assessed that there was nothing to criticize. (Agus/Nunun/Sabpri)

**Unraveling the Century Bank Case Again**

Bogi Triyadi
16/09/2009 19:17

The granting of a bailout or equity fund by the government to Bank Century which swelled to Rp. 6.7 trillion from previously only Rp. 1.3 trillion continues to be the subject of intense discussion and debate. Not only in the mass media, among experts and the government bureaucracy, but also in parliament. Members of the Finance and Banking Commission (Commission XI) of the DPR RI continue to question this.

Natsir Mansyur indicated that the actions of the Minister of Finance Sri Mulyani Indrawati who is also the Chairperson of the Financial Sector Stability Committee (KSSK) to provide investment funds to Bank Century was a criminal act which covered two aspects, namely politics and law. "It's clear that it has been declared a failed bank, why are they still being given an additional Rp. 4.9 trillion. This is already a criminal act," said the member of Commission XI DPR from the Golkar Party.

For this reason, he urged President Susilo Bambang Yudhoyono to deactivate the Chairman of the KSSK. "It would be better if the chairman of the KSSK, who also holds the position of Minister of Finance, should be deactivated and only one person can, namely the President," said Natsir.

However, according to the Minister of Finance, the decision to save Bank Century on November 21, 2008 cannot be assessed based on current conditions. Because at that time the banking conditions in Indonesia and the world were under heavy pressure due to the global crisis. The KSSK's decision at that time was to avoid a chain of crises on banks whose impact was far more expensive and more devastating than 1988. "By minimizing costs and being managed by good management, Bank Century has the potential to be sold at a good price," said Sri Mulyani. The Minister of Finance is also ready to be summoned by the Supreme Audit Agency (BPK) for questioning regarding the decision to save the bank, which has assets of around Rp. 10 trillion.

The Minister of Finance said that until July 2009 the bank resulting from the merger of PT Bank CIC Internasional, Bank Danpac and Bank Pikko had made a profit of Rp. 139.9 billion. In fact, according to Bank Indonesia, if you look at its position since December
From 2008 to August 2009, there was an increase in customer deposits of IDR 1.1 trillion.

However, the provision of Century's participation funds, which is now being questioned, makes the Finance Minister worried because it could have a negative impact on the bank. "The heated issue of Century's restructuring, which is not in accordance with the facts, is not impossible to overturn this bank," said Sri Mulyani.

The Minister of Finance's concern is at least starting to happen. "Since Bank Century has been making a fuss lately, please write a big one, Bank Century's third-party funds have decreased by Rp. 431 billion," BI Deputy Governor Budi Rochadi said at the DPR/MPR Building, Jakarta, Wednesday (16/9). "Try it, if the Century case were kept quiet, it would not have happened like that. Whose fault is it now?"

In addition to the size of the investment funds, another matter that is being questioned is why Bank Century was not closed, it is reported that there are large customers who are protected. Reportedly, these large customers have funds of around Rp. 1 trillion to Rp. 2 trillion. Harry Azhar, a member of the DPR's Commission XI, said that the big customer included Budi Sampoerna. Uncle Putera Sampoerna, the former owner of PT HM Sampoerna, allegedly has Rp 1.8 trillion in funds at Century.

The emergence of Budi Sampoerna also dragged Commissioner General Susno Duadji. Unpleasant issues spread among board members. The head of the Criminal Investigation Agency at the National Police Headquarters is said to be in the process of disbursing the Budi Sampoerna funds. Susno's involvement, as written by Tempo Magazine, can be seen from the issuance of letters by the Criminal Investigation Agency on 7 and 17 April 2009. The letters stated that the funds belonging to Budi Sampoerna and 18 million US dollars belonging to PT Lancar Sampoerna Bestari at Bank Century "are no longer a problem".

In addition, Susno also facilitated several meetings between the Century directors and Budi at the Bareskrim office. The meeting resulted in two agreements. One of them was the approval to seek funds worth US$58 million-out of a total of Rp.2 trillion-which belonged to Budi on behalf of PT Lancar Sampoerna Bestari. Another agreement, disbursement is done in rupiah. For this effort, it was reported that Susno was promised by Lucas, Budi's attorney, a commission of 10 percent of the amount of Budi's money to be disbursed.

Susno denied the question of the 10 percent commission. "You can get that," said Susno. "My expenses abroad to acquire the assets of Robert (Tantular, owner of Century Bank) have not been reimbursed. Lucas also made a similar objection. "You mean fee? Nothing at all. That's slander," Lucas said, as written by Tempo Magazine.

...
So it's not worth saving. According to the Vice President, the problems facing Bank Century are not due to the global crisis. But because the owner, Robert Tantular, robbed the bank's own funds. "The problem with (Bank) Century is not a problem caused by a crisis, a robbery problem, a crime. Because the controllers of this bank have robbed the bank's own funds by all means including fraudulent bonds," said Vice President Kalla.

Because of this, Vice President Kalla then ordered the police to arrest Robert Tantular and the directors of Bank Century. He was worried that Robert and the directors of Bank Century had run away. "At that time I called (Polri Chief Gen. Bambang Hendarso Danuri), Robert Tantular and the directors responsible were arrested within two hours," said Kalla.

According to Arif Havas Oegroseno, Director General of Overseas International Law and Agreements, as published by Tempo Magazine, the modus operandi is for the owners of Century Bank to create companies on behalf of other people for their group. Then, they apply for credit. Without proper procedures and adequate guarantees, they easily get credit. "There was even Rp. 98 billion in credit that was disbursed in just two hours," said Arif. Their guarantee, he added, was only securities which turned out to be bogus.

Robert himself was sentenced to four years in prison and a fine of Rp 50 billion by the Central Jakarta District Court last September 10. This sentence was far lower than the prosecutor's demand of eight years in prison. Therefore, the Attorney General's Office immediately appealed the decision. The reason was that the panel of judges only imposed one indictment out of the three charges proposed by the public prosecutor.

In the first three charges, Robert was found to have abused his authority to transfer books and cash out USD 18 million in foreign currency deposits without the permission of the owner of the funds, Budi Sampoerna. Second, disbursing Rp. 121 billion in credit to PT Wibowo Lingkar Rejeki and Rp. 60 billion to PT Accent Investindo. It is suspected that this disbursement of funds was not in accordance with procedures. The third indictment is violating the letter of commitment by not returning Bank Century securities abroad and increasing the bank's capital. The actions of Robert and other shareholders led to the Bank Century crisis which led to the disbursement of Rp 6.7 trillion in bailout funds.

Apart from Robert, the former Main Director of Bank Century, Hermanus Hasan Muslim, has also been sentenced to three years in prison and a fine of Rp 5 billion. Meanwhile, former Bank Century Treasury Director Laurence Kusuma was sentenced to three years in prison and a fine of Rp 5 billion. The other suspects are Hesman Al Waraq Talaat and Rafat Ali Rizvi. The two shareholders of Bank Century are also suspected of money laundering.

The police also appointed Dewi Tantular as the Head of the Bank Note Bank Division
However, he was reluctant to disclose in detail the location of the jurisdiction. Because if the location of the asset is opened, the owner will quickly sue the bank, as happened in Hong Kong.

So far, said Arif Havas Oegroseno, Director General of Foreign International Law and Agreements, the team has succeeded in tracing these assets in 13 jurisdictions. However, he was reluctant to disclose in detail the location of the jurisdiction.

Domestically, the total assets confiscated by the police in connection with a banking crime case at Century Bank amounted to Rp 1.191 billion. Meanwhile overseas, the police managed to find and block assets belonging to Robert Tantular worth US$19.25 million or the equivalent of Rp 192.5 billion. This amount of money included in USB AG Bank Hongkong valued at 1.8 million US dollars, PJK Jersey in the amount of 16.5 million US dollars, and the British Virgin Island (England) in the amount of 927 thousand US dollars.

Apart from that, the police also found and blocked the assets of Hesham Al Waraq Talaat and Rafat Ali Rizvi worth IDR 11.64 trillion. The assets are spread across UBS AG Bank in the amount of 3.5 million US dollars, Standard Chartered Bank in the amount of 650 thousand US dollars and in the amount of SGD 4,006, in ING Bank in the amount of 388 thousand US dollars. (*from various sources/VIN )

PPATK's reputation is at stake!

Monday, 30 November 2009, 00:00:25 WIB
Jakarta, RMOL. Century Flow Don't Hustle

The Financial Transaction Reports and Analysis Center (PPATK) has been in the public eye because of hiding the flow of Bank Century bailout funds worth Rp 6.7 trillion.

It is suspected that the institution commanded by Yunus Husein has been driven by certain parties, so they do not dare to reveal where Bank Century's funds have flowed.

The reputation of the institution is at stake. In fact, previously there have been many achievements that have been achieved. For example, dismantling the flow of funds to a number of DPR members during the election of BI Deputy Governor Miranda Goeltom.

Seeing this, the value of PPATK is considered poor. Because, based on the opinions of economic observers, financial transaction observers, legal observers, public policy observers, and DPR members there were 8 failures. While success is 6, so it is overdrawn by 2 (8 failures - 6 successes = 2).

Public policy observer, Tom Pasaribu said, PPATK was playing favorites in dismantling suspicious fund flows. The Century case attracted public attention, but was not disclosed to the BPK, so the audit results were incomplete.

"PPATK is in the public spotlight, its reputation is at stake. So, explain the flow of Century's bailout funds," he told Rakyat Merdeka, in Jakarta, yesterday.

According to the Executive Director of the Indonesian Parliament Monitoring and Empowerment Committee (KP3I), PPATK should be the leading institution dismantling the flow of funds. But why wasn't it done.

"If they know the process, but they don't report it, they can also be judged to have violated the law," he said.

According to him, this condition was different when PPATK uncovered the election case for BI Deputy Governor Miranda Goeltom by stating that travel checks had flowed to several members of the DPR.

"In the case of handling Bank Century, PPATK seems to have made selective logging. Don't let PPATK become an instrument of power," said Tom.
"Numbers Continue to Increase"

Yunus Husein, Head of PPATK

Head of the Financial Transaction Reports and Analysis Center (PPATK), Yunus Husein said the obstacle his institution was facing was a shortage of staff.

“We are a new institution with new personnel. Meanwhile, the old employees have left,” he said in Jakarta recently.

“The new employees have not been able to fill the jobs of the old employees. Therefore they need to be given training to develop their performance,” he said.

PPATK, he continued, had succeeded in carrying out their duties, such as collecting, storing, analyzing, evaluating the information obtained by PPATK.

“Our job is to find out the flow of funds from the proceeds of crime. From our analysis, the number continues to increase. Usually the results of our work are forwarded to the investigation, in this case the task of the legal apparatus,” he added.

According to him, government support has been excellent for PPATK. “The issue of the budget and new buildings has become the government's concern. So I think their support is very good,” he said.

Previously Yunus Husein said, according to the request of the Supreme Audit Agency (BPK) for PPATK to help track the flow of Century Bank bailout funds, PPATK had followed up by requesting information from 16 Financial Service Providers (PJK), especially banks.

"As a result, up to November 23 2009, approximately 50 Suspicious Financial Transaction Reports (LKTM) have been received from 10 PJKs," he said.

According to Yunus, the results of the analysis of the suspicious transactions have been submitted to BPK. "The results of the existing analysis show that at least 17 recipients (of suspicious transactions) are companies and others are individuals," he said.

What is meant by a suspicious financial transaction or a suspicious transaction is a transaction that deviates from the norm or is not fair and is not always related to a particular crime.

“Several characteristics of suspicious transactions are not having clear economic and business purposes, using relatively large amounts of cash
and/or carried out repeatedly out of the ordinary, and out of the ordinary and fairness of customer transaction activities," he said.

"Not Yet Seen"
Dasrul Djabar, Member of Commission III of the DPR

PPATK's performance is mediocre. There is no spectacular move that can be listed as a success.

This was conveyed by a member of Commission III of the DPR, Dasrul Djabar, to the Merdeka People, in Jakarta, yesterday.

"There is no breakthrough yet," he said.

It could be, he continued, because PPATK cannot just publish findings of illegal flow of funds. The reason is that it is not profitable for the banking sector. "This is related to the trust in the banking sector," he said.

The truth, he said, was that PPATK reported the flow of funds that were indicated to be illegal to law enforcement officials. "Now the law enforcement agencies are following up on the findings," he said.

"As an example of the case of the flow of funds for the election of BI deputies who allegedly flowed to several members of the DPR," he added.

It is hoped that PPATK should be consistent with its duties and functions, namely sniffing out funds suspected of being illegal.

In addition, he continued, PPATK must encourage banks in Indonesia to report transactions that are suspected of being illegal and have the potential to cause state losses.

"Should Not Participate in Politics"
Ichsanuddin Noorsy, Economic Observer

PPATK has worked according to the regulations mandated. It doesn't look great. This is because this institution seems to be only being ordered around.

"PPATK should not participate in politics. They should have worked professionally, including in the case of the cash flow of Bank Century funds related to a bailout of Rp 6.7 trillion," said economic observer, Ichsanuddin Noorsy, to Rakyat Merdeka, in Jakarta, yesterday.

It is said, PPATK should explain the flow of funds, so that people know about it. But why are they silent.
"It seems that PPATK is not acting in good faith in resolving this case. I see that PPATK only plays politics," he added.

"Why So Coward"
Arif Nur Alam, Financial Transaction Observer

PPATK is considered not serious in handling the Bank Century case. This is because the results of their investigation into the flow of funds in the bailout case of Rp. 6.7 trillion have not disclosed it to the public.

"Why are you cowardly, why are Century funds being hid, what's going on here," said financial transaction observer Arif Nur Alam to Rakyat Merdeka in Jakarta yesterday.

According to him, this condition was different when PPATK dismantled the flow of financial transactions to a number of members of the DPR in the case of the election of the Deputy Governor of BI.

“In handling Bank Century they seem very secretive now. As it should be with this abnormal case, PPATK can make a breakthrough,” he said.

“Now they even seem half-hearted in handling Bank Century's flow of funds. In the case of BI they excelled, but in the case of Century it was stagnant," he added.

However, he continued, outside of the Cenduty Bank case, PPATK had made many successes. For example, by collaborating with the Corruption Eradication Committee to uncover corruption cases, control illegal accounts and in the last election they managed to supervise the campaign funds for the Presidential and Legislative Elections.

"However, Bawaslu has not followed up PPATK's findings optimally," he said.

"I'm sure it will be disclosed to the KPK..." Boyamin Saiman, Legal Observer

PPATK's performance has been quite good in supervising suspicious financial transactions, so that it can uncover corruption cases involving DPR members.

This was stated by legal observer, Boyamin Saiman, to Rakyat Merdeka, in Jakarta, yesterday.

According to the Chairperson of the Indonesian Anti-Corruption Society (MAKI), in the Agus Condro case related to the election of BI Deputy Governor Miranda Goeltom, PPATK managed to find 400 travel checks to DPR members.
"The large number of corruption cases uncovered by the KPK cannot be separated from the role of PPATK," he said.

With regard to the Century Bank case, said Boyamin, PPATK is limited by law. Because in the money laundering law, PPATK is only allowed to report financial transactions to the police, prosecutors and KPK.

"However, I am sure that the matter of Bank Century's financial transactions will be disclosed to the Corruption Eradication Committee if asked. We'll see later," he said. RM

Century Gates
Looking for a Bailout Justifier

By: Hendri Saparini

Members of the DPR RI for the 2004–2009 period initiated the demand for disclosure of the Bank Century case. The investigation into this case was followed by requests from the DPR and the Corruption Eradication Commission to BPK to audit the disbursement of bailout funds to Bank Century during the 2008–2009 period.

Finally, based on BPK's interim report, members of the Board agreed to provide a recommendation to the government to examine the decision to disburse funds to Century Bank because there were indications of an excess of authority by policy makers. The disclosure of the Century Bank case finally received widespread support from the public following the emergence of the Bibit Chandra case. The public is starting to understand the connection between the Bibit-Chandra case and Bank Century and the importance of submitting a questionnaire to the DPR.

Especially after the circulation of the final report on the results of the BPK investigation which detailed the facts of the abuse of authority of public officials.
in disbursing funds to Bank Century, the wave of public support has been unstoppable. The findings of the BPK in the Century Bank case are quite extraordinary, showing that there are many state institutions that are not careful about their authority. Bank Indonesia, for example, is reported to have changed and engineered its own regulations so that Bank Century is entitled to receive financing facilities. One of the important findings was the carelessness of Bank Indonesia and the Financial Sector Stability Committee (KSSK), chaired by the Minister of Finance with members of the Governor of Bank Indonesia, in establishing Bank Century as a systemic failed bank. In fact, the KSSK's decision to stipulate that Century Bank must be saved because it has a domino effect on the national banking industry has major consequences, namely the obligation to save.

Consequence

Crisis

Global?

After the DPR stated that the results of the BPK audit were open to the public, Bank Indonesia and the Ministry of Finance felt the need to launch a joint rebuttal of the BPK report. Bank Indonesia and the Ministry of Finance consider that the BPK has not disclosed the existence of high threats and uncertainties related to the impact of the global financial crisis on the national economy.

Even though the BPK has explained this in its report. It is difficult to accept the excuse that the Bank Century case arose as a result of the global financial crisis. If the Bank Century case was caused by the global crisis, the problems facing Bank Century should also have occurred to almost all banks, as was the case during the 1997/98 economic crisis. At that time, almost all banks experienced liquidity difficulties due to the flight of funds abroad. The fact is that the Indonesian banking industry does not show that it is currently experiencing global pressure.

The BPK report even stated that at the end of September 2008 the CAR of commercial banks was above the minimum limit, namely 8%. The only bank whose CAR is below 8% is Bank Century. Data from Bank Indonesia also shows that CAR, NPL, assets, third party funds (DPK), and bank loans have increased consistently, even today. In addition, normal banking liquidity difficulties are liquidity difficulties due to bank operations as intermediary institutions. Depositors' funds, which are usually short-term, are channeled in the form of long-term credit, for example mortgages.

If an extraordinary event occurs which results in the majority of depositors withdrawing their funds, the banks will have liquidity problems. If this happens, the liquidity problem is appropriate as one of the reasons for providing funding assistance. But what happened in the Bank Century case was not like that. The liquidity problems that occurred at Bank Century were not the result
credit financing, but as a result of being robbed by or through bank owners.

Thus the liquidity problems that occur are not due to a mismatch in credit financing. Under this condition, if Century Bank is given a bailout, it will not be a bailout for credit, but a bailout for robbery cases. The reason for the global crisis is also difficult to accept because according to the BPK, problems at Bank Century had occurred since 2004. This means that Bank Century had been in trouble long before the 2008 global financial crisis occurred.

When Bank Century merged, for example, Bank Indonesia did not apply the rules and requirements as stipulated in Bank Indonesia regulations. In fact, since 2005–2008 Bank Century has been allowed to carry out various unhealthy banking practices that violate Law No. 10 of 1998 and Law No. 7 of 1992. The BPK concluded that this practice had caused losses to Bank Century of at least IDR 6.3 trillion, which in the end the losses were covered with PMS funds from LPS.

Impact

The decision of Bank Indonesia and the KSSK that Bank Century was a systemic failure was also very difficult to accept. Bank closure will create a domino effect if the bank has close linkages with the banking industry, the real sector, and international finance.

Meanwhile Bank Century is a bank whose role in the banking industry and other industries is relatively small. Even Century Bank can be said to be a "zero point bank". In terms of assets, it was only 0.72%, DPK was 0.68%, and credit was 0.42%. It was said that in the KSSK meeting when discussing the systemic impact of Bank Century, a participant made an analogy of Century Bank as a BPR outside Java to show that the impact Bank Century's closing of significant national banks.

It is very difficult to understand if in the end the Chairman of the KSSK still decides Bank Century as a systemic failed bank only by giving a large weight to market psychology aspects because other aspects do not have strong enough reasons. Indeed, at the beginning of the 2008 crisis, there was potential for systemic risk in Indonesian banking. However, this systemic risk increased precisely as a result of the choice of monetary tightening policy by the Governor of Bank Indonesia Boediono implemented with a policy of increasing interest rates, in accordance with IMF advice.

Systemic risks also arise from the fiscal side due to fiscal tightening policies or a slowdown in government spending or spending by the Minister of Finance Sri Mulyani. It was this policy move that created systemic risk in the national banking system. Questioned the choice of KSSK to provide a bailout for Bank Century—even at a fee
whatever the chairman of the KSSK has stated—is very reasonable.

Bank Century is an individual criminal case from a small bank that will not have a significant impact on the banking industry. What Bank Indonesia and KSSK should have done was to close and convince the public that the Bank Century case was purely a criminal case and had nothing to do with the global crisis or macroeconomic and national banking conditions. Unfortunately, what the KSSK did was the exact opposite because systemic reasons would be the most appropriate reason to disburse funds.

Don’t There is Manipulation New

The BPK concluded that there had been legal and regulatory engineering to support the rescue of Bank Century. This is of course not surprising because the reason is too weak to save Bank Century. This coercion forced Bank Indonesia, KSSK and LPS to conclude that BPK had committed various violations.

Bank Indonesia, for example, was forced to change the PBI so that Bank Century was eligible to receive a short-term funding facility (FPJP). It also had to violate regulations so that Bank Century received a fine dispensation for the provisions on net open position (NOP). Engineering must also be carried out by LPS through changes to PLPS so that Century Bank obtains additional funds, in addition to increasing CAR, as well as for other liquidity needs. These manipulations are enough to undermine Indonesia's financial credibility.

There should not be new engineering such as document engineering to throw responsibility for having decided on a policy that has the potential to violate laws and regulations. Political engineering should also not be carried out either through an inquiry committee or law enforcement agencies to save those who should be held responsible. The aim of resolving the Bank Century case is to restore the government's credibility.

Engineering will not solve cases and it will even be more difficult to restore public trust. If that happens, the financial, economic and social political costs will be very expensive. (*)