

# Quantitative Easing Policy Towards The National Revenue And Expenditure Budget (APBN) In Crisis Period By The Central Bank

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## ABSTRACT

After the abolition of the Emergency Financing Facility (FPD) by the 2016 Financial System Crisis Prevention and Management Law (PPKSK Law), there are potential problems that may arise if a bank applies for a Short-Term Liquidity Loan (PLJP) but in the process is unable to meet the requirements as stipulated in the Bank of Indonesia Regulation (PBI) on Short-Term Liquidity Loans (PLJP), or the Short-Term Liquidity Loan (PLJP) provided later fails to resolve the liquidity problems of the bank. The purpose of this article is to analyze the theoretical underpinnings of emergency liquidity assistance that have actually been covered in the previous Emergency Financing Facility (FPD) arrangement. The research method used is a normative juridical research (doctrinal research) type with an analytical approach and statutory approach. The results show that In crisis conditions, the government will need funding for the state budget at a low-interest rate, because if it has to seek from investors, the desired interest will be high and cannot be a solution in times of crisis. So it can be said that the financing needs of the state in times of crisis require BI because fiscal costs become cheaper, compared to having to seek from investors who ask for high returns. This funding model has been implemented in several developed countries with the term known as quantitative easing. With the open space for BI to carry out burden sharing in times of crisis continuously, it can trigger integrity risk or moral hazard.

## 1. Introduction

The central bank is one of the most important institutions in today's modern economic system. Bank Indonesia as the monetary authority is tasked with maintaining the stability of the financial system. According to the definition of Peter S. Rose, the central bank is a financial institution that has the authority to formulate public policies regarding the development of the monetary system and control the circulation of money in society. In general, the role of the central bank based on economic and monetary systems in several countries is as follows: a) controlling the circulation of money; b) maintaining the stability of capital and money markets; c) controlling payment procedures; d) controlling the banking system; and e) being the lender of the last resort (LoLR) or domestic commercial bankers (Banker's Bank) as an alternative lender of last resort for the banking service sector.<sup>1</sup>

<sup>1</sup> Peter S. Rose, *Money and Capital Market: Financial Institution and Instrument in Global Market (Seventh Edition)*, The McCrow-Hill Inc, North America, 2000, hlm 493.

Since the late 19th century, the function of central banks as lender of the last resort (LoLR) has been recognised in the history of central banks around the world. Thornton (1982) and Bagehot (1873) developed the idea of LoLR. Providing loans to "solvent but illiquid" banks under certain conditions is the primary function of the LoLR, as emphasised by the classic Bagehot doctrine.<sup>2</sup> A liquidity financing facility known as Lender of the Last Resort (LoLR) is provided to financial institutions at the discretion of the central bank in response to a troubling problem that results in excessive demand for liquidity that cannot be met through alternative sources.<sup>3</sup> Based on the central bank's authority as lender of last resort (LoLR), Bank Indonesia has the authority to provide emergency financing with a certain period of time to banks experiencing liquidity difficulties, whether funded by the government or the central bank itself, with the aim of overcoming liquidity problems and preventing a more serious financial crisis.<sup>4</sup> Thus, in the event of market failure or imperfect financial market mechanisms, the LoLR function is theoretically indispensable.<sup>5</sup>

Based on Article of 37 paragraph (2) of Law Number 7 of 1992 concerning Banking, it is explained that in the event that a bank experiences difficulties that endanger its business continuity, Bank Indonesia can take action in accordance with the provisions of the applicable laws and regulations. One of them is the provision of liquidity assistance as stipulated in Law Number 13 of 1968 concerning Central Banks.<sup>6</sup> The 1968 Bank Indonesia Law established Bank Indonesia's role as the lender of last resort (LoLR) until it was last amended by Law Number 6 of 2009. The regulation shows the importance of Bank Indonesia's role in maintaining financial system stability. The central bank's lender of last resort (LoLR) position is crucial for crisis management and prevention. The fact that the central bank has the capacity to provide large amounts of money in a short period of time, is one of the important reasons why the central bank acts as a lender of last resort (LoLR). According to Article 33 paragraph 4 of the 1945 Constitution of the Republic of Indonesia, the state is obliged to save the national economy in the event of a systemic crisis or "state of emergency" in this context and speed is everything.<sup>7</sup>

In handling liquidity problems, Article of 53 paragraph (1) letter b, Law Number 9 of 2016 concerning Prevention and Handling of Financial System Crises (PPKSK Law) revokes one form of BI's LoLR, namely the Emergency Financing Facility (FPD) which is regulated in Article 11 paragraph (4) and (5) of the Bank Indonesia Law, so that Bank Indonesia's LoLR function is currently short-term liquidity loans (PLJP). In Bank Indonesia Regulation (PBI) Number 10/31/PBI/2008 on Emergency Financing Facility (FPD), Emergency Financing Facility or abbreviated as FPD is a financing facility provided by Bank Indonesia based on the consideration of the Financial System Stability Committee (KSSK) to banks experiencing liquidity difficulties that have a systemic impact and potential crisis but still meet the solvency level. In the context of crisis prevention and management, FPD is provided to overcome bank liquidity difficulties. The difference between PLJP and FPD lies in the status/condition at the time of distribution. FPD is a financing facility intended to address systemic impacts or risks in an emergency to prevent and handle crises, while PLJP is a funding facility provided by Bank Indonesia to overcome banking liquidity difficulties under normal conditions.

<sup>2</sup> Jean-Charles Rochet, *Coordination Failures and The Lender of Last Resort: Was Bagehot Right After All?*, Journal of the European Economic Association, Volume 2, Nomor 6, Oxford Academic, Oxford, 2004, hlm 1117.

<sup>3</sup> Sukarela Batunanggar, *Jaring Pengaman Keuangan*, Buletin Hukum Perbankan dan Kebanksentralan, Jakarta, 2006, hlm 1.

<sup>4</sup> Theresia Anita dan Joshua Agustha, *Perubahan Undang Undang BI Dalam Upaya Mencapai Tujuan Hukum*, E-Journal Universitas Atmajaya, Volume 1, Nomor 1, Fakultas Hukum Universitas Atmajaya, Yogyakarta, 2017, hlm 38.

<sup>5</sup> Xavier Freixas, *The Lender of Last Resort in Today's Financial Environment*, Els Opuscles del CREI, Volume 1, Nomor 4, Universitat Pompeu Fabra, Barcelona, 1999, hlm 3.

<sup>6</sup> Pasal 37 ayat (2) Undang-Undang Nomor 7 Tahun 1992 tentang Perbankan.

<sup>7</sup> Nugroho Agung Wijoyo, *Mencegah Krisis Keuangan*, Kompas, Jakarta, 2016, hlm 6.

After the abolition of the Emergency Financing Facility (FPD) by the 2016 Financial System Crisis Prevention and Management Law (PPKSK Law), there are potential problems that may arise if a bank applies for a Short-Term Liquidity Loan (PLJP) but in the process cannot fulfil the requirements as stipulated in the Bank Indonesia Regulation (PBI) on Short-Term Liquidity Loans (PLJP), or the Short-Term Liquidity Loan (PLJP) provided later fails to resolve the liquidity problems of the bank. However, the basics of the theory of emergency liquidity assistance have actually been covered in the previous Emergency Financing Facility (FPD) arrangement.

As the Lender of the Last Resort (LoLR), the central bank can provide emergency liquidity assistance in the form of Emergency Liquidity Assistance (ELA) in a certain amount in the event of a crisis to address systemic financial problems. It does so as a means to address dysfunctional markets and to improve liquidity in financial markets. The central bank can also act to take preventive and containment measures against a much more severe failure of critical institutions particularly in the banking services sector. In general, a comprehensive and well-designed crisis management strategy should include emergency liquidity assistance, which in this context is Quantitative Easing during a crisis to prevent disruption of financial system stability.

Quantitative Easing is one of the tools to deal with liquidity difficulties of the national economy, specifically in ordinary situations and in times of crisis. ELA is not only a part of monetary operations conducted by the monetary authority, as it also involves the banking supervisory authority, fiscal and even in some countries involves the deposit insurance agency. The Financial Sector Assessment Program (FSAP) assessment team from the International Monetary Fund (IMF) and the World Bank in the results of the assessment conducted from September 2016 to February 2017 gave a recommendation, namely "Adjust the emergency liquidity assistance framework to ensure it is effective". So that Indonesia must make adjustments because the IMF views ELA as one of the alternatives to handle financial system crises more effectively.

This article analyses the government's need for funding through the state budget at a low-interest rate in a crisis because if it has to seek from investors, the desired interest rate will be high and cannot be a solution in times of crisis. So it can be said that the financing needs of the state in times of crisis require the central bank because the fiscal cost becomes cheaper, compared to having to seek from investors who ask for high returns. This funding model has been done in several developed countries with the term known as quantitative easing. With the open space for BI to carry out burden sharing in times of crisis continuously, it can trigger integrity risk or moral hazard even though the government must determine the condition of the crisis announced by the president.

## 2. Method

This article methods used legal research. The method is used to analyze the legislation and legal views. This study examines and analyzes various laws and regulations in analyzing the quantitative easing policy by central banks in the crisis era. The research was conducted with a statutory approach, namely legal studies through applicable positive legal regulations, in the form of laws and regulations and decisions of competent institutions<sup>8</sup> in the field of economics, laws and regulations in the field of other law perspectives. The second approach is an analytical approach to analyze the understanding of legal principles, legal meanings, etc.<sup>9</sup> The legal materials in the form of primary and secondary legal materials were analyzed using teleological interpretation techniques, an appropriate method for interpreting a rule based on the objectives to be achieved, and the rationale and rational

<sup>8</sup> Soerjono Soekanto & Sri Mamudji, *Normative Legal Research: A Brief Overview*, (Jakarta: PT. Raja Grafindo Persada, Jakarta, 2003), page 73.

<sup>9</sup> Johnny Ibrahim, *Normative Legal Research Theory and Methodology*, (Malang: Bayumedia Publishing, 2006), p. 310-311.

explanation. In addition, systematic interpretation relates one rule to another based on the underlying principle.

### 3. Results and Discussion

#### 3.1. Juridical Implications of Quantitative Easing Policy On The National Revenue & Expenditure Budget (APBN) in Crisis Period By The Central Bank

Referring to the normative rules in Law Number 23 Year 1999 concerning Bank Indonesia, precisely in the Explanation of Article of 4 paragraph (1), that one of the authorities of Bank Indonesia as the Central Bank is to carry out the function as lender of the last resort (LoLR). This function is a form of manifestation as reflected in one of the three main pillars owned by Bank Indonesia, namely in achieving and maintaining financial system stability. The lender of the last resort (LoLR) function gives Bank Indonesia the authority to channel financing facilities in the form of loans to banking service sector institutions experiencing liquidity problems, both in crisis and non-crisis conditions as the last resort as the holder of the lender of the last resort (LoLR) function. In other words, before the banking service sector institutions receive facility assistance, they should have first endeavoured to obtain funding from other alternative sources.

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Short-Term Liquidity Loans for Conventional Commercial Banks (PLJP) which is then regulated in PBI Number 19/3/PBI/2017 is a form of improvement made in the context of alignment after the issuance of Law Number 9 of 2016 concerning Prevention and Handling of Financial System Crises (PPKSK Law). Applications for PLJP can be made by banking sector institutions experiencing short-term liquidity difficulties that fulfil the requirements in accordance with the conditions specified in the relevant regulations. With the enactment of PBI Number 19/3/PBI/2017 concerning Short-Term Liquidity Loans (PLJP) for Conventional Commercial Banks, this is a form of effort from Bank Indonesia to overcome liquidity difficulties in the banking service sector that requires funds to maintain stability and continuity of business activities from a financial perspective, especially bank liquidity financing by submitting an application to Bank Indonesia as long as it fulfils the applicable provisions. In other words, the provision of this PLJP facility is carried out during normal financial system conditions.

On the one hand, the regulation related to the Emergency Financing Facility (FPD) stipulated in PBI 10/31/PBI/2008 is intended to help overcome systemic problems that have an impact on bank liquidity in the context of crisis prevention and handling of financial system crises. The Emergency

Financing Facility (FPD) can be provided to the banking sector that is experiencing liquidity difficulties after seeking other sources of financial support to survive in overcoming its liquidity problems, but the bank cannot obtain alternative funding. As a result, banks can apply for an Emergency Financing Facility (FPD) to Bank Indonesia. In the context of crisis prevention, the Emergency Financing Facility (FPD) obtains funding sources from Bank Indonesia which are guaranteed by the government. Meanwhile, the Emergency Financing Facility (FPD) gets a source of funds disbursed directly by the government to deal with the liquidity crisis.<sup>10</sup> Furthermore, with the enactment of Law Number 9 of 2016 concerning Prevention and Handling of the Financial System Crisis (PPKSK Law), one type of financing facility from Bank Indonesia's lender of the last resort (LoLR) function, namely the Emergency Financing Facility (FPD) regulated in Article of 11 paragraphs (4) and (5) of the Bank Indonesia Law, was then declared revoked by Article of 53 paragraph (1) letter b. The juridical consequence of these provisions is that the remaining lender of the last resort (LoLR) function at that time was only a Short-Term Liquidity Loan (PLJP).

But then, with the Covid-19 pandemic crisis that broke out in 2020, which was caused by the emergence of a virus and threatened the national economy, the government finally responded by stipulating Law (UU) on the Stipulation of Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Virus Disease 2019 (Covid-19) Pandemic and/or in the Context of Facing Threats that Endanger the National Economy and/or Financial System Stability into Law.

One of the articles that discusses the recovery of liquidity problems in the banking service sector is Article of 18, which contains that if in the event that a Systemic Bank that has received a short-term liquidity loan as referred to in Article of 17 paragraph (1) is still experiencing liquidity difficulties, the banking institution may apply for a Special Liquidity Loan (PLK) to Bank Indonesia. Then related to the provision of PLK is regulated in a provision that updates the old provision by changing and adding that the PLJP financing facility which originally could only be provided in normal situations, with this change, it can also be provided during the handling of the national economic crisis. The incompleteness of regulatory norms that have not been clearly regulated in relation to the PLJP financing facility is the absence of provisions governing the confidentiality of data from borrowing banks and also supervisory procedures to Bank Indonesia as the monetary authority with full authority over the distribution of this PLJP facility.

As the idea put forward by Gustav Radbruch in his book entitled "*einführung in die rechtswissenschaften*", a legal device must fulfil three basic values of legal objectives, namely Justice (*Gerechtigkeit*); Benefit (*Zweckmassigkeit*); and Legal Certainty (*Rechtssicherheit*). So, the consequences caused by the incompleteness of the law or norms that regulate or the unregulated situation can lead to legal uncertainty (*rechtsonzekerheid*) or uncertainty of legislation in the community which will further result in legal chaos (*rechtsverwarring*).<sup>11</sup>

The authority possessed by the Financial System Stability Committee (KSSK) contained in Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (UUP2SK) Article of 6 states including (f) recommending to the President to decide on changes in the status of Financial System Stability, from normal conditions to Financial System Crisis conditions or from Financial System Crisis conditions to normal conditions, (g) recommending to the President to decide on steps to handle Financial System Crises, and (i) recommending to the President to decide on the implementation and termination of the Banking Restructuring Programme.<sup>12</sup> It can be understood from the contents of these paragraphs that the Financial System Stability Committee (KSSK) has the

<sup>10</sup> *Ibid.* Pasal 3

<sup>11</sup> Nasir, G. A. Kekosongan Hukum & Percepatan Perkembangan Masyarakat. *JHR Jurnal Hukum Replik*, Volume 5, Nomor 2, Fakultas Hukum Universitas Muhammadiyah Tangerang, Tangerang, 2017, hlm 175.

<sup>12</sup> Pasal 6 Undang-Undang Nomor 4 Tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan.

authority to provide recommendations and steps that can be executed by the President in order to handle and prevent financial system crises.

Regulations that tend to be incomplete and inadequate that have the potential to occur in the aspect of preventing and handling liquidity problems in the banking service sector through Short-Term Liquidity Loans (PLJP) can certainly lead to various legal consequences and economic impacts that may occur in the future due to the absence of clarity and comprehensive procedures in the governing regulations. This is because the regulations related to financing facilities in times of crisis regulated by Bank Indonesia do not accommodate several aspects, causing legal uncertainty.

Based on the explanation above, the confidentiality of data from borrowing banks and also supervision procedures to Bank of Indonesia as the monetary authority with full authority over the distribution of PLJP facilities have juridical urgency as a manifestation of legal certainty. The incomplete norms in the regulation of these provisions can be done by changing and adding chapters to the regulations governing PLJP, namely Bank Indonesia Regulation (PBI) Number 22/05/PBI/2020 concerning the Second Amendment to Bank Indonesia Regulation Number 19/3/PBI/2017 concerning Short-Term Liquidity Loans for Conventional Commercial Banks. This needs to be regulated to ensure that the regulatory procedures owned by Bank Indonesia in preventing and handling liquidity problems in the banking services sector are more effective, transparent and comprehensive.

Thus, through the distribution of this emergency financing facility, Bank of Indonesia can ensure that the liquidity of the banking service sector remains stable. It is hoped that with the implementation of this emergency financing facility arrangement, the banking service sector can continue to carry out normal operations and can fulfil the needs of the community. This will ultimately help maintain social stability and ensure that people have sustainable access to banking funds and other financing and facilities needed to fulfil their needs.

### **3.2. Harmonisation Of The Regulation Of Quantitative Easing Policy On The National Revenue And Expenditure Budget (Apbn) In Times Of Crisis By The Central Bank**

Thus, through the distribution of this emergency financing facility, Bank of Indonesia can ensure that the liquidity of the banking service sector remains stable. It is hoped that with the implementation of this emergency financing facility arrangement, the banking service sector can continue to carry out normal operations and can fulfil the needs of the community. This will ultimately help maintain social stability and ensure that people have sustainable access to banking funds and other financing and facilities needed to fulfil their needs.<sup>13</sup> Then in Article of 37 paragraph (2) letter (b) of Law Number 7 of 1992 concerning Banking it is also stated that "In the event that a bank experiences liquidity difficulties that endanger its business continuity, Bank Indonesia may take other actions in accordance with applicable laws."<sup>14</sup>

Theoretically, Lender of the Last Resort (LoLR) is the provision of liquidity assistance by the Central Bank to financial institutions or financial markets in response to crisis shocks that cause very high liquidity demand that cannot be met by other alternative sources.<sup>15</sup> The lender of last resort (LoLR) function performed by Bank of Indonesia is to prevent panic in the financial markets, and some experts believe that the Central Bank can help the recovery of a financial crisis by lending as a lender of last resort. More specifically, Bank of Indonesia (BI) in this case plays a pivotal role in maintaining monetary stability as well as in preventing risks faced by banks, depositors, and other sectors of the

<sup>13</sup> Pasal 32 Ayat (3) Undang-Undang Nomor 13 Tahun 1968 tentang Bank Sentral.

<sup>14</sup> Pasal 37 ayat (2) huruf (b) Undang-Undang Nomor 7 tahun 1992 tentang Perbankan.

<sup>15</sup> Kusumaningtuti, S.S., *Op.Cit*, hlm 24.

economy.<sup>16</sup>

Emergency Financing Facility (FPD) is an alternative financing facility provided by Bank Indonesia to solvent banks that experience systemic impacts due to liquidity difficulties.<sup>17</sup> The legal basis for the distribution of FPD is Article of 11 paragraph (4) of Law Number 23 of 1999 as amended by Law Number 3 of 2004 concerning Bank Indonesia stipulating that Bank of Indonesia can provide emergency financing facilities whose financing is borne by the government in the event that banks experience liquidity difficulties that have a systemic impact and have the potential to cause a crisis that can endanger the financial system. Emergency Financing Facility (FPD) is a financing facility disbursed by Bank of Indonesia after obtaining approval from the Financial System Stability Committee (KSSK). The government guarantees it to banks that experience liquidity difficulties that have a systemic impact and potentially critical but still meet the solvency level.<sup>18</sup> FPD can be administered during both prevention and crisis management.

The provision of FPD financing facilities can be made to the banking service sector that is experiencing liquidity difficulties, where the application is submitted to Bank of Indonesia after finding no other alternative funding sources. Some criteria that must be met by banks applying for FPD financing facilities are as follows: 1) The liquidity problems experienced have a systemic impact; 2) The Minimum Capital Adequacy Ratio (CAR) of the bank concerned is assessed positively; and 3) There are collateral assets that can be executed as collateral. If Bank of Indonesia suggests that the bank concerned has the potential to have a systemic impact after reviewing the draft application letter. As a result, the Governor Bank of Indonesia may request the Minister of Finance to convene a KSSK meeting to discuss the bank's problems and determine the next steps. Based on the meeting, if it is stated that there is an indication that the bank has a systemic impact, the mechanism for FPD disbursement, FPD ceiling determination, financing tempo, interest rate, and general collateral requirements will be determined. The maximum FPD repayment period is 90 days and can be extended for another 90 days.

The general requirements determined by Bank Indonesia to indicate whether a bank has a systemic impact status or not are as follows: 1) Based on bank size criteria, the bank is considered too big to fail. This indicates that the systemic impact of the bank is so large in line with its growth, both in terms of asset value or transaction value as well as the number of branches. As a result, the bank cannot be allowed to fail. 2) Based on the criteria of the relationship between a bank and other banks and other financial institutions or Too interconnected to fail. This means that the greater the linkage of a bank with other banks or financial institutions, for example, seen from interbank loans or ownership, the greater the systemic impact of the bank. Therefore, the bank should not be allowed to fail.<sup>19</sup> Thus, FPD is a financing facility to overcome the impact or systemic risk in emergency conditions to prevent and overcome the crisis. FPD provided in the context of crisis prevention is provided by Bank Indonesia and guaranteed by the Government. Meanwhile, FPD in the context of crisis management is funded by the Government through Bank Indonesia. Therefore, the source of funding in the context of crisis prevention and handling related to the provision of FPD is the burden of the National Revenue and Expenditure Budget (APBN) through the issuance of Government Securities (SBN) or

<sup>16</sup> Thalassinou, I.E. and Liapis, K. *Segmental Financial Reporting and The Internationalization of the Banking Sector*, Nova Publishers, New York, 2014, hlm 230.

<sup>17</sup> Sukarela Batunanggar, *Jaring Pengaman Keuangan : Kajian Literatur dan Praktiknya di Indonesia*, Buletin Hukum Perbankan dan Kebanksentralan, Volume 4, Nomor 3, Bank Indonesia, Jakarta, 2006, hlm.1.

<sup>18</sup> Pasal 1 Ayat (9) Peraturan Bank Indonesia Nomor 10/31/PBI/2008 tentang Fasilitas Pembiayaan Darurat Bagi Bank Umum.

<sup>19</sup> Tim Asistensi Sosialisasi Kebijakan Pencegahan dan Penanganan Krisis Sistem Keuangan Departemen Keuangan Republik Indonesia. *Buku Putih Upaya Pemerintah Dalam Pencegahan dan Penanganan Krisis Edisi 1*. Departemen Keuangan Republik Indonesia, Jakarta, 2010, hlm 40-41.

cash by the Government.<sup>20</sup>

One form of liquidity facility tool that can be channelled by the Central Bank, which in principle is based on a discretionary policy, is Quantitative Easing.<sup>21</sup> There is no standardised conceptual definition of Quantitative Easing, as it depends on the laws governing the role and technical operations of the Central Bank in a jurisdiction or country in managing crisis prevention and management in its area of authority. More generally, Quantitative Easing is a form of special financing provided to financial institutions that can still be categorised as financially sound, usually banks, which are experiencing temporary liquidity difficulties.<sup>22</sup>

In practice, Quantitative Easing is then divided into two major concepts, namely the traditional/conventional/classical concept, as well as the concept of QE in development.<sup>23</sup> Initially, QE was a type of short-term financing aimed at resolving solvent but illiquid banks. The financing was short-term (temporary) and required collateral. The aim is to prevent a crisis that could spread to the national banking and financial system. The Central Bank in this case provides it as part of its non-monetary operations policy (outside of regular monetary policy). This traditional, conventional, or classic QE is very important to provide given that the purpose of providing it is to prevent a potential national financial crisis, which can be triggered by a bank's liquidity difficulties, especially if the bank has a systemic impact.

However, in its development, the purpose and distribution of QE continues to change from various aspects, such as solvency requirements, more flexible loan periods, the amount of loan value provided, collateral used as collateral and can be channelled in critical crisis conditions.<sup>24</sup> So that it can be interpreted, the application for Quantitative Easing financing facilities can also be done with a longer period of time and not only temporarily. This is certainly considering that the fact that financial crisis conditions can occur at any time, both due to internal and external factors, and the period of the end of a crisis cannot be determined.

Then the next discussion is whether the concept of Quantitative Easing has been applied by Bank Indonesia in overcoming the liquidity problems of the banking service sector at this time. Based on the mandate contained in the PPSK Law and the Bank Indonesia Law, the financing facility in overcoming the liquidity difficulties of the banking sector is the Short-Term Liquidity Loan (PLJP) which is regulated in the provisions of Bank Indonesia Regulation (PBI) Number 22/05/PBI/2020 concerning the Second Amendment to Bank Indonesia Regulation Number 19/3/PBI/2017 concerning Short-Term Liquidity Loans for Conventional Commercial Banks.

If we analyse whether the concepts contained in Quantitative Easing have been accommodated in the Short-Term Liquidity Loan (PLJP) financing facility, we can see that the distribution of this facility can be done in the short term (temporary), carried out in normal situations, and given to banks that are still solvent. So, according to the author, the scheme regulated in the Short-Term Liquidity Loan

<sup>20</sup> Penjelasan Umum Peraturan Bank Indonesia Nomor 10/31/PBI/2008 tentang Fasilitas Pembiayaan Darurat Bagi Bank Umum.

<sup>21</sup> International Monetary Fund, *Euro Area Policies, Financial Sector Assesment Program: Technical Note-Systemic Liquidity Management*, Monetary and Capital Markets Department, Washington D.C., 2018, hlm 15.

<sup>22</sup> Banca D'Italia, *Emergency Liquidity Assistance*, (online), [bancaditalia.it/compiti/polmongaranzie/ela/index.html?com.dotmarketing.htmlpage.language=1&dotcache=refresh](http://bancaditalia.it/compiti/polmongaranzie/ela/index.html?com.dotmarketing.htmlpage.language=1&dotcache=refresh), (18 Februari 2023).

<sup>23</sup> Tim Peneliti Fakultas Hukum Universitas Gadjah Mada dan Tim Peneliti Departemen Hukum Bank Indonesia. Peran Bank Sentral Dalam Penanganan Permasalahan Likuiditas Bank: Isu Hukum Dan Tantangan Pemberian/Penyediaan *Emergency Liquidity Assistance* (ELA). Buletin Hukum Kebanksentralan, Volume 16, Nomor 2, Departemen Hukum Bank Indonesia, Jakarta, 2019, hlm 182.

<sup>24</sup> Heather D. Gibson, et al., *The Effect of Emergency Liquidity Assistance (ELA) on Bank Lending during the Euro Area Crisis*, Journal of International Money and Finance, Volume 108, Nomor 3, Bank of Greece, Athens, 2020, hlm 2.



(PLJP) has accommodated crisis prevention. It can be concluded that the substance contained in the PLJP is in line with the conventional/classical Quantitative Easing concept. The main reason is that the provision of this financing facility requires a certain period of time that must be adhered to (temporary).

However, with the amendment of arrangements related to Short-Term Liquidity Loans (PLJP) in Bank Indonesia Regulation (PBI) Number 22/05/PBI/2020 concerning the Second Amendment to Bank Indonesia Regulation Number 19/3/PBI/2017 concerning Short-Term Liquidity Loans (PLJP) for Conventional Commercial Banks, it provides more flexibility to the banking service sector that wants to apply for financing facilities in the context of handling a national-scale financial system crisis. Some of the additions that are regulated include more flexible collateral aspects, application procedures that are given a faster processing period, and applications that can be extended in accordance with the assessment of Bank Indonesia and the Financial Services Authority (OJK). This certainly shows that PLJP has also accommodated the distribution of liquidity facilities in crisis conditions, not only normal conditions. Therefore, it can be concluded that the concept of Quantitative Easing development model has also been covered by this Regulation and Indonesia already has clear tools related to its regulation.

Ideal regulations related to Quantitative Easing that are truly rigid and comprehensive are certainly needed by Indonesia in facing various crisis threats that may occur in the future. Regulations that are compiled and regulated must contain various substances in accordance with the concept of Quantitative Easing which is compiled not only as a shield like the conventional/classical model, but can also be like a medicine for the banking service sector that experiences liquidity problems in the future to avoid a potential systemic impact crisis. This is done so that no legal loopholes are found due to incomplete norms in the regulation and the applicable regulations can accommodate all existing interests so that the urgency of channeling emergency financing facilities for the banking services sector through the concept of Quantitative Easing which is schemed in Short-Term Liquidity Loans (PLJP) can be achieved.

If analysed more deeply, the arrangements related to the distribution of PLJP financing facilities contained in PBI Number 22/05/PBI/2020 concerning the Second Amendment to Bank Indonesia Regulation Number 19/3/PBI/2017 concerning Short-Term Liquidity Loans for Conventional Commercial Banks are largely executed by Bank Indonesia (BI). The Financial Services Authority (OJK) can be said to be a supporting element in the distribution process. In the PBI, there are no provisions that clearly regulate the supervision and reporting of Bank Indonesia on the PLJP distribution policy to certain banking service sectors.

The distribution of PLJP facilities is part of the discretionary policy given to Bank Indonesia as the monetary authority within its scope as the lender of the last resort (LoLR). Although Bank Indonesia is an independent state institution and is free from interference from any party including the government in an effort to maintain the stability of the national financial system and prevent crises, of course the supervision and reporting scheme must still be implemented properly. So in the author's opinion, there should be a monitoring and reporting mechanism, either by other state institutions or independent institutions to Bank Indonesia in the process of channeling PLJP facilities to complement existing regulations.

#### **4. Conclusion**

The juridical implications of quantitative easing policies by the central bank in preventing and handling liquidity problems in the banking services sector in Indonesia have juridical, philosophical, sociological, and historical urgency. Emergency financing facilities are regulated by Bank Indonesia in the provisions of PBI Number 22/05/PBI/2020 concerning the Second Amendment to PBI Number 19/3/PBI/2017 concerning Short-Term Liquidity Loans (PLJP) for Conventional Commercial Banks.

Of all the provisions contained in the Regulation, there is nothing that regulates the confidentiality of data from borrowing banks and also supervision procedures to Bank Indonesia as the monetary authority with full authority over the distribution of PLJP facilities, so that the current arrangements are certainly not ideal. Juridically, an ideal regulation has urgency as a manifestation of legal certainty in the form of incomplete norms. Philosophically, the urgency of the ideal regulation is as the government's responsibility as the implementation of the state's goal of protecting the entire Indonesian nation and promoting public welfare, as well as the embodiment of Article 33 paragraph (4) of the 1945 Constitution which explains that economic democracy does not only protect individual interests, but also protects the public interest. Sociologically, the ideal regulation has urgency because the majority of banking service sector customers are the general public who use banking facilities, so if the banking service sector does not run well, it will have an impact on society in general and the economy in particular. And historically, it has urgency as an anticipation of problems such as the provision of facilities in the past in the distribution of BLBI and FPJP facilities caused by the lack of strict supervision in the distribution and the absence of confidentiality of borrower bank data.

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