

Corporate Charter Function Analysis In Indonesia to Control Financial Conglomeration Institution (Based on Financial Services Authority Regulation Number 45/POJK.03/2020 regarding Financial Conglomerates)

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Abstract

The Financial Services Authority has issued Financial Services Authority Regulation Number 45 / POJK.03 / 2020 concerning Financial Conglomerates. In the POJK, each financial conglomerate is required to make a Corporate Charter, which is an agreement between the Main Entity of the LJK and the Member Entity of the LJK in the corporation. There is a minimum of substance stipulated in the Corporate Charter so that OJK can conduct a supervisory function for the Financial Conglomeration. The main issues discussed were whether the corporate charter could be effectively used as a supervisory tool for OJK and whether the Corporate Charter would benefit the Main Entity if it was implemented. This paper concludes that the Corporate Charter will not be fully effective if it is used as a monitoring tool because the substances stipulated in the Corporate Charter are not yet perfect and need to expand the scope of duties and responsibilities between the main entity and member LJK entities. This paper also concludes that the Corporate Charter itself for the Main Entity can also provide benefits, namely serving as a tool to convey the main entity's policies to LJK member entities so that between the main entity and the parent entity there is a moving harmony.

Keywords

finance conglomerates;
corporate charter; financial
service authority



I. Introduction

The term financial conglomerate if we look at regulatory practices in other countries has different terms. In countries such as Japan and the United States, the term used in financial regulations for financial conglomerates uses the term Financial Holding Company, to refer to a collection of financial businesses that are interrelated either in terms of control or ownership. The term financial conglomerate or financial conglomerate is used in the European Union which requires 3 (three) things for a financial group to be called a financial conglomerate, namely:

- a. "Must have **at least one company** engaged in either banking or securities and at least one company engaged in insurance".
- b. "The group **must be headed by a bank, securities or insurance company** or the ratio of the balance-sheet total of the financial sector entities in the group to the total amount **outstanding of banking, insurance and securities services must exceed 40 percent**".
- c. "For each financial sector, the average of the ratio of the balance sheet total of that financial sector to the balance sheet total of the financial-sector entities in the group and the ratio of the solvency requirements of the same financial sector to the total solvency requirements of the financial entities in **the group must exceed 10 percent** or

the balance sheet total of the smallest financial sector in the group must exceed 6 billion euros.”

From these requirements, in the European Union, to be considered as a financial conglomerate, if a financial group is involved in banking, securities and insurance businesses, with certain financial ratios or financial value restrictions on the group's balance sheet.

In international discussions, the definition of a financial conglomerate is a business group that includes at least 2 (two) major financial sectors including banking, securities, and insurance and its main business is the financial sector.

Financial Conglomerate in Indonesia and the Application of Corporate Charter

According to OJK's data, in Indonesia as of October 2020, there are at least 45 groups that can be categorized as financial conglomerates with total group assets above 100 trillion Rupiah. The number of financial conglomerates decreased, because, according to data from the OJK, at the end of 2018, the number of financial conglomerates recorded was 49 financial conglomerate groups, with the dominant group being the banking group with 36 groups contributing a total of 66.74% of its assets in the financial industry. This number is of course still very large, and OJK is of the view that this will have a systemic impact on the financial system that has the potential to disrupt the national economy in the event that the financial conglomerate experiences a default. And therefore, detailed supervision of financial conglomerate groups is needed to maintain conducive economic conditions at the national level. Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

OJK Regulation Number 45/POJK.03/2020 concerning Financial Conglomerates defines a Corporate Charter as an agreement between the Main Entity and LJK members of the Financial Conglomerate. This means the Corporate Charter is in the form of an agreement that will legally be subject to private law and must meet the provisions of the legal terms of the agreement based on Indonesia's code of civil law (KUH perdata) article number 1320. Among the corporate entities, the conglomerate is positioned equally as a legal entity that is equal between the main entity and its members. With the issuance of the OJK regulation on Financial Conglomerates, which requires the existence of a Corporate Charter, OJK from a regulatory perspective is certainly of the opinion that a corporate charter has benefits.

However, for the main entity, what is the function of the Corporate Charter, and what are the benefits of the Corporate Charter for the main entity to the Financial Services Institutions (LJK) entities under it, this is certainly an interesting discussion, considering that OJK has the purpose to make this Corporate Charter as a detailed monitoring tool or instrument. In addition, from the side of the LJK Main Entity, making a corporate charter should be able to provide benefits and not just comply with OJK regulations as a form of compliance. Therefore, this paper will discuss the function of the corporate charter from the perspective of OJK and the main entities in a financial conglomerate.

II. Research Method

The typology of this research is explanatory, the type of research used is normative juridical law research. Technical data collection is obtained through library research in the form of document studies. Data analysis using qualitative analysis.

III. Results and Discussion

3.1 Analysis of the Functions of the Corporate Charter under POJK Number 45/POJK.03/2020 concerning Financial Conglomerates

a. General Concept of the Application of Corporate Charter in Financial Conglomerate

The application of the corporate charter in Indonesia is not commonly used. In practice, the use of a charter is known as a form of work guide document to fulfill the practice of implementing Good Corporate Governance (GCG). If we refer to a Limited Liability Company or known as Perseroan Terbatas (PT), based on Law number 40 of 2007 concerning Limited Liability Companies, there is no use of the term “Charter”.

Charter itself can be defined as an agreement made between two or more parties whose provisions must be adhered to. According to the Blacklaw Dictionary, the meaning of charter has many definitions and is generally related to or closer in meaning to the law or legal relationship that binds the state to its people. The definition of a charter that related to corporations is "A contract between the state and the corporation, between the corporation and the corporation." the stockholders, and between the stockholders and the state”. In other countries, such as the United States and Canada, when a charter is associated with the word corporate, or corporate charter, the definition is more commonly known as the Deed of Establishment or Article of Association, which means that it is a document of incorporation of a corporation that shows that a corporation has been legally established. This means that the corporate charter here is not an agreement but a form of legal document for the establishment of a corporation.

From the two definitions of a charter relating to a corporation, both definitions define it as an agreement or contract. This means that in basic principles related to corporations, the charter is subject to private law relations, especially contract law which has its conditions that a contract/agreement can be said to be valid and binding on the parties.

b. Financial Conglomeration Model

To be able to describe the general concept of the application of the corporate charters for financial conglomerates, it is necessary to first know the existing financial conglomerate models in financial business practices in the world, so that we can understand that each financial conglomerate model has its advantages and disadvantages and that we should accommodate in a corporate charter to mitigate the impact of its weaknesses and promote its advantages.

Practically in the world of international finance, there are several types of financial conglomeration models as follows:

1. Universal Banking (German Model)

In this model, the financial conglomeration that occurs is to combine commercial banking and investment banking in one corporate entity, while other financial services, such as insurance or securities, will be fully controlled through different entities. There are at least 3 strengths of this model, the first is that the coverage that is reached for profit is very wide because the services offered can be very numerous and varied (economic of scale), the second is, that it is easy to cross-selling products, and the third is maintaining customer loyalty because the bank is able to provide all services in one place. However, the main weakness of this model is that management is very complex because it has to coordinate so many business areas.

2. British Model (Bank Parent with Nonbank Subsidiaries)

This model clearly separates the entities in the bank functions carried out by the parent and the non-bank functions performed by the subsidiary. This model, unlike the German model, is operationally efficient due to the integration of bank and non-bank activities, so this model limits the scope of economic benefits (economic of scale). However, this model is considered abler to avoid conflicts of interest (conflict of interest) from financial managers and divides risks clearly between entities.

3. Financial Holding Company Structure (US Model)

In this model, the holding company is the owner and controller of the bank and non-bank financial entities, so banks and non-banks are equal as subsidiaries under the auspices of the holding company. The legal separation of business scope is clearer, but the economies of scale are more limited even when compared to the British model.

4. Others Model of Financial Conglomeration

This model is a combination of various types of formal control of entities such as joint ventures, cross-shareholders, distribution alliances, and other formal agreements that allow financial conglomerates to be established.

From these various models, the use of the Corporate Charter will also adjust to its form, and the main purpose usually being to be able to control and convey general policies from the main controller or entity according to the risk level of each model.

3.2 Function Analysis of Corporate Charter based on OJK Regulation Number 45/POJK.03/2020 Regarding Financial Conglomerates

a. The Elements of Corporate Charter

According to POJK Number 45/POJK.03/2020 concerning Financial Conglomerates, a corporate charter is an agreement between the Main Entity and its members of the Financial Conglomerate. The definition of the OJK version of the Corporate Charter is actually in line with the definition of a charter related to corporations according to the Blacklaw Dictionary version as mentioned above, which is a corporate contract. If we described and analyzed, then the elements of the definition, the first is a corporate charter is an agreement or contract. An agreement in the context of private law must fulfill the principles of the agreement. The principles of the agreement are as follows:

1. The principle of freedom of contract
2. The principle of consensual
3. Personality Principles
4. Principle of Balance
5. The principle of legal certainty
6. Moral Principles
7. Fairness Principle

These principles are regulated in the Civil Code (KUHPer) so that it is proper for a corporate charter which is an agreement to be subjected to the principles of the agreement.

In addition to being subject to these principles, according to Article 1320 of the Civil Code, the Corporate Charter as an agreement must also be subject to the conditions for the validity of the agreement. The conditions are an agreement between those who bind themselves, skills in making agreements, a certain thing, and a lawful cause.

In the context of a financial conglomerate, where there is an ownership and control relationship between the main entity and member entities, control through a corporate charter in the form of an agreement makes the subsidiary's position balanced and its

position is equal to that of the main entity, ideally, between the parties voluntarily agree according to their balanced rights and obligations.

In terms of bargaining power, a subsidiary can be stronger than the parent due to various factors, such as the income of the subsidiary being greater than the main entity, the agreement contained in the corporate charter may benefit the subsidiary more and the supervision of the main entity may be looser compared to subsidiaries with weaker bargaining power.

The second element of the definition of the Corporate Charter is the Main Entity and Members of the LJK Entity. Based on OJK Regulation number 45/POJK.03/2020 article 1 number 4, the Main Entity is the parent LJK of the Financial Conglomerate or LJK appointed by the controlling shareholder of the Financial Conglomerate. LJK here means Financial Services Institutions, namely institutions that carry out activities in the banking sector, capital market, insurance, pension funds, financing institutions, and other Financial Services Institutions. Meanwhile, members of LJK entities hereby OJK are explained in article 4 of POJK number 45/POJK.03/2020, namely:

- a) subsidiary company; and/or
- b) related companies and their subsidiaries.

In summary, it can be concluded that the corporate charter referred to OJK regulation as the regulator is an agreement between the parent company or controller with subsidiary companies and/or related companies and their subsidiaries related to the financial industry.

b. The purpose of Corporate Charter based on OJK Regulation

Specifically, the purpose of a corporate charter is not explained clearly in OJK regulation number 45/2020. However, we can capture the implicit purpose of using a corporate charter from reading all the rules of POJK 45/2020 and some of the official news released by OJK. If you look at the purpose of regulating financial conglomerates concerning OJK's considerations as stated in POJK 45/2020, it is to improve the efficiency and effectiveness of risk-based supervision. This is input from the Technical Assistance of the IMF and the World Bank which explains that OJK needs to review the current definition of a Financial Conglomerate, taking into account the materiality aspect of the Financial Conglomerate and the imposition of a threshold based on certain criteria. This recommendation arises considering that the number of financial conglomerates in Indonesia is very large and has a high disparity so that, by OJK, the existing conglomerate management provisions are deemed insufficient to supervise effectively and efficiently.

In addition, according to the chairman of the OJK Board of Commissioners, Wimboh Santoso, he said that OJK regulates financial conglomerates in order to be able to see in more detail the condition of conglomerate companies, which if problematic can pose potential risks to the financial services sector, especially those that can cause spill over to the financial sector, either through the transmission of insurance companies, banks, and capital markets. For this reason, the financial conglomerate will be charged with the obligation to make a Corporate Charter.

The key factors why financial sectors, especially financial conglomerates, need strict supervision from OJK, described by Ryan Kiryanto (an OJK Expert Staff) as follows:

1. The financial sector has a significant role in the development of the national economy.
2. The importance of the role of financial conglomerates in the country.
3. Current financial conglomerates tend to carry out excessive risk-taking products.
4. Financial products/services from conglomerates occur across sectors, of course becoming very complex and dynamic and has the potential to increase risk exposure.

5. The sources of crisis vulnerability in the financial sector are of course now very diverse, so supervision is needed to prevent the emergence of systemic risks in the financial sector.

Therefore, it is necessary to make and enforce better rules in supervising financial conglomerates, and considering that financial conglomerates involve many business entities, a corporate charter is considered the right tool for OJK to enter into each entity within a financial conglomerate. This is based on best practices of international financial sector supervision.

From the explanations above, the main objective of OJK for Financial Conglomerates to draw up a Corporate Charter is so that OJK's supervision can be more detailed and in-depth by reaching all business entities of financial service institutions that have mutual relations to maintain financial sector stability, in addition, also to detect and prevent systemic risks that can harm the financial sector.

c. The Substance of Corporate Charter based on OJK Regulation Number 45/2020

By referring to article 5 paragraph (2) of OJK regulation, it states that the Corporate Charter shall at least contain:

1. the purpose, the basis for preparation, and the scope;
2. the structure of the Financial Conglomerate; and
3. the duties and responsibilities of the Main Entity directors and directors of LJK members of the Financial Conglomerate.

Furthermore, in article 5 paragraph (3) of POJK 45/2020, it is stated "The scope of duties and responsibilities of managing the Financial Conglomerate between the Main Entity and LJK members of the Financial Conglomerate is adjusted to the characteristics and complexity of the business of the Financial Conglomerate." This means the Corporate Charter made by the financial conglomerate must formally comply with the provisions of the OJK regulation and substantially adjust the characteristics of each Financial Conglomerate.

A brief discussion regarding the formal form of the Corporate Charter under article 1 number 5 and article 5 paragraph (2) of OJK regulation number 45/2020 is as follows:

1. In the form of an agreement
The description of this matter has been described on the previous pages, which in essence must comply with the formal requirements for the validity of an agreement so that the conglomerate charter legally binds the parties, in this case, the main entity and member LJK entities.
2. Materials that must be included are:
 - a. the purpose, the basis for preparation, and the scope
 - b. the Financial Conglomerate Structure; and
 - c. the Duties and responsibilities of directors of the Main Entity and directors of LJK members of the Financial Conglomerate.

In the explanation of POJK no. 45/2020 article 5 paragraph (2) regarding the material that must at least be stated in the corporate charter is said to be quite clear. This means that the details of the content or substance of letters "a" to "c" are left to the interpretation and understanding of each financial conglomerate entity. However, paragraph (3) adds the scope of duties and responsibilities, namely the scope of duties and responsibilities of managing the Financial Conglomerate between the Main Entity and LJK members of the Financial Conglomerate adjusted to the characteristics and complexity of the Financial Conglomerate's business.

Referring to the form and model of the conglomerate, then paragraph (3) gives freedom to the financial conglomerate to make a corporate charter in accordance with the conglomeration model chosen and whether it has been implemented in the form of holding, joint venture, etc.

d. The Analysis of Corporate Charter based on OJK Regulation

If it refers to the concept that each entity is separate and the shareholders of a limited liability company (Perseroan Terbatas or PT in Indonesia's context) are only limited to the shares paid up, then actually this arrangement by OJK cannot be said to be perfect to be used as a supervisory tool for the OJK itself under Indonesia's limited liability company law. OJK needs to maximize the financial conglomerate's Corporate Charter as a comprehensive and detailed supervisory tool, in line with the purpose of the issuance of OJK regulation number 45/2020.

Based on the description in the previous paragraph, in fact, the Corporate Charter required by OJK can be strengthened by the benefits of OJK as a supervisor for financial conglomerates. The things that can be strengthened can be described as follows:

1. In line with OJK's objective to supervise all entities in the financial conglomerate, then in article 5 paragraph (2.a) in addition to the objectives, basis for preparation, and scope, it is better to add a control strategy, including the implementation of internal control, the main entity against LJK is a corporate member and how the strategy is applied to member entities. From this strategy, OJK will be able to assess whether internal control has been implemented in all financial conglomerate entities with the same standards to prevent ineffectiveness, inefficiency, and fraud.

As a financial conglomerate, which is automatically a complex organization, control is one of the main ways for the main entity to ensure that strategic objectives can be achieved together with all LJK member entities. The notion of controlling or controlling, which takes from the concept of organizational management, is the process of evaluating to find out how well an organization is achieving its goals and taking corrective action to improve performance or corrective action. This understanding is certainly in line with regulators such as the OJK, which strategically needs to carry out detailed supervision of a financial conglomerate which is a large organization of financial service entities that involves individual entities to ensure that the conglomerate will not disrupt the national financial system. And because of that, corporate charters that are required to be made by financial conglomerates need to include a control strategy for the main entity to their LJK members.

2. Article 5 paragraph (2.c) of POJK 45/2020 needs to expand the scope of duties and responsibilities, not only the duties and responsibilities of the directors of the main entity of LJK member funds, but also the duties and responsibilities of the main entity and the LJK entity itself, and other company organs in the legal context of a limited liability company.

In an entity in the form of a Limited Liability Company (PT), the organs of the company are the Board of Directors, the Board of Commissioners, and the General Meeting of Shareholders (GMS). In addition, the Corporate Charter as defined by OJK is an agreement between the main entity and member entities. This means that the contents of the Corporate Charter as a form of engagement between two entities that are legally separate and equal must have a wider scope of duties and responsibilities and are not only limited to the duties and responsibilities of the directors of the Main Entity and directors of LJK members of the Financial Conglomerate. The scope of duties and responsibilities

should regulate the duties and responsibilities of the Main Entity and LJK members of the financial conglomerate as an entity, namely Limited Liability Companies/PT indirectly or only to the Directors of the main entity and directors of LJK members of the conglomerate.

In addition, in the Main Entity and a conglomerate member entity, it does not only contain the Board of Directors but as a single corporate system, there are also other organs such as the Board of Commissioners and the GMS in running the business of a company. The roles and functions of each company organ are also different. The Board of Directors, by law, is authorized to carry out the management of the company and the Board of Commissioners has a function as a supervisor and adviser on the management of the company. Meanwhile, the GMS is an organ that has functions that are not assigned to the Board of Directors and the Board of Commissioners.

This means, in the legal context of a limited liability company, to obtain comprehensive supervision of the business activities of the subsidiary by the main entity, the duties and responsibilities of the Board of Directors, the Board of Commissioners, and the GMS of the LJK entities that are members of the conglomerate also need to be regulated in line with the vision and mission of the main entity in the charter. corporation. And if this is included in the corporate charter of the financial conglomerate, OJK will find it easier to supervise in a comprehensive and detailed manner in each entity of a financial conglomerate while still under the legal context of a limited liability company as stated in Law number 40 of 2007.

3.3 Corporate Charter as a Control Tool for the Parent Entity Over Subsidiaries

Based on the description as mentioned in Chapter II, the corporate charter can indeed be an instrument or tool to supervise a financial conglomerate as the purpose of the issuance of OJK regulation number 45/2020 concerning financial conglomerates. It can be said that the user of the Corporate Charter is the OJK which will use it to understand in detail each financial entity that is a member of the conglomerate. However, the main entity and member entities as the party implementing the corporate charter must certainly feel the benefits more like a conglomerate, and therefore, in this section, we will discuss the benefits of the Corporate Charter by looking at the practices that have been carried out by corporations in the world and Indonesia. By knowing the benefits of the Corporate Charter, the financial conglomerate in making and running a corporate charter is not just a formality to follow and abort the obligation to comply with the provisions of OJK regulation number 45/2020.

a. Practice of Using Corporate Charter in Financial Institutions in Other Countries

In practice in the world, corporate use of a charter is usually related to the implementation of Good Corporate Governance (GCG). From the research conducted, it is very common in corporate practice to make a Corporate Governance Charter, which contains the company's policies/policy in running its business and is always in line with the applicable laws and regulations.

One example is the Belgian company Euronav, an international tanker company listed on two exchanges, namely Euronext Brussels and the New York Stock Exchange (NYSE), which made a Corporate Governance Charter by adopting the Belgian Corporate Governance Code 2009. In general, what is stated in The Corporate Governance Charter as a Corporate Charter is about the governance of the relationship between the company's organs, where the role of each company organ is regulated in accordance with the provisions of local corporate law and the relationship pattern is regulated in detail in this corporate charter. Belgium is a country that legally adheres to a one-tier system of

corporations so that the pattern of relationships between organs regulated in the Euronav Corporate Governance charter is the pattern of relationships between shareholders (administration of the General Meeting of Shareholders/GMS), governance of relationships between the Board of Directors, and governance of the relationship between the Board of Directors and the Chief Executive Officer (CEO).

Specifically, for the financial industry, the International Finance Group (IFC), which is a group from the World Bank, issued guidelines on corporate governance guidelines, one of which is guidance on the governance of multinational companies that will set up companies in other countries. This IFC guide, explains that when a multinational company controls a company under its control in another country, it must pay attention to the laws that apply where the company is established while still taking into account the generally accepted principles of Good Corporate Governance (GCG). This means that the practice of controlling the parent company to its subsidiaries for the European region still refers to the local corporate law of a country while still paying attention to the principles of GCG so that corporations are free to determine their supervisory model according to their needs.

b. Practice of Using Corporate Charter in Holding Companies in Indonesia (eg ABC Corporation's Corporate Charter)

As mentioned at the beginning of the discussion, a corporate charter is something that is not commonly used. However, the practice of its use persists in several large corporations, whose aim is to control and synergize all of their subsidiaries to suit the main objectives of the parent company. Companies that use the charter model in Indonesia that the author has succeeded in getting are companies engaged in the oil and gas industry and the power generation industry. Here are these companies.

1. Oil and Gas Company

From the research conducted by Tri Julyanto, one of the oil and gas companies in Indonesia uses a charter for the relationship between the parent and subsidiary corporation whose purpose is to regulate and control the subsidiary's business so that it is directed and organized under the parent company's strategic policies. This charter is determined through a decision of the Board of Directors of the parent company which regulates the division of authority and business scope of the oil and gas industry between subsidiaries and noble parent companies from upstream to downstream to obtain the best interest for the company as a group.

The corporate mechanism that is carried out so that the oil and gas holding company can apply its strategic policies to its subsidiaries is through the subsidiary's General Meeting of Shareholders (GMS) and this is clearly stated in the decision of the directors of the oil and gas company, that for its enforcement to be binding, the GMS must determine this charter to be carried out by the directors of the subsidiary.

From the results of the analysis conducted by Tri Julyanto, the charter of corporate relations between the parent company and its subsidiaries describes in more detail the role of each corporate organ, both in the parent company and in the subsidiaries. The roles are divided according to the duties and authorities of the company organs, namely the GMS for the authority not given to the Board of Directors and the Board of Commissioners, the Board of Commissioners as supervisor and advisor, and the Board of Directors as the management of the company.

2. Power Generation Corporation

From the 2019 Annual Report of PT ABC, there is a term that Corporate Charter is used as one of the tools used by the Committee of the Board of Commissioners to conduct a strategic review of corporate management. The Corporate Charter used by PT ABC is intended as a guideline for managing its subsidiaries so that they are always synergistic and in line with the objectives of PT ABC as the parent company so as to provide added value to the electricity industry in general.

Dari Annual Report PT Pembangkitan Jawa Bali tahun 2019, terdapat satu istilah yang Corporate Charter sebagai salah satu alat yang digunakan oleh Komite Dewan Komisaris untuk melakukan review strategik pengelolaan korporasi. Corporate Charter yang digunakan oleh PT Pembangkitan Jawa Bali (PT PJB), ditujukan sebagai pedoman untuk mengelola anak-anak perusahaannya agar selalu sinergis dan selaras dengan tujuan PT PJB selaku induk perusahaan sehingga memberikan nilai tambah bagi industry kelistrikan secara umum.

In summary, the contents of the Corporate Charter made by PT ABC are:

- a) The division of roles and authorities in the management of power plants between PT ABC as the parent company and its subsidiary PT ABC so that there is no overlap.
- b) Determine the size of the power plant that may be managed by the subsidiary according to the ability and capacity of the organization.
- c) Synergy in the field of human resources between the parent company and subsidiaries.

From the results of the analysis of the Decree of the Board of Directors, the form is not an agreement between the parent company and the subsidiary, but the enforcement of the Decree of the Board of Directors to bind the subsidiary to be complied with is the mechanism of the General Meeting of Shareholders (GMS) of the subsidiary. At the GMS, the determination of the Company's Work Plan and Budget (known as Rencana Kerja dan Anggaran Perusahaan or RKAP) is included as one of the agendas and it is determined that the subsidiary carries out the Decree of the Board of Directors in carrying out its business.

The mechanism for using the GMS is in accordance with the implementation of Law number 40 of 2007 concerning Limited Liability Companies which states that the GMS has authority that is not delegated to the Board of Directors and the Board of Commissioners. PT ABC chose to use the corporate mechanism through the decision of the subsidiary's GMS so that the policies of PT ABC as the parent company can be fully implemented and the parent company can control the implementation of the corporate charter later through the GMS regarding the management accountability report.

This means that here, the Corporate Charter is enforced and its implementation is controlled by the parent company through the GMS mechanism under the corridors of law number 40 of 2007.

IV. Conclusion

Based on the discussion presented and after analyzing the problem, the following conclusions can be drawn:

1. The corporate charter is required by OJK regulation number 45/POJK.03/2020 regarding Financial Conglomerates has not yet been fully used as an effective instrument for monitoring financial conglomerates for OJK. This can be seen from the substance of the corporate charter, which is minimally made by the financial conglomerate, which does not require to include the control strategy of LJK member entities in the corporation and the scope of duties and responsibilities is limited to only one corporate organ, namely the directors of the financial conglomerate entity.

2. The Corporate Charter can be used as a control tool for the main entity of the LJK against the member entities of the LJK by including important policies which are the embodiment of the strategic vision and mission of the main entity. In practice in several places in the world, the form of a corporate charter is called a management policy and in practice in Indonesia, the form of a corporate charter used to control subsidiaries is not an agreement between the parent entity and the subsidiary but is in the form of a parent company policy whose policy implementation is encouraged through the General Meeting of Shareholders. Shares (GMS) so that they can be implemented to subsidiaries in accordance with the corporate mechanism as stipulated in Law number 40 of 2007 concerning Limited Liability Companies.

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