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Accountability of the Financial Services Authority in Indonesia, Australia, Germany, France and Japan

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ABSTRACT

The FSA is tasked with ensuring that by implementing IFRS, companies are expected to prepare financial statements that reflect relevant, reliable information and allow stakeholders to make better decisions. IFRS covers various aspects of accounting, including recognition, measurement, presentation and disclosure of financial information. These standards provide guidance on how certain business transactions should be recognized in the financial statements, how to measure the value of assets and liabilities, and how to present the information in a clear and structured manner. The type of research is normative, with a statutory approach, conceptual approach and comparative approach. The results show that OJK does not conduct financial reporting in accordance with International Financial Reporting Standards (IFRS), so OJK must improve its financial reporting. The conclusion of this research is that OJK needs to improve the transparency, accountability, and quality of its financial reporting to ensure the fulfillment of obligations to the public and authorities with the Indonesian Financial Services Authority (OJK) can take some valuable lessons from the advantages possessed by the Japanese Financial Services Agency (FSA) in various aspects of financial sector cooperation and supervision.

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KEYWORDS:

Accountability; Financial Services Authority, Institution

INTRODUCTION

The financial sector plays an important role in economic development and maintaining financial stability in a country. This is because the financial sector can be the locomotive of real sector growth through capital accumulation and technological innovation. In this context, financial institutions such as banks, insurance companies, and capital markets are vital means to raise funds from the public and channel them back in the form of credit or investment that can increase productivity and economic growth. Effective regulation can ensure that financial institutions operate with transparency and accountability. This includes the application of strict accounting standards, oversight of risk management, and consumer protection. The Financial Services Authority (OJK) has the authority to regulate and supervise financial service providers, but the OJK does not only exist in Indonesia. Many countries around the world have introduced independent bodies such as the OJK that are responsible for regulating the financial sector in their country. These bodies play a vital role in maintaining economic stability and protecting consumers from harmful financial practices. Every country has regulatory agencies responsible for regulating and supervising the financial sector. These agencies play an important role in maintaining the stability of the financial system, protecting consumers, and ensuring that financial markets operate with integrity and transparency.

Starting from Australia, the main financial supervisory authority is the Australian Prudential Regulation Authority (APRA). APRA is responsible for the supervision of various financial sectors, including banks, insurance companies and superannuation funds. It was established in 1998 in response to the need for more stringent and coordinated supervision in the financial sector.[1] In Germany, the Bundesanstalt für

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[1] Beny Saputra, "Modelling Australian Transaction Reports and Analysis Centre (AUSTRAC) for Indonesia in Order to Combat Financial Crime," *NEGREI: Academic Journal of Law and Governance* 1, no. 2 (December 28, 2021): 81, https://doi.org/10.29240/negrei.v1i2.3822.

Finanzdienstleistungsaufsicht (BaFin) is the financial supervisory authority that oversees banks, insurance companies and securities markets. BaFin was formed in 2002 through the merger of three previous supervisory bodies with the aim of creating one unified financial supervision entity. BaFin has the authority to regulate and supervise the entire financial sector in Germany, including issuing operating licenses, conducting inspections, and enforcing regulations. Furthermore, in France, L'Autorité de Contrôle Prudentiel et de Résolution (ACPR) is the French agency that oversees the banking and financial sector in France. Directly linked to the French Central Bank, the ACPR is tasked with overseeing the activities of banks and insurers in the country. The ACPR was established in 2010 through the merger of the Banking Commission, the Insurance and Cooperative Supervision Authority (ACAM), the Committee of Insurance Companies (CEA), and the Committee of Credit Institutions and Investment Companies (CECEI). The ACPR has two main missions: strengthening the stability of the banking and financial sector, and protecting customers. To achieve these goals, the ACPR conducts ongoing supervision of institutions in the banking and insurance sectors, granting licenses and authorizations to financial agents and insurance institutions. Japan's Financial Services Agency (FSA) is the main supervisory authority that regulates and supervises the financial sector. The FSA was established in 2000 and operates under the Japanese Ministry of Finance. The FSA is tasked with ensuring that by implementing IFRS, companies are expected to prepare financial statements that reflect relevant, reliable information and allow stakeholders to make better decisions. IFRS covers various aspects of accounting, including recognition, measurement, presentation and disclosure of financial information. These standards provide guidance on how certain business transactions should be recognized in the financial statements, how to measure the value of assets and liabilities, and how to present the information in a clear and structured manner.

METHOD

Based on the description above, the research to be conducted is included in normative legal research, which is also often referred to as library legal research.[2] This research will rely on library materials as basic data, which in the context of legal research is considered secondary data.[3] Research with the Accountability of the Financial Services Authority in Indonesia, Australia, Germany, France and Japan will use normative legal research. By using statute approach to analyze related laws and regulations, conceptual approach to understand the concepts involved in levy governance and comparative approach to compare OJK accountability with similar institutions in other countries.

DISCUSSION

3.1. IFRS

Financial reports under IFRS include key reports such as the Income Statement, Balance Sheet, Cash Flow Statement, and Statement of Changes in Capital. Each of these statements provides different information about a company's financial performance and financial position. IFRS also emphasizes the importance of transparent disclosures about the accounting policies applied, estimates used, and risks faced by the company. These allow stakeholders to understand the fundamentals of preparing financial statements and analyze the information better. The adoption of IFRS helps improve the comparability of financial statements between different companies, both domestically and internationally.[4] This helps build stakeholder confidence and improves companies' access to global capital markets. Overall, IFRS plays an important role in ensuring that financial statements provide an accurate picture of a company's financial performance and position, which in turn helps in making sound and sustainable decisions. Financial statements prepared under IFRS provide more complete and relevant information to various stakeholders, including investors, regulators and the general public. Investors, both domestic and international, need reliable financial statements to make informed investment decisions. By adopting IFRS, Indonesia can attract more foreign investors, which in turn will bring in capital and technology, and boost economic growth.

In addition, the application of IFRS also facilitates the comparison of financial performance between financial institutions in Indonesia and similar institutions in other countries. This is important as financial markets are increasingly integrated globally. The ability to compare financial performance internationally will help financial institutions in Indonesia to identify best practices and improve their operational efficiency. In the long term, IFRS adoption can also help improve corporate governance in Indonesia. With stricter and more transparent reporting standards, company management will be more motivated to run their business in a more responsible and accountable manner. This will reduce the risk of fraud and increase stakeholder confidence in the company. OJK plays an

[2] Soerjono Soekanto dan Sri Mamudji, *Penelitian Hukum Normatif; Suatu Tinjauan Singkat*, (Jakarta: PT Rajagrafindo Persada, 2010), hlm. 23

[3] *Ibid*. hlm. 24

[4] Agus Fredy Maradona and Parmod Chand, "The Pathway of Transition to International Financial Reporting Standards (IFRS) in Developing Countries: Evidence from Indonesia," *Journal of International Accounting, Auditing and Taxation* 30 (March 2018): 57–68, https://doi.org/10.1016/j.intaccaudtax.2017.12.005.

important role in ensuring that the IFRS adoption process runs smoothly. These include providing training and socialization to financial institutions on IFRS, as well as ensuring that the infrastructure and systems required for IFRS implementation are in place and functioning properly. However, in adopting IFRS, OJK needs to consider the challenges and complexities associated with the implementation of these standards, including the preparation of human resources and the necessary infrastructure. The IFRS adoption process not only involves changes to accounting policies and procedures, but also requires significant adjustments in the operational practices of financial institutions. Moving towards international financial reporting standards will be a positive step for OJK Indonesia in enhancing the transparency, credibility and competitiveness of Indonesia's financial markets on a global level. By effectively addressing the challenges and complexities associated with IFRS implementation, OJK can ensure that Indonesia can enjoy the full benefits of adopting these international financial reporting standards, strengthen the country's position in global financial markets, and support sustainable economic growth.

3.2. Accountability in some countries

Australia is recognized globally for its leadership in implementing the Twin Peaks approach to regulating financial services. This regulatory framework, established through landmark reforms in the late 1990s, aims to ensure the stability and integrity of the financial system. Australia's financial sector comprises a diverse range of institutions, with the “Big Four” banks-Commonwealth Bank of Australia, Westpac Banking Corporation, Australia and New Zealand Banking Group (ANZ), and National Australia Bank (NAB)-holding key positions. These large banks have a major influence on the economy, with a wide presence and impact on various aspects of the financial system. Despite global economic uncertainty, Australia's financial sector has shown resilience, due in part to the Twin Peaks model. This model separates prudential regulation and behavioral regulation into two separate agencies: Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC). [5] APRA oversees the stability of financial institutions, while ASIC focuses on market behaviour, consumer protection and corporate governance.The financial sector significantly contributes to the Australian economy by supporting other industries through essential financial services and is a major source of employment and economic activity. Specifically, the “Big Four” banks have consistently demonstrated strong financial performance, driven by their large customer base, broad service offerings and strategic position in the market. Overall, Australia's financial services regulation, characterized by the Twin Peaks approach, together with the strong performance of the major banks, reinforces the country's leadership in global financial practices. This innovative regulation and resilient financial sector contribute significantly to the stability and growth of the Australian economy.

Regulatory authorities such as the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) have a crucial role in overseeing and regulating the financial services sector in Australia. APRA focuses on prudential supervision, which aims to ensure the safety and stability of financial institutions such as banks, insurance companies, and superannuation funds. They do this by setting financial standards, conducting risk evaluations, and providing advice to financial institutions.On the other hand, ASIC has a broader focus. They are responsible for market integrity, ensuring that financial markets operate in a transparent, efficient and fair manner. ASIC also has an important role in protecting financial consumers, by ensuring that financial products and services offered to the public are compliant with applicable regulations and do not pose unnecessary risks.[6] Both, APRA and ASIC work together to achieve these supervisory and protective objectives, often collaborating and sharing information to ensure that the financial services sector in Australia remains sound and provides adequate protection for consumers and overall financial system stability.

On January 25, 2001, German Finance Minister Hans Eichel announced the establishment of an integrated financial supervisory authority, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). BaFin began operations on May 1, 2002 under the single supervisory financial services authority law (Gesetz über die integrierte Finanzdienstleistungsaufsicht). BaFin is a merger of the separate supervisory agencies for banking (Bundesaufsichtsamt für das Kreditwesen-BAKred), insurance (Bundesaufsichtsamt für das Versicherungswesen-BAV), and securities (Bundesaufsichtsamt für den Wertpapierhandel-BAWe). The move aims to create one more unified and efficient authority to oversee Germany's financial sector.[7] Following the establishment of BaFin, the Deutsche Bundesbank (Bundesbank) continues to serve as the

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[5] Saputra, “Modelling Australian Transaction Reports and Analysis Centre (AUSTRAC) for Indonesia in Order to Combat Financial Crime.”

[6] Riyanto Agus, Budi Santoso, and Paramitha Paraningtyas, “Reforming Indonesia’s OJK to Comply with International Standards: Lessons from Australia,” *Brawijaya Law Journal* 10, no. 2 (October 31, 2023): 260–81, https://doi.org/10.21776/ub.blj.2023.010.02.07.

[7] Jochen Sanio, “The New Single Regulator in Germany,” in *Banking Supervision at the Crossroads* (Edward Elgar Publishing, 2003), https://doi.org/10.4337/9781781950531.00013.

monetary and payment system authority in Germany. The Bundesbank is responsible for formulating monetary and banking policies, maintaining currency stability, and maintaining adequate levels of reserve assets and cash cycles. In addition, the Bundesbank is also responsible for managing banknotes, monitoring business developments, analyzing various economic issues, and ensuring the smooth functioning of domestic and foreign payments by providing clearing services.

The Bundesbank plays an important role in maintaining Germany's economic stability and is one of the key pillars of the country's financial system. With a focus on stable monetary policy and effective supervision of the payment system, the Bundesbank plays a crucial role in maintaining the stability and balance of the German economy and ensuring smooth domestic and international financial transactions. BaFin, as the financial supervisory authority in Germany, is subject to the legal and technical supervision of the Federal Ministry of Finance. BaFin's organizational structure includes core directorates and cross-cutting departments, as well as a central administrative unit responsible for personnel, organization, information technology, and budget, reporting directly to the Vice President. In addition, there are four other staff units that report directly to the President of BaFin. Currently, the budgets of BaFin and the two previous financial supervisory agencies come from various sources.[8] In the case of BaFin, about 10% of its budget comes from the federal government. However, BaFin's main source of funding is from levies and fees paid by the organizations it supervises. As such, BaFin does not receive funds directly from the federal budget, but relies on financial contributions from regulated entities. In addition, BaFin may also charge fees for certain services it provides. This funding system ensures that BaFin can carry out its supervisory functions independently without direct dependence on the federal budget, while ensuring compliance and financial balance in the German financial system.

The ACPR (Autorité de Contrôle Prudentiel et de Résolution) mechanism and reporting in France is a very important process in supervising and regulating the financial sector in the country. The ACPR is the financial authority body in France responsible for the supervision of banks, insurance companies, and other financial institutions. They play a crucial role in ensuring the stability of the French financial system and protecting the interests of consumers. To understand the ACPR's mechanisms and reporting.[9] The main objectives of the ACPR. One of their main objectives is to ensure that financial institutions in France operate in a safe and compliant manner. This means ensuring that banks, insurance companies, and other financial institutions have adequate infrastructure and policies in place to effectively manage risk. In addition, the ACPR is also responsible for protecting the interests of consumers, ensuring that the financial products offered to the public are transparent, fair, and appropriate to their needs. One of the main tools used is the supervision and examination of financial institutions. ACPR has a team of well-trained examiners who conduct regular audits of these institutions to ensure that they comply with applicable regulations and have effective risk management systems in place. This includes an evaluation of the institution's financials, internal processes, risk policies, and regulatory compliance. If violations or non-conformances are found, ACPR may take the necessary corrective actions, ranging from warnings to further sanctions.

In addition, the ACPR also has a role in granting operating licenses to new financial institutions as well as overseeing structural or ownership changes that occur within the financial industry. The licensing process is thorough, taking into account regulatory compliance as well as the institution's ability to meet financial and operational requirements. This is important to prevent the entry of unstable or non-compliant institutions into the French financial market.In addition to direct supervision, the ACPR also plays a role in developing new regulations and policies relevant to the evolution of financial markets. They regularly review existing regulations and work closely with other financial authorities at national and international levels to ensure that they remain relevant and effective in the face of new challenges in the financial industry.Financial institutions in France have an obligation to report information related to their finances on a regular basis to the ACPR. This includes annual financial statements, quarterly financial statements, and additional information requested by the ACPR as needed.

These reports are important to enable the ACPR to monitor the financial health of these institutions and better identify potential risks. Aside from reporting by financial institutions, the ACPR is also responsible for providing information to the public on financial market conditions, applicable regulations, and important changes or events in the financial industry.[10] In these contexts, it is important to note that the ACPR also works closely with international bodies and financial institutions in other countries to strengthen cooperation and information exchange. This is done to

[8] Jan Pieter and Patrick Blank, "BaFin (in) Dependence – A Reform Proposal," no. 82 (2021).

[9] Alexandre Violle, "Agir En Européen. Forme et Présence de l'État Dans La Fabrique Des Décisions de Supervision Des Acteurs de l'union Bancaire," *Revue Française d'administration Publique* N° 178, no. 2 (July 1, 2021): 277–94, https://doi.org/10.3917/rfap.178.0021.

[10] Rimawan Pradiptyo et al., "A Bridge Too Far: The Strive to Establish a Financial Service Regulatory Authority (OJK) in Indonesia," *SSRN Electronic Journal*, 2011, https://doi.org/10.2139/ssrn.1878565.

address challenges of a cross-border nature, such as money laundering, financial crime and market instability that may have a global impact. Overall, the ACPR mechanism and reporting in France is an integral part of the financial supervisory system that aims to ensure the stability and integrity of financial markets. Using a variety of tools and approaches that include direct supervision, regulatory development, information reporting, and international cooperation, the ACPR plays an important role in maintaining the stability of the French financial system as well as protecting consumer interests.

Japan, as one of the world's largest economic powers, has a highly structured and organized system of financial mechanisms and reporting. These mechanisms are based on the principles of transparency, accountability, and adherence to international standards. To understand how financial mechanisms and reporting in Japan function, it is important to look at the various aspects involved. Japan has a strict regulatory framework that governs corporate financial reporting. The Financial Services Agency (FSA) is the main regulatory body responsible for the supervision of financial markets in Japan. FSA works to ensure that companies, especially those listed on the stock exchange, comply with established accounting and reporting standards. They are also responsible for regulations related to the transparency of financial information, including the disclosure of risks relevant to investors.[11] Japan adopted International Accounting Standards (IFRS) for listed companies. This is important because it ensures that Japanese financial statements are directly comparable to those of companies in other countries that follow the same standards. This promotes transparency and makes it easier for investors to conduct cross-border analysis. The financial reporting process in Japan usually involves several steps. First, companies compile their financial statements in accordance with set standards, be it IFRS for listed companies or the corresponding accounting standards for non-listed companies. Once the report is completed, it is then audited by an independent auditor who ensures its accuracy and reliability. Next, the financial report is submitted to the FSA and the Tokyo Stock Exchange (TSE) for further monitoring. FSA and TSE examine reports to ensure that the company has complied with established reporting requirements and that the information presented is accurate and relevant.

Japan has an independent institution called the Financial Accounting Standards Board (FASB), which is responsible for the development of accounting standards and interpretations for use in the country.The FASB works closely with relevant parties, including the FSA and private companies, to ensure that the standards set are relevant and applicable in business practices. It is important to note that transparency and accountability are values that are highly upheld in Japan. Therefore, financial reporting is not only a legal obligation, but also an integral part of the country's corporate culture. Companies that ignore reporting standards or attempt to hide important financial information can face serious consequences, including large fines and significant reputational damage. Overall, Japan's financial mechanisms and reporting reflect the country's commitment to transparency, integrity and accountability in financial markets. With strict regulations, adopted international standards, and cooperation between public and private institutions, Japan ensures that its financial reports are trustworthy and reliable to both domestic and international investors.

In Indonesia, the process of reporting and recording the State Budget (APBN) goes hand in hand with the implementation of the APBN every year, starting from January 1 to December 31. At this stage, government financial statements are prepared through an accounting process in accordance with government financial accounting standards.The process includes the preparation of the Budget Realization Report (LRA), Balance Sheet, Cash Flow Statement, and notes related to financial statements. In Jimly Asshiddiqie's view, financial audit is an integral part of the oversight function of government performance as a whole. Oversight of government performance must be stimulating and comprehensive, starting from the planning stage to evaluation and assessment. This process involves rule making to rule enforcing. State finances include the finances of the Financial Services Authority (OJK), which are sourced from the state budget. However, this raises doubts about the collection carried out by the OJK. In accordance with Law No. 1 Year 2004 on State Treasury, the levies made by OJK seem to contradict the concept of state treasury.

3.3. OJK accountability

Accountability is a fundamental pillar in good governance practices, especially in the context of government in Indonesia. This concept involves various perspectives that include accounting, functions, and accountability systems. Basically, accountability refers to the responsibility and obligation to provide explanations for actions or decisions taken by individuals or legal entities. From an accounting perspective, accountability includes the process of recording, reporting and disclosing information related to activities or programs implemented by the government or organization. This enables stakeholders, including the public, to monitor and assess the efficiency, effectiveness and transparency of public funds management. Meanwhile, from a functional

[11] E. E. Frolova, "FINANCIAL SYSTEM OF JAPAN: THE LEGAL REGULATION OF DISPUTES BETWEEN FINANCIAL SERVICES PROVIDERS AND CONSUMERS," *MIR (Modernization. Innovation. Research)* 9, no. 1 (April 3, 2018): 67–73, https://doi.org/10.18184/2079-4665.2018.9.1.67-73.

perspective, accountability emphasizes the performance of individuals or organizations in carrying out the tasks that have been mandated to them. This involves evaluating the achievement of goals, efficient use of resources, and compliance with applicable standards or regulations.

From a systems perspective, accountability refers to the structures and mechanisms established to facilitate accountability and transparency in a government or organization. This includes the adoption of policies, the establishment of supervisory institutions, and audit processes aimed at ensuring that the tasks and authority assigned to an institution are appropriately accounted for. Thus, accountability is not only a formal obligation to provide explanations, but also an integral aspect in building trust and legitimacy in public governance. Therefore, it is important for governments and organizations to adopt practices that promote transparency, integrity and accountability in every aspect of their activities. This will ensure that the policies and decisions taken can be properly accounted for to the community and other stakeholders. In the context of government administration, transparency and accountability play a key role in maintaining the government's trust and credibility in the eyes of the public. Government accountability is not only limited to implementing policies and using resources appropriately, but also involves openness in providing information to the public.

Transparency in the collection and use of public resources and funds is essential to ensure that government decisions reflect the public interest. Without this transparency, it is difficult for the public to understand how the government carries out its duties and whether the decisions it makes are in line with their hopes and needs. Therefore, governments need to actively provide information to citizens about the resources collected from them, such as taxes and other levies, as well as how these resources are used to finance government programs and projects. With this openness, communities can monitor and evaluate whether the use of these resources is in accordance with their overall needs and priorities. Transparency in the management of public resources and funds is not only an ethical requirement, but also an important step towards responsible and effective governance.[12] This ensures that government decisions can be held accountable to the community who are the true owners of these resources. Thus, transparency and accountability are not only principles that are upheld, but are also the foundation for a healthy relationship between government and society in an effort to achieve sustainable and inclusive development goals.

The principle of accountability is an important foundation in maintaining the integrity and credibility of the Financial Services Authority (OJK) in regulating and supervising the financial sector. First, openness and transparency are key to ensuring that OJK decisions and activities can be clearly understood and assessed by the public. Clarifying roles and responsibilities is important to ensure that every action and decision taken has a clear basis and can be accounted for. Furthermore, professionalism is the basis for carrying out tasks with a high level of expertise, integrity and consistency in implementing the rules. Independence is also a crucial aspect that ensures that OJK is not influenced by political interests or other parties that could interfere with its objectivity. Accountability to all parties involved is important to ensure that OJK provides explanations and accountability for its performance and use of resources in a fair and transparent manner. By consistently applying these principles, OJK can maintain public trust and ensure effectiveness in carrying out its mandate as a regulatory and supervisory institution in the financial sector.

3.4. Reconstruction of OJK Accountability

The presence of Law number 4 of 2023 concerning Development and Strengthening of the Financial Sector (UU P2SK), which was promulgated on January 12 2023, has carried out significant reforms to many independent state institutions (LNI) authorities in the financial sector, including the Financial Services Authority (OJK).[13] The changes contained in the provisions regarding OJK by the P2SK Law make it an interesting topic to study.[14]

The P2SK Law states that the OJK is an independent state institution which has functions, duties and authority in regulating, supervising, examining and investigating the financial sector.[15] The formation of the OJK aims to separate the task of banking supervision from the central bank and place it in a separate independent institution. The legal basis for this separation is regulated in Article 34 of Law Number

[12] Louis de Koker and Nicola Jentzsch, "Financial Inclusion and Financial Integrity: Aligned Incentives?," *World Development* 44 (April 2013): 267–80, https://doi.org/10.1016/j.worlddev.2012.11.002.

[13] Devi Anggraeni, Wisnu Budhi Pratomo, *Dampak Undang-Undang Nomor 4 Tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan (P2SK) Terhadap Kelangsungan Sektor Jasa Keuangan Khususnya Sektor Lembaga Pembiayaan, Fair Value : Jurnal Ilmiah Akuntansi dan Keuan+gan*, Vol. 5 No. 12 (Juli 2023):3 , Diakses pada 23 Maret 2024. DOI: https://doi.org/10.32670/fairvalue.v5i11

[14] Yuliana Syafitri, *Implikasi Penerbitan Omnibus Law Undang-Undang Nomor 4 Tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan (UU P2SK) Terhadap Peran Otoritas Jasa Keuangan (OJK) dalam Sektor Keuangan*, Vol. 6 No. 1 (September 2023):860. Diakses pada 23 Maret 2024. https://doi.org/10.31933/unesrev.v6i1

[15] Articles 8 Number 1 on Articles 1 number1 Financial Sector Development and Strengthening Act

3 of 2004 which amends Law Number 23 of 1999 concerning Bank Indonesia.

OJK is responsible for regulating and supervising: a. financial services in the banking sector; b. financial services in the capital markets sectorc. financial services in the insurance, guarantee and pension fund sectors; d. financial services in the financing, venture capital, microfinance institutions and other financial institutions; e. activities in the Financial Information and Communication Technology (ITSK) sector, as well as digital and crypto assets; f. the behavior of financial services business actors and the implementation of consumer education and protection; and g. financial sector in an integrated manner and evaluating the systemic impact of the Financial Conglomeration.[16]

One indicator of OJK's independence can be seen from its budget sources. The OJK budget is obtained from the State Revenue and Expenditure Budget (APBN) as well as from levies imposed on the financial institutions it supervises. According to Article 8 number 12 in Article 34 paragraph (2) of the P2SK Law, "The Financial Services Authority Budget is part of the State General Treasurer's Budget Section in the State Revenue and Expenditure Budget", while Article 8 number 15 in Article 37 paragraph (1) of the P2SK Law stipulates that "Parties carrying out activities in the financial services sector are subject to levies." [17]

Based on these articles, it is revealed that OJK's source of income from levies on the financial services sector which adopts the self-regulating organization (SRO) model carries the risk of losing public trust in OJK. No other state institution has two sources of income like the OJK, which comes from the APBN and levies imposed on players in the financial services sector. This could give rise to the potential for abuse and increase doubts about the accountability and transparency of the OJK.[18]

These levies cover costs for various processes such as licensing, approval, registration, authorization, regulation, supervision, examination, research and securities trading transactions. Funds from these levies are allocated to support the OJK budget which is not supported by the APBN. OJK levy funds are used for operational, administrative, asset procurement and other supporting activities to comply with reasonable standards in the financial industry.[19]

The potential for abuse of state financial authority by the OJK when using APBN funds is an important concern. The use of APBN whose benefits are not transparent can be detrimental to the Indonesian people, especially because the majority of APBN funds come from taxes paid by citizens. Levies made by the OJK not only require approval from the DPR, but also must be in accordance with the APBN mechanism, which is state revenue planned jointly with the Government and DPR and allocated based on the principles of state financial allocation.

In this context, independent state institutions should not be able to collect fees like "thugs". From the perspective of positive legal philosophy, Hans Kelsen's concept of stufenbau theory or the doctrine of the hierarchical structure of norms states that the constitution or UUD NRI 1945 is the highest level in the national legal system. The 1945 NRI Constitution is the source of organic legislation which became the parent law that gave birth to positive law in Indonesia. Therefore, all actions and policies, including the use of APBN funds, must be in line with the provisions contained in the 1945 Constitution of the Republic of Indonesia as well as applicable legal regulations.

3.5 Financial Services Authority

The Financial Services Authority (OJK) is an institution that functions as a supervisor and regulator of all financial services activities in Indonesia. Established in 2011 based on Law Number 21 of 2011, OJK was established to replace the role of the Capital Markets and Financial Institutions Supervisory Agency (Bapepam-LK) as well as banking supervision previously carried out by Bank Indonesia. OJK has the main objective of realizing an orderly, fair, transparent and accountable financial system and protecting the interests of consumers and society. In general, OJK has several main functions. First, regulation and supervision of the financial services sector which includes banking, capital markets and non-bank financial industries such as insurance, pension funds, financial institutions and other financial services institutions. With this function, OJK plays a role in maintaining financial system stability and preventing financial crises that could harm the wider community. Supervision carried out by the OJK includes prudential supervision that focuses on the financial health of financial service institutions as well as supervision of market behavior that focuses on consumer protection. Second, OJK functions as a policy maker in the financial services sector.

The policies made by the OJK aim to create efficient financial markets and support economic growth. OJK also has the authority to provide permits, approvals and endorsements for financial service institutions that will operate in Indonesia.

[16] Articles 8 number 4 dalam Articles 6 Paragraph (1) Financial Sector Development and Strengthening Act

[17] Articles 8 number 15 on Articles 37 Paragraph (1) Financial Sector Development and Strengthening Act

[18] Abdur Rahim et al., "Pengelolaan Keuangan Negara Berdasarkan Hukum Administrasi Negara Ditinjau Dari Undang-Undang Nomor 17 Tahun 2003," *JIIP - Jurnal Ilmiah Ilmu Pendidikan* 6, no. 9 (September 2, 2023): 7012–18, https://doi.org/10.54371/jiip.v6i9.2847.

[19] Dai-Won Kim, Jung-Suk Yu, and M. Kabir Hassan, "Financial Inclusion and Economic Growth in OIC Countries," *Research in International Business and Finance* 43 (January 2018): 1–14, https://doi.org/10.1016/j.ribaf.2017.07.178.

With the existence of the OJK, it is hoped that financial services institutions in Indonesia can operate in accordance with established standards and be able to compete fairly at both national and international levels. Third, OJK has an important role in protecting consumers of financial services. Consumer protection is one of OJK's main focuses, considering the importance of public trust in financial service institutions. OJK provides various mechanisms to protect consumers, such as consumer complaints, dispute mediation, and financial education. OJK is also actively providing financial literacy to the public to better understand financial products and services, so they can make the right decisions and avoid detrimental practices.[20]

In carrying out its duties and functions, OJK is supported by a number of committees consisting of experts in the financial services sector. One of the important committees is the OJK Board of Commissioners which is responsible for determining strategic policies and direction of OJK supervision. This Board of Commissioners consists of several members, each of whom has responsibilities in different sectors, such as banking, capital markets and the non-bank financial industry. Apart from that, OJK also collaborates with various institutions both at home and abroad to increase the effectiveness of supervision and maintain financial system stability. Since its founding, OJK has faced various challenges in carrying out its duties. One of the main challenges is the complexity of the financial services sector which continues to grow.

Financial technology innovation (fintech) and digitalization in the financial sector require OJK to continue to update regulations and supervisory mechanisms so that they remain relevant and effective. Apart from that, OJK also has to face challenges in handling various cases of violations in the financial sector, such as investment fraud cases, which require fast and precise handling so as not to cause greater losses to the public. To overcome these challenges, OJK continues to make various efforts. One way is to strengthen the regulatory and supervisory framework. OJK routinely evaluates and revises existing regulations to adapt to the latest developments in the financial sector. OJK is also developing digital-based supervision technology to increase the efficiency and effectiveness of supervision. Apart from that, OJK is also actively collaborating with law enforcement agencies and other authorities to handle cases of violations in the financial sector.

The concept of accountability in the context of organizational management, especially in the Financial Services Authority (OJK), involves a hierarchical relationship where the responsible official is responsible for his subordinates. This relationship is clearly explained in the OJK collection management mechanism. For example, within the Treasury Department's revenue section, there is coordination with all financial services surveyors. In addition, the MSAK Committee plays an important role in this structure. This committee seeks guidance from superiors and oversees the requirements of each subordinate unit. Ultimately, this hierarchical chain culminates in appointments made by the OJK Board of Commissioners and the Remuneration Committee during Board Meetings. This structure is in accordance with legislative regulations, thereby fulfilling the accountability principles expected from the OJK. Arifin P. Soeriaatmadja also explained the Principle of Proportionality, which ensures that budget allocations are carried out proportionally. This means that resources are distributed according to institutional functions, prioritized based on the level of importance and goals pursued by the organization. In answering and explaining the performance of the Financial Services Authority (OJK) in terms of success or failure, OJK carries out internal supervision. The parties interested in this information are not only Parliament, but also the OJK itself in overseeing its internal finances.

Internal supervision carried out by OJK involves a series of audit and verification processes aimed at ensuring transparency and accountability in financial management. This internal audit not only serves as a tool to detect errors or irregularities, but also as a mechanism to identify areas that can be improved. In this context, internal control acts as a control system that helps ensure that all financial processes run in accordance with established standards and applicable regulations[21] Apart from internal supervision, OJK also carries out an external supervision mechanism carried out by Parliament. Parliament has an important role in monitoring OJK's performance through various mechanisms, such as hearings, evaluation of annual reports, and external audits carried out by independent institutions. This supervision by Parliament aims to ensure that OJK carries out its duties and functions well, in accordance with the mandate given by law. Through this supervision, Parliament can provide constructive input and recommendations to improve OJK's performance in the future. To realize accountability in supervision, OJK adopts a transparent audit and verification system. This system involves various stages, starting from audit planning, audit implementation, to reporting audit results. At every stage, OJK is committed to carrying out the process professionally and objectively, so that audit results can be trusted and used as a basis for better decision making. Verification of audit results is also carried out to ensure that all audit findings have been followed up appropriately.

[20] Bismar Nasution, "Struktur Regulasi Independensi Otoritas Jasa Keuangan," *Jurnal Hukum Dan Peradilan* 3, no. 3 (November 28, 2014): 281, https://doi.org/10.25216/jhp.3.3.2014.281-294.

[21] Frolova, "Financial System Of Japan: The Legal Regulation Of Disputes Between Financial Services Providers And Consumers."

In order to increase accountability, OJK also collaborates with various international institutions. This collaboration includes information exchange, capacity development, and benchmarking of best practices in financial supervision. Through this collaboration, OJK can learn from the experiences of other countries and adopt practices that have been proven effective in improving the quality of supervision. Overall, OJK's efforts to carry out internal and external supervision and adopt a transparent audit and verification system are important steps to realize accountability in supervision. By having a good monitoring mechanism, OJK can ensure that all financial management processes run in accordance with applicable standards and regulations, so that they can support the achievement of OJK's goal of creating a stable, transparent and accountable financial system.

The principle of proportionality relates to the balance between the rights and obligations of state implementers. Efforts to supervise the finances of the Financial Services Authority (OJK) are one effort to realize this principle. OJK institutions have the right to collect funds from the financial industry, as regulated in detail in Government Regulation Number 11 of 2014 concerning Collection of OJK Funds. This collection of funds is used to fund OJK operational activities. Along with OJK's activities, of course this institution also has an obligation to increase public trust and the financial institutions whose funds have been collected.

Supervision of OJK finances is an important step in ensuring that the principle of proportionality is implemented. With effective supervision, OJK's right to collect funds can be balanced with the obligation to use these funds in a transparent and accountable manner. This means that any funds collected from the financial industry must be managed in a way that supports OJK's objectives and provides clear benefits to the financial sector and society at large. Government Regulation Number 11 of 2014 provides the legal basis for OJK to collect funds from financial institutions. These funds cover various types of contributions, including annual fees and other fees charged to financial institutions. The main objective of this fund collection is to ensure that OJK has adequate resources to carry out its function as supervisor and regulator of the financial sector. With these funds, OJK can carry out various activities, ranging from supervision, research, to financial education programs. However, the right to collect these funds must be accompanied by the responsibility to ensure that these funds are used efficiently and effectively. Therefore, OJK has an obligation to prepare a budget that is transparent and accountable. Any expenditure should be directed towards activities that support the supervision and regulation of the financial sector. Apart from that, OJK must also carry out regular reporting regarding the use of these funds to related parties, including Parliament and the public. In this way, OJK can demonstrate that they are using the funds collected in the correct way and in accordance with their mandate.

OJK's obligation to increase public trust and financial institutions is also very important. This trust is the basis of the stability and sustainability of the financial system. Without trust, financial institutions and the general public may hesitate to participate in the financial system, which can disrupt the functioning of financial markets and hinder economic growth. To build and maintain this trust, OJK must demonstrate that they are not only effective in collecting and managing funds, but also in carrying out their supervisory duties. OJK must also be transparent in its operations. This means providing clear and easily accessible information about their policies, procedures and performance. Annual reports, financial audits and other performance reports must be published and made available to all stakeholders. This transparency is key to building trust, as it allows stakeholders to monitor and evaluate OJK's performance objectively. Overall, efforts to supervise OJK's finances and implement the principle of proportionality in managing funds are important steps to ensure that OJK can carry out its duties effectively and accountably. By combining the right to collect funds with the obligation to manage those funds transparently and responsibly, OJK can build and maintain the trust necessary to support a stable and sustainable financial system.

Since its founding in 2013 until March 10 2023, the Financial Services Authority (OJK) has received a total of 418,381 complaints. Of this number, the banking sector occupies the highest position with the number of complaints reaching 261,790. Complaints in the banking sector are mainly related to issues such as skimming and phishing fraud, loan restructuring, and the behavior of collection officers. Skimming and phishing fraud are forms of cyber crime that often affect bank customers. Skimming is the act of stealing credit or debit card information using special devices placed in ATM machines or other payment machines. Meanwhile, phishing is a fraudulent attempt carried out via email, text message or telephone that pretends to come from a bank or other financial institution to steal customers' personal or financial information. These cases cause significant financial losses for customers and undermine trust in banking institutions. Loan restructuring is also a major source of complaints in the banking sector. This restructuring is usually carried out when customers experience difficulty in paying their loans according to a predetermined schedule.[22] Although restructuring aims to help customers by readjusting payment terms, this process often creates confusion and dissatisfaction among customers, especially if it is not properly socialized or

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[22] Adrianus Octaviano, “Ini Permasalahan Sektor Keuangan Yang Sering Diadukan Masyarakat Ke OJK,” *Kontan*, 2023, https://finansial.kontan.co.id/news/inipermasalahan-sektor-keuangan-yang-seringdiadukan-masyarakat-ke-ojk.

if customers feel that the new terms are unfair or burdensome. The behavior of billing officers is another complaint frequently reported by bank customers. Some customers feel that collection officers act rudely, impolitely, or even threaten in their attempts to collect debts. This kind of treatment not only causes inconvenience to customers but can also damage the bank's reputation.

The fintech sector is in second place with the number of complaints reaching 201,344 during the same period. The rapid growth of the fintech industry in Indonesia has brought many benefits, such as easy access to financial services and innovation in financial products and services. However, this rapid growth has also given rise to various problems that reflect challenges in regulation and supervision. Complaints in the fintech sector often relate to issues such as fee transparency, unclear terms and conditions, and aggressive billing methods. Many fintech users feel they are not informed enough about the hidden costs associated with the services they use. This lack of clarity can lead to confusion and dissatisfaction among consumers, who feel that they have been charged unfairly or unexpectedly. Unclear terms and conditions are also a source of complaints. Some fintech users complain that the terms and conditions for using the service are not explained in sufficient detail or are difficult to understand. This can result in misunderstandings and disputes between users and fintech service providers. Aggressive billing methods are another complaint frequently raised against fintech service providers. As in the banking sector, some users feel that debt collectors from fintech companies act unprofessional, rude or even intimidating. These kinds of practices can cause unnecessary stress and pressure for consumers, as well as damage the image of the fintech industry as a whole.

In the finance company sector, 96,604 complaints were received. The issues that arise in this sector are similar to the banking sector. Complaints often relate to loan restructuring, the behavior of collection officers, and other issues related to financial services. In the insurance sector, OJK received 42,262 complaints. These complaints mainly revolve around difficulties in claims, incompatibility of services or products with the offers provided, and problems related to premiums. OJK as the supervisory authority has an important role in responding to and handling these complaints. One of the efforts made by OJK is to provide a complaint channel that is easily accessible to the public. Through this channel, customers and financial service users can convey their complaints directly to the OJK. Apart from that, OJK also provides mediation services to help resolve disputes between consumers and financial service providers. With these steps, OJK seeks to increase public trust in the financial sector and ensure that consumer rights are protected. Through strict supervision and clear regulations, OJK is committed to creating a safe, fair and transparent financial environment for all parties. Apart from that, several insurance cases, such as Bakrie Life, Bumi Asih Jaya, Jiwasraya, Bumiputera, Wanaartha, and Kresna Life, have resulted in losses of trillions of rupiah. Finally, the capital markets sector had the lowest number of complaints, a total of 16,382. Problems in this sector relate to licensing, products, and requests for information regarding regulations. With all that said, there are clear indications that the OJK's position in the system is not in line with its intended objectives of ensuring safety and good business conduct by institutions within the financial sector as the abundance of issues to be addressed is compounded by the authority's lack of focus.

Cases of large losses in the insurance industry, such as what happened to Bakrie Life, Bumi Asih Jaya, Jiwasraya, Bumiputera, Wanaartha, and Kresna Life, have raised serious concerns in the financial system. Losses on the scale of trillions of rupiah from these companies not only threaten the continuity of their own businesses, but can also have a detrimental impact on customers and the stability of financial markets as a whole. This shows the need for strict supervision and effective regulation to prevent risks and protect consumer interests. In the capital markets sector, the relatively low number of complaints does not mean that there are no problems that need to be addressed. Problems related to licensing, products, and requests for information about regulations show that there is still a need to increase transparency and accessibility of information for capital market players. Stricter supervision of business practices and products offered by companies in the capital markets sector also needs to be increased to prevent fraud and protect investors. With so many problems emerging in various financial sectors, including banking, fintech, finance companies, insurance and capital markets, there is an urgent need to strengthen the OJK's role and focus in maintaining the stability and integrity of the financial system. OJK must prioritize addressing the most pressing issues and adopt a proactive approach in identifying and addressing potential risks. Apart from that, OJK must also strengthen cooperation with other institutions in the financial system, such as Bank Indonesia and the Capital Market and Financial Institutions Supervisory Agency, to increase the effectiveness of supervision and coordination in responding to complex challenges in the financial industry.

In addition to improving supervision and regulation, OJK must also increase transparency and accountability in its own operations. OJK must be more open and responsive to the needs and aspirations of the community and more active in listening to and responding to complaints submitted by stakeholders. In this way, the OJK can strengthen its legitimacy as an independent and responsible supervisory authority in maintaining the stability and integrity of the Indonesian financial system. With the current conditions which include various forms of institutions in the Indonesian financial system which require different treatment and supervisory approaches, as well as the fact that the limitations

Coverage boundaries no longer have formal distinctions thanks to the abundance and rapid pace of innovation, there is an urgent need for governments to consider different surveillance models that can meet the demands of this new landscape and address its pressing problems. Technological developments and innovations in the financial industry have significantly changed the business and regulatory landscape. The emergence of financial technology (fintech), the growth of finance companies, and the complexity of new financial products have introduced new challenges in terms of supervision and regulation. Existing supervisory models may no longer be effective enough to address the evolving dynamics in the financial industry. In facing these challenges, governments need to consider approaches that are more flexible and responsive to changes in the financial landscape.

One model that may need to be explored is a risk-based approach that allows supervisory authorities to focus on institutions that pose a higher risk to financial system stability. The government also needs to consider a technology-based approach to financial supervision. This includes the use of data analysis and artificial intelligence to identify potential risks and conduct proactive monitoring. By leveraging this technology, regulatory authorities can more efficiently gather information, analyze market trends, and detect suspicious behavior in real time. The government also needs to strengthen cooperation between supervisory authorities and other financial institutions in overcoming complex challenges in the financial system. This includes sharing information, coordinating investigations, and developing better industry standards. In addition, supervisory approaches must take into account the need for financial inclusivity and consumer protection. This means ensuring that regulation and supervision not only protect the stability of the financial system but also ensure that everyone has fair and safe access to financial services.

By adopting a more flexible, responsive, and technology-based approach to financial supervision, governments can increase supervisory effectiveness, reduce risks in the financial system, and promote inclusive and sustainable growth in the financial industry. First, OJK needs to have more focus that optimizes its role in supervising: a) certain aspects (e.g., safe finances, business conduct), b) functions (e.g., deposits, pension funds), or c) types of institutions (e.g., banks, insurance companies, securities). Today, the OJK acts as a regulator and supervisor for many different activities of many different financial service providers, practically being everything to everyone. This reduces its ability to run efficiently and effectively as a result of the complexity created by the 'web' of interrelated internal bureaucracies. By focusing its roles and responsibilities, OJK can be more effective in meeting its supervisory and regulatory objectives. A clear focus will enable OJK to better understand and manage the risks associated with specific financial sectors, as well as pay greater attention to critical issues that affect the stability and integrity of financial markets. For example, by focusing attention on safe financial aspects, OJK can develop stricter standards for measuring and managing financial risks in key sectors such as banking and capital markets. This will help reduce the likelihood of a financial crisis and strengthen investor confidence in the financial system.

On the other hand, by focusing on business behavior, OJK can increase supervision of practices that harm consumers and violate business ethics in the financial industry. This will help protect consumer interests and ensure that financial markets operate in a fair and transparent manner for all parties. By focusing on certain types of financial institutions, such as banks, insurance companies, or securities companies, OJK can develop deeper expertise in supervising these sectors. This will enable OJK to more efficiently identify specific risks associated with certain types of institutions and take appropriate action to address emerging issues. OJK's role in financial supervision, OJK can increase its effectiveness and efficiency, as well as provide greater benefits for the stability and integrity of the financial system as a whole. These steps will also help reduce the workload and complexity associated with overseeing various types of financial institutions and activities, thereby enabling the OJK to more effectively fulfill its mandate to protect the public interest in the Indonesian financial system.

Second, the new model should help the OJK – and any new subsidiary authorities that may emerge – better manage matters by preventing potential conflicts of interest. Because too many tasks are assigned to the OJK, the ability of one agency to handle all supervisory functions creates less room for checks and balances, but more for corruption and conspiracy. It is important for the new model to design a framework that strengthens the principles of transparency, accountability and fairness in financial supervision. This can be achieved by dividing supervisory responsibilities between several independent institutions, each responsible for a different financial sector or specific function. In this way, the risk of conflicts of interest between supervision and regulation can be reduced, while also allowing for increased supervision and more effective and efficient regulation. However, the new or modified model must maintain the positive qualities in the existing integrated model adopted by the OJK. For example, one of the reasons why this model was adopted in the first place was to reduce redundancy and offer a better experience for both regulators and those regulated using a single door system. While any alternative to the current system will certainly require at least one additional agency besides the OJK, the number of such agencies should be kept as small as possible.

Japan's FSA, or Financial Services Agency, is an integrated supervisory institution that has the authority to supervise most financial institutions in Japan, including banks, capital market companies, insurance companies and other smaller financial institutions. Its scope is slightly broader than that of the previous Ministry of Finance, as the FSA also supervises several smaller financial institutions. The structure of the Japanese FSA consists of a presiding Commissioner, assisted by an administrative law judge and three bureaus. The three bureaus are the Planning and Coordination Bureau, the Inspection Bureau, and the Supervision Bureau. Japan's FSA was established under Article 3 of the National Government Organization Act, which placed it under the direct control of the Prime Minister and made it independent of the Ministry of Finance. As an independent financial supervisory authority, the FSA is responsible for issuing licenses and supervising the activities of financial institutions in Japan. With its structure and authority, Japan's FSA aims to ensure the stability and integrity of Japan's financial system, protect consumer interests, and promote sustainable economic growth. By combining financial supervision functions under one agency, Japan's FSA can improve coordination between regulators and ensure effective supervision of all financial sectors. The supervisory and regulatory model implemented by Japan's Financial Services Agency (FSA) depicts an integrated and collaborative approach in supervising the country's financial sector.[23] Japan's FSA has an organizational structure that includes a Commissioner and is under the Minister of State for Financial Services, with departments responsible for supervision and regulation of the financial sector, such as the Securities and Exchange Supervision Commission and the Board of Certified Public Accountants.

One of the key aspects of this model is integrated supervision that covers all financial sectors, such as banking, capital markets and insurance. This is done to ensure financial system stability and prevent a financial crisis that could potentially harm the country's economy. In addition, the Japanese FSA is also active in collaborating with other institutions, including the Central Bank of Japan, to increase the effectiveness of supervision and regulation. This reflects the importance of cross-agency coordination in ensuring the security and integrity of the financial sector. This model also includes special supervision of certain financial sectors, such as capital markets and insurance, to ensure transparency and stability in their operations. Cross-border supervision is also an important focus, with Japan's FSA working with other financial institutions to supervise financial conglomerates and improve supervisory coordination.[24] Overall, Japan's FSA supervisory and regulatory model provides a comprehensive and collaborative framework for ensuring the stability and integrity of Japan's financial system. With this approach, it is hoped that it can prevent detrimental financial crises and maintain sustainable economic growth. The integrated model for financial supervision currently implemented in Indonesia through the Financial Services Authority (OJK), although previously chosen for its superior simplicity, is becoming increasingly irrelevant. In fact, the financial system is increasingly complex with a wide variety of financial services being introduced every day. Having to carry out prudential supervision and business conduct only adds to the OJK's workload, resulting in a lot of work not being done and a decrease in public satisfaction with the authority.

Complexity in the financial industry, especially with new innovations such as financial technology (fintech) and rapidly developing business models, makes the task of supervision increasingly complicated. OJK, as the sole institution responsible for both aspects of supervision, often faces challenges in meeting all supervisory needs effectively. Prudential supervision, which is related to the financial health of institutions and the stability of the financial system as a whole, requires in-depth analysis of possible risks and the need for interventions to prevent systemic losses.[25] On the other hand, supervision of business behavior includes enforcing rules and ethics in business practices, as well as protecting consumers from harmful practices. However, with only one agency responsible for both of these aspects, OJK often experiences limited resources and focus, which can result in incomplete work and a lack of public satisfaction with financial oversight performance. Therefore, this integrated model needs to be re-evaluated to ensure that financial supervision carried out by the OJK remains relevant and effective in facing the ever-growing dynamics in the financial industry.[26] In this way, each authority can focus more on its own duties and responsibilities, thereby increasing the overall effectiveness and efficiency of financial supervision.

The Indonesian Financial Services Authority (OJK) can learn several valuable lessons from the advantages possessed by the Japanese Financial Services Agency (FSA) in various aspects of cooperation and supervision of the financial sector. First, a cooperative approach based on mutual benefits has become the basis for the relationship between the Japanese FSA and the Indonesian OJK. This collaboration not only provides benefits for OJK in

[23] Putri Dwi Rahmadani and Nurfitri Zulaika, "Pengaruh Penerapan Sap, Kompetensi Sdm, Dan Good Governance Terhadap Kualitas Laporan Keuangan," *Jurnal Ekonomi, Manajemen, Bisnis Dan Akuntansi* 2, no. 1 (2023): 163–70.

[24] Takeo Hoshi and Takatoshi Ito, "Financial Regulation in Japan: A Sixth Year Review of the Financial Services Agency," *Journal of Financial Stability* 1, no. 2 (December 2004): 229–43, https://doi.org/10.1016/j.jfs.2004.09.007.

[25] HestyD Lestari, "OTORITAS JASA KEUANGAN: SISTEM BARU DALAM PENGATURAN DAN PENGAWASAN SEKTOR JASA KEUANGAN," *Jurnal Dinamika Hukum* 12, no. 3 (September 15, 2012), https://doi.org/10.20884/1.jdh.2012.12.3.127.

[26] Maradona and Chand, "The Pathway of Transition to International Financial Reporting Standards (IFRS) in Developing Countries: Evidence from Indonesia."

strengthening the regulatory and supervisory capacity of the financial services industry, but also broadens insight and skills in dealing with the increasingly complex dynamics of the financial industry. Second, supervision of financial institutions is an important aspect that has been emphasized in the cooperation between the Japanese FSA and the Indonesian OJK. Through the exchange of information and best practices, both can improve supervisory capabilities in crucial sectors such as the Non-Bank Financial Industry and Capital Markets. Third, developing human resource capacity is also the focus of cooperation between the Japanese FSA and the Indonesian OJK. By improving the quality of knowledge and skills of personnel, they can be more effective in formulating policies, designing regulations and carrying out efficient supervision. Cooperation in monitoring financial conglomerates and increasing cross-border coordination also provide added value in strengthening the stability and integrity of the financial sector. This enables Japan's FSA and Indonesia's OJK to effectively manage the risks associated with complex and cross-border financial entities. Fourth, the development of financial services for Micro, Small and Medium Enterprises (MSMEs) is an important part of cooperation between the two institutions. By expanding access to financial services for MSMEs, Japan's FSA and Indonesia's OJK contribute to increasing financial inclusion and inclusive economic growth. By adopting and implementing the principles of effective cooperation and supervision as implemented by Japan's FSA, Indonesia's OJK can strengthen its position in better supervising and regulating the country's financial sector, facing growing challenges, and encouraging strong economic growth.

CONCLUSION

OJK's obligation to increase public trust and financial institutions is also very important. This trust is the basis of the stability and sustainability of the financial system. Without trust, financial institutions and the general public may hesitate to participate in the financial system, which can disrupt the functioning of financial markets and hinder economic growth. To build and maintain this trust, OJK must demonstrate that they are not only effective in collecting and managing funds, but also in carrying out their supervisory duties. OJK must also be transparent in its operations. This means providing clear and easily accessible information about their policies, procedures and performance. Annual reports, financial audits and other performance reports must be published and made available to all stakeholders.

The Indonesian Financial Services Authority (OJK) can learn several valuable lessons from the advantages possessed by the Japanese Financial Services Agency (FSA) in various aspects of cooperation and supervision of the financial sector. First, a cooperative approach based on mutual benefits has become the basis for the relationship between the Japanese FSA and the Indonesian OJK. Second, supervision of financial institutions is an important aspect that has been emphasized in the cooperation between the Japanese FSA and the Indonesian OJK. Third, developing human resource capacity is also the focus of cooperation between the Japanese FSA and the Indonesian OJK. By improving the quality of knowledge and skills of personnel, they can be more effective in formulating policies, designing regulations and carrying out efficient supervision. Cooperation in monitoring financial conglomerates and increasing cross-border coordination also provide added value in strengthening the stability and integrity of the financial sector. This enables Japan's FSA and Indonesia's OJK to effectively manage the risks associated with complex and cross-border financial entities.

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