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Implementation of *Bail-In* in Facing Bank Indonesia's Liquidity Assistance Deficit (BLBI)

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ABSTRACT: The banking crisis that occurred in 1997-1998 prompted the government to distribute Bank Indonesia Liquidity Assistance (BLBI) as a measure to stabilize the economy. BLBI has a legal basis that refers to Law Number 13 of 1968 concerning the Central Bank and Law Number 23 of 1999 concerning Banking. However, the implementation of BLBI cannot be separated from massive irregularities, as revealed in the 2000 BPK-RI Investigative Audit Report, which recorded the misuse of funds amounting to Rp144.536 trillion or 95.5% of the total funds disbursed. This study uses a normative approach by examining the regulations that are the basis for the implementation of BLBI and policy evaluations related to handling the banking crisis. The analysis also includes the application of the bail-in principle in the Law on the Prevention and Handling of Financial System Crises (PPKSK) in response to the problem of irregularities in the distribution of BLBI. The results of the study show that the implementation of BLBI has experienced many violations, both in terms of distribution and use of funds, due to weak supervision and accountability. As a solution, the bail-in approach is implemented through open bank bail-in mechanisms such as capital surcharge or debt-to-equity swap, as well as closed bank bail-in such as the transfer of bank assets and liabilities (Purchase and Assumption). This approach does not involve the State Budget, offers transparency, and strengthens the protection of the national financial system, as stipulated in Law Number 24 of 2004 concerning the Deposit Insurance Corporation.

KEYWORDS: *Bail-In*; Bank Indonesia Liquidity Assistance (BLBI); Banking.

I. INTRODUCTION

Since the era of globalization, the frequency of financial crises has been increasing. One of the triggers is advances in information technology that allow cross-border information flows and financial transactions to occur in seconds. Although this technology brings many advantages, its impact also increases the risk of spreading financial crises globally. When a country experiences a domestic economic shock, the effect can spread to other countries through an interconnected financial system, creating a domino effect that destroys global economic stability.

One of the important elements in economic globalization is International Financial Integration (IFI), which refers to a country's openness to cross-border financial transactions. IFI increases international investment and trade opportunities, but also magnifies the risk of systemic crises. When a country's financial system is disrupted, the impact can be directly felt by other countries through this connectivity, resulting in economic instability in the wider regionOne of the important elements in economic globalization is International Financial Integration (IFI), which refers to a country's openness to cross-border financial transactions. IFI increases international investment and trade opportunities, but also magnifies the risk of systemic crises. When a country's financial system is disrupted, the impact can be directly felt by other countries through this connectivity, resulting in economic instability in the wider region[1].

Indonesia has been a victim of the domino effect of global crises several times, especially during the Asian crisis of 1997-1998. The crisis affected almost all sectors of the economy, including banking, which is the backbone of the national financial system. When public trust in banks weakens, there is a massive withdrawal of funds (bank run), so that banks face significant liquidity difficulties.

In this situation, the Indonesian government does not implement a blanket guarantee policy or full guarantee of customer funds. As a result, Indonesia experienced a more severe capital outflow compared to neighboring countries that provided full guarantees.

[1] Arisyi F. Raz, dkk, 2012, "Krisis Keuangan Global dan Pertumbuhan Ekonomi: Analisa dari Perekonomian Asia Timur", *Buletin Ekonomi Moneter dan Perbankan,* hlm. 38

This policy has made national banks, including PT Bank Mandiri Tbk, PT Bank BNI Tbk, and PT BRI Tbk, experience liquidity difficulties which forces them to ask for liquidity assistance from the government to maintain their operations and liquidity[2].

In the face of the crisis, Bank Indonesia Liquidity Assistance (BLBI) is one of the main solutions. The Government of Indonesia together with Bank Indonesia carry out policies that show an orientation towards saving the interests of the public, which is actually in accordance with public policy theory.[3] Meanwhile, the policy in question is to provide liquidity funds for affected banks, with the aim of avoiding the collapse of the banking system. This policy is supported by a Letter of Intent (LOI) signed with the International Monetary Fund (IMF) in January 1998, which emphasizes the importance of liquidity support to mitigate the impact of the monetary crisis.

Although BLBI aims to save the economy, there are many irregularities in its implementation. Based on an investigative audit by the Audit Board of the Republic of Indonesia (BPK RI), the distribution of BLBI funds is not transparent and full of indications of irregularities. The audit results even gave a "disclaimer" opinion and found that the potential state losses reached Rp 138.5 trillion, making BLBI one of the biggest financial scandals in Indonesia[4].

The Bank Indonesia Liquidity Assistance (BLBI) scandal not only hurt public trust in banking institutions, but also exposed fundamental weaknesses in the national financial supervision system. When funds amounting to Rp144.536 trillion were channeled to rescue banks affected by the crisis, the irregularities that reached 95.78% of the total funds were clear evidence of weak governance and supervision at that time. The long-term impact of this scandal extends to disrupting economic stability and undermining the government's legitimacy as the main manager of the country's financial policy.

This case shows how state intervention in the form of liquidity assistance can be abused if it is not accompanied by strict supervision. The high rate of misuse of funds reflects a lack of accountability, both from the recipient institutions and supervisory authorities. The inability to ensure transparency and accountability in the implementation of this policy further exacerbated the impact of the economic crisis that hit Indonesia at that time.

The BLBI scandal also underscores the urgency of comprehensive reform of the national financial system. Financial crises do require a quick response, but they must be accompanied by mechanisms that ensure transparency and accountability. Without significant reforms, weaknesses in financial governance will continue to pose a threat to national economic stability and public confidence in the government.

One alternative that can be applied is the bail-in mechanism. In contrast to bail-outs, which use government funds to bail out financial institutions, bail-ins impose rescue responsibilities on shareholders, creditors, and institutional investors. This approach not only reduces fiscal burdens, but also encourages collective responsibility in maintaining financial system stability.

The success of bail-in mechanisms in various developed countries, such as its implementation in the European Union through the Bank Recovery and Resolution Directive (BRRD), shows that this approach can be an effective solution. Bail-ins not only help maintain financial system stability, but also create market discipline by encouraging the strengthening of banks' capital structures. This success provides important lessons that are relevant to the financial system in Indonesia.

However, the implementation of bail-ins in Indonesia requires adjustments to the characteristics of the complex domestic financial market. In-depth research and analysis are urgently needed to ensure that the proposed regulations can run effectively without disregard for international principles. Fairness and balance between the interests of shareholders, creditors, and systemic stability should also be key considerations in designing this policy.

This study aims to evaluate the potential for the implementation of bail-in as a more effective alternative in dealing with the financial crisis in Indonesia. In addition, this study also analyzes irregularities in the implementation of BLBI to provide policy recommendations that can improve the accountability, efficiency, and durability of the national financial system. This recommendation is expected to be able to answer the challenges of financial governance in the future.

This study is very relevant in an effort to prevent the recurrence of similar cases with BLBI. By exploring the bail-in mechanism, the study offers practical solutions that not only reduce the country's financial risks, but also strengthen the foundations of a more transparent, resilient, and sustainable financial system. This contribution is expected to provide a strong foundation for policymakers to build a fairer and more competitive national financial system in the future.

II. RESEARCH QUESTION

1. What are the irregularities that occur in the provision of BLBI?
2. How to Implement *Bail-In* in the Prevention and Handling of Financial System Crisis (PPKSK)?

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[2] Bank Indonesia. (2010). *Bank Indonesia*, http://www.bi.go.id/web/id/Ruang+Media/Berita/buku_krisis_global_180110_berita.html, diakses pada tanggal 8 Desember 2023

[3] M. Irfan Islamy, *Prinsip-prinsip Perumusan Kebijaksanaan Negara,* Bumi Aksara, Jakarta: 2003, hlm. 20.

[4] Kuncoro Sri, 2006, "Efektivitas Kejaksaan Agung dalam Penyelesaian Kasus Tindak Pidana Korupsi Bantuan Likuiditas Bank Indonesia", *Tesis* MPA, Yogyakarta, h. 70

III. RESEARCH METHOD

Research This research uses normative juridical research (legal research), which is research that uses materials from written regulations or other normative legal materials. Another name for this research is library research, because it is focused on the collection of documents and library data[5]. Normative juridical law research is research on socially formed legal doctrines and principles contained in literature and legal science [6].Meanwhile, in general, this study uses the concept of the concept of legis positivist. This concept views the law as identical to the written norms made and promulgated by authorized institutions or officials. This concept views law as a normative system that is independent, closed and independent of real community life.[7] This research uses a legislative approach (statue approach) and a conceptual approach.

In this study, the author uses legal materials based on documents. The secondary data that the researcher uses is in the form of materials sourced from documents rather than from sources as the main legal material, as is the nature of normative research[8]. The sources of legal materials used, namely primary and secondary legal materials. The primary legal material that will be used by the researcher in this study is Law No. 23 of 1999 concerning Bank Indonesia as amended by Law No. 3 of 2004 concerning Bank Indonesia concerning Amendments to Law No. 23 of 1999 concerning Bank Indonesia (hereinafter referred to as the Bank Indonesia Law), the Financial Services Authority Law. Meanwhile, secondary legal materials are in the form of Draft Laws, Books, Journals, and the opinions of experts in the field of law[8].The collection of legal materials through data collection data collection using a bibliography study. Meanwhile, data analysis adopts a qualitative analytical descriptive method using a deductive logic approach.

IV. RESULT AND DISCUSSION Deviations in the Provision of BLBI

The distribution of BLBI by Bank Indonesia to the recipient bank has the potential to provide a great opportunity for the recipient bank in bad faith to withdraw BLBI funds to finance ineligible needs, including through debit notes through the Interbank Money Market Clearing (PUAB) for group profits, the receiving bank's day-to-day operational financing, and the Bank's poor control and supervision Indonesia against the clearing system that applies in the national banking business, as well as light sanctions for irregularities in the use of BLBI funds for these activities, the sanctions that have been carried out by Bank Indonesia are only in the form of cancellation of clearing letters that violate the provisions. This clearly does not deter banks that violate[9].

Bank Indonesia Liquidity Assistance (BLBI), which was originally designed as an effort to save the banking sector during a crisis, ended up becoming one of the biggest financial scandals in Indonesian history. Of the total assistance of Rp 144.536 trillion, Rp 138.442 trillion or 95.5% was reported to have been misused. The magnitude of this figure reflects the weak supervision and low morality of the individuals involved in the process of distributing and using the funds. Ironically, people who are supposed to benefit from economic stabilization are actually victims of abusive practices.

This fantastic number of deviations creates an opinion among the public that BLBI is a systematic form of "looting people's money". Funds that should be allocated for the development and welfare of the people have actually changed hands to certain irresponsible groups. This phenomenon not only harms the country financially, but also destroys public trust in the integrity of the government and financial institutions. As an initial hypothesis, at that time it was understood that the banks that provided credit to Bank Indonesia through the distribution of BLBI did not all have good faith, meaning that with bad faith the banks used the BLBI funds received for unreasonable financing, for example for financing the Company's own group and others.[10]

The Investigative Audit Report conducted by the Audit Board of the Republic of Indonesia (BPK-RI) in 2000 revealed various irregularities in the distribution and use of BLBI funds. Of the total Rp 144.536 trillion distributed to 48 banks, violations were found that included irregularities in rules and violations of the purpose of using funds. This fact shows that the regulatory and supervisory framework at that time was not able to prevent misappropriation practices.

BPK-RI noted that debit balances, one of the components of BLBI, were improperly distributed to 10 Frozen Operating Banks (BBO), 1 Take Over Bank (BTO), and 13 Banks Under Liquidation (BDL). This distribution violates the rules governing the distribution of funds and causes BLBI funds not to be used in accordance with their original purpose. This practice shows a disregard for the principle of prudence in the management of public funds.

In addition to the debit balance, irregularities were also found in the distribution of FSBPUK to 8 BBOs, 3 BTOs, and 11 Frozen Banks for Business Activities (BBKU). FSBPUK, which should be used to stabilize the money market, is actually used for purposes that are not in accordance with the provisions. This shows weak internal and external control over the distribution of funds.

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[5] Soerjono Soekanto, 2006. *Pengantar Penelitian Hukum*, Jakarta : UI Press, 34
[6] Zainuddin Ali. 2016. *Metode Penelitian Hukum*, Jakarta: Sinar Grafika, 17
[7] Jhonny Ibrahim, 2006, *Teori dan Metodelogi Penelitian Hukum Normatif*, Malang: Bayumedia Publishing, h.11
[8] Suteki. 2022. *Metode Penelitian Hukum,* Depok: Raja Grafindo, 266
[8] Muhaimin. 2020. *Metode Penelitian Hukum*, Mataram: Mataram University Press, 60
[9] Supriyanto Hadi, 2023, "Aspek Hukum Penyalahgunaan bantuan Likuiditas Bank Indonesia Dalam Bisnis Perbankan di Indonesia", *Jurnal Hukum Ius Publicum*, 1 (1)
[10] Paramita Prananingtyas, 2017 "Analisa Yuridis Tugas Komite Stabilitas Sistem Keuangan dalam Pencegahan Krisis Sistem Keuangan di Indonesia", *Jurnal Diponegoro Private Law Review* Vol. 1 No. 1

Meanwhile, in detail, reviewed from the aspect of BLBI distribution, according to BPK-RI, a number of irregularities were found which included:[11]

1) Irregularities in the distribution of Debit Balances to 10 BBOs (Frozen Banks for Operations), 1 BTO (Take Over Banks), and 13 BDLs (Banks in Liquidation).
2) Irregularities in the distribution of the Special Money Market Securities Facility (FSBPUK) to 8 BBOs, 3 BTOs, and 11 BBKU (Frozen Banks for Business Activities).
3) Irregularities in the distribution of the Debit Balance Facility to 3 BBOs, 2 BTOs, and 11 BBKUs.
4) Irregularities in the distribution of New Discount Facilities (Fasdis) to 3 BTOs, and 2 BBKUs.
5) Irregularities in the distribution of the Rupiah Bailout Fund to 2 BDL.
6) Irregularities in the distribution of Foreign Exchange Bailout Funds to 5 BBO, 3 BTO, 5 BBKU, and 3 BDL.

Meanwhile, according to Prasentiantono, the misuse of BLBI by the recipient banks as the results of the investigation can be seen from the following analysis:[13]

1) In its operations, Bank Pesona Kriyadana carried out unhealthy banking practices by engineering books, so that the bank's balance sheet did not reflect the real situation; making a money call to another bank which is actually a credit forwarding; providing free credit to certain parties.
2) In the case of PT. Bank Papan Sejahtera Tbk, was also found to have irregularities where shares that had been mortgaged to Bank Indonesia were sold to other parties; promissory notes sold to Bank Indonesia are almost all in bad collectibility.
3) In the case of PT. Bank Intan has irregularities in the use of BLBI for the benefit of the Group; violating the prohibition from expanding credit to non-KUK debecers.
4) The uncooperative shareholders, so that it greatly hinders the company's run, this happened to PT. Bank Centris, PT. Bank ASPAC.
5) The case at PT. Bank Kom Nasional Tbk uses most of the BLBI funds received to pay the debts of other companies in the Group, its shareholders besides not having good faith, are also involved in draining the bank's liquidity for the benefit of the group.

The results of the BPK-RI investigation audit revealed that the potential state losses from Bank Indonesia Liquidity Assistance (BLBI) amounted to Rp138.442 trillion, or around 95.78% of the total funds disbursed. This percentage reflects the high rate of misuse of funds, which illustrates not only management problems, but also systemic failures in oversight mechanisms. The figure shows a major vulnerability in the country's financial system that should be aimed at stabilizing the economy during a crisis.

One of the main causes of irregularities in the distribution of BLBI is the low moral integrity and ethics of the parties involved. In the perspective of deontological ethics, this violation involves a disregard for moral obligations, professionalism, and social responsibility. These individuals not only betrayed public trust, but also tarnished the essence of aid that should be used to save the financial sector. This non-compliance demonstrates the importance of implementing stronger ethical standards at the institutional level.

This irregularity also reflects the weak supervision and regulation at that time. The absence of an effective control mechanism makes the BLBI distribution process vulnerable to abuse. In addition, the lack of transparency in decision-making worsens the situation, as it allows corrupt practices to occur without strict supervision. Reform of the surveillance system is an urgent need to prevent the recurrence of similar cases[12].

The impact of BLBI's irregularities extends to injury to national financial stability. The government's inability to manage public funds effectively reduces public trust in financial institutions. Not only that, but this failure also raises doubts among investors, thus slowing down the post-crisis economic recovery. This condition emphasizes the importance of more accountable and transparent financial governance.

The distrust of the public and investors towards the government due to the BLBI case is a serious warning for the governance of public funds. This crisis of confidence not only impacts the financial sector, but also hampers political and social stability. Therefore, public financial management reform must be a priority for the government to restore the credibility and legitimacy of state institutions.

The BLBI case provides an important lesson about the need for comprehensive improvements in the governance of public funds, including the strengthening of supervisory mechanisms. The government must ensure that future financial assistance is channeled with the principles of accountability, transparency, and accountability. This requires collaboration between financial authorities, independent auditors, and law enforcement agencies.

[11] Soehandjono, 2002, Bank Indonesia dalam kasus BLBI, Jakarta: Sinar Grafika, hlm. 17

[13] Prasentiantono et al, 2000, *Bantuan Likuiditas Bank Indonesia*, hlm 25

[12] Hadi, 2023, “Aspek Hukum Penyalahgunaan bantuan Likuiditas Bank Indonesia Dalam Bisnis Perbankan di Indonesia”,

In addition, strict law enforcement against perpetrators of irregularities is an essential step to create a deterrent effect. A transparent and non-selective legal process will strengthen public confidence in the government's commitment to upholding justice. This approach also serves as a deterrent against potential corruption in the future.

Overall, the BLBI case emphasizes the importance of reforming the country's financial governance to create a more resilient, transparent, and reliable system. Lessons learned from this case should be the basis for the formulation of future financial policies, with an emphasis on the principles of integrity, accountability, and effective supervision. Only with these measures can the government ensure the sustainability of the financial system that supports national economic development.

Implementation of *Bail-In* in the Prevention and Management of Financial System Crisis (PPKSK).

Past experiences of crisis and failed bank handling made governments and financial authorities aware of the importance of a strong legal umbrella; strong coordination between financial system authorities who have been handling problems based on their respective authorities; and the need to implement best practices in preventing and handling financial system stability problems.[13] This is a valuable lesson for financial authorities, considering that the impact of the systemic crisis not only has an impact on financial losses but also public trust in the national banking and financial system. Therefore, a holistic and proactive approach is a must.

The development of the national financial system, which is influenced by the order and regulations of the global financial system, also affects changes in policies and regulations in crisis prevention and management in Indonesia. The global financial crisis prompted leaders of the G-20 countries at a meeting in Seoul in 2010 to call on the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the Bank for International Settlement (BIS) to develop a macroprudential policy framework to prevent systemic risks in the financial sector. The follow-up to the request spurred countries, including Indonesia, to adopt and adapt macroprudential approaches into national policies. This reflects the increasingly close integration of the global economy, where the stability of a country's financial system cannot be separated from international financial dynamics.

As a follow-up, central banks and financial authorities in several countries have also developed a macroprudential approach to maintaining financial system stability, including through the trend of changing financial institutional arrangements in several countries (Bank Indonesia, 2016). Thus, it is understandable why macroprudential policy is one of the important legal issues in Law Number 9 of 2016 concerning the Prevention and Handling of Financial System Crises (PPKSK Law). This approach provides a more structured framework for preventing crises and protecting financial system stability from the impact of external and internal economic shocks.

Macroprudential policy is relevant in preventing and handling financial system crises, considering that the financial system is not enough if it is only focused on the health and performance of individual banks or other financial institutions. This is in line with the development of an approach based on the nature of interconnectedness, which results in the failure of one bank can have an impact on other banks or even several banks at once that have financial transactions with that bank.[14] Therefore, the systemic riskbased approach provides an analytical framework for understanding the complexity of relationships between financial institutions. This risk is commonly referred to as systemic risk in Bank Indonesia Regulation No. 16/11/2014 on Macroprudential Regulation and Supervision, namely "Potential instability as a result of contagion disruption in part or all of the Financial System due to the interaction of size factors, business complexity, and interconnectedness between institutions and/or financial markets (*interconnectedness*), as well as excessive behavioral tendencies of actors or financial institutions to follow the economic cycle (*procyclicality*)".

Based on a systematic interpretation, it can be concluded that the PPKSK Law uses interconnectedness as an approach used in the mechanism for handling and preventing financial system crises. The regulations in the PPKSK Law focus on banks, and do not mention non-bank financial institutions. However, the emphasis on the prevention and handling of Systemic Banks indicates that there are efforts to deal with financial entities that have a significant influence on the stability of the financial system. This is important to prevent a domino effect that has the potential to worsen overall economic conditions.

In addition to the bail-in and interconnectedness approach, Article 2 of the PPKSK Law lays down the principles in preventing and handling financial system crises, namely the principle of national interest; Benefits; justice; Alignment; Effectiveness; efficiency; and legal certainty. Based on these principles and principles, the prevention and handling of financial system crises is expected to be carried out appropriately based on good cooperation, coordination and mutual support. These efforts not only protect the financial system but also contribute to the great goal of economic development, namely the welfare of the people.

The implementation of bail-in through the mechanism of converting debt or investment into participation (debt-to-equity swap) requires more in-depth study. This process has significant implications for the legal position and responsibility of the debtor, who turns into a shareholder. The legal consequences include changes in financial and operational responsibilities, so careful

[13] Bank Indonesia, 2002, *Mengurai Benang kusut BLBI*, Jakarta: Bank Indonesia, hlm. 7

[14] Lastuti Abubakar dan Tri Handayani, 2019, "*Bail-In* dan *Interconnectedness:* Isu Hukum Strategis Dalam Pencegahan Dan Penanganan Krisis Sistem Keuangan", *Jurnal Masalah-Masalah Hukum,* Jilid 48 No. 4, hlm. 415

arrangements are needed to ensure fairness and legal clarity. In this context, regulations must be able to balance the interests of stakeholders with the aim of maintaining the stability of the national financial system.

One of the main challenges in implementing debt-to-equity swaps is how to accommodate changes in the legal relationship between banks and fund owners or investors. In a business relationship, an agreement between the two parties usually plays a central role, but a bail-in allows for modification of this relationship based on the provisions of the law. The question that arises is whether laws and regulations, especially voluntary rules, can unilaterally change the agreement without explicit agreement from the parties. Harmonization between the rule of law and business practices is necessary to maintain legal certainty, while still considering the need for greater financial stability.

The bail-in mechanism offers a significant advantage because it does not burden the state budget. As an alternative to bailouts, this policy provides incentives for banks to strengthen their capital structure. One of the forms of this strengthening is the implementation of OJK Regulation No. 50/POJK.03/2017 concerning the Obligation to Fulfill the Net Stable Funding Ratio (NSFR), which aims to reduce liquidity risk by ensuring more stable long-term funding. This regulation is one of the important elements in encouraging healthy and sustainable financial practices.

In the context of the NSFR, banks are required to achieve a stable funding ratio to reduce dependence on short-term funding sources that are vulnerable to market shocks. The fulfillment of this obligation is the main benchmark of the bank's health level, which in turn allows the bank to compete at the national and international levels. This standard not only reflects regulatory compliance, but also indicates the ability of Indonesia's banking sector to adapt to global market dynamics.

Furthermore, the bail-in policy reflects a strategic approach to building long-term financial system resilience. By forcing banks to internalize risks through strengthening capital and liquidity, this policy serves as a driver of structural reforms in the banking sector. The end result is a financial system that is not only more stable, but also more responsive to the challenges of a dynamic global economy.

However, the success of the bail-in implementation is highly dependent on the compliance and transparency of the bank in meeting regulatory requirements. For this reason, effective supervision from financial authorities is needed to ensure the implementation of policies in accordance with their initial objectives. Strong oversight will also minimize the risk of deviation and ensure that this policy is not abused by certain parties.

Philosophically, the application of bail-in is also in line with the theory of utilitarianism. This theory emphasizes that a policy or action is considered good if it provides maximum benefits to most of society. In this case, the bail-in is designed to provide broad benefits through improved financial system stability, protection of public funds, and strengthening the resilience of the banking sector.

Thus, the implementation of bail-in is not only a practical solution to overcome the banking crisis, but also reflects a strategic step in creating a healthier and more sustainable financial system. This approach provides a strong foundation for inclusive and equitable economic development, while building public trust in the banking sector.

V. CONCLUSIONS

Irregularities in the Bank Indonesia Liquidity Assistance (BLBI) program occurred in the distribution and use of funds. The results of the 2000 BPK-RI Investigative Audit Report revealed various violations of applicable provisions, where of the total BLBI revenues of Rp144.536 trillion in the 48 banks investigated, significant state losses were found due to weak supervision and accountability. This high level of irregularities not only causes financial losses but also tarnishes the country's financial governance, thus reinforcing the negative stigma of the public against the management of public funds.

The Law on the Prevention and Handling of Financial System Crises (PPKSK) adopts a bail-in approach to overcome financial system crises, especially related to systemic banks, without involving the use of the state budget. The implementation of bail-in is carried out through open bank bail-in mechanisms, such as capital surcharge or debt conversion into capital participation (debt-toequity swap), as well as closed bank bail-in, such as the transfer of part or all of the bank's assets and liabilities (Purchase and Assumption) to the Recipient Bank or Bridge Bank, or through temporary capital participation based on the provisions of the LPS Law.

This approach represents a strategic step in strengthening the national financial system by prioritizing internal-based solutions of financial institutions, reducing dependence on the state budget, and increasing accountability. Thus, learning from BLBI's deviations is an important foundation for policy reforms that are more transparent, efficient, and sustainable in facing the challenges of future crises.

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