

**COMPARATIVE ANALYSIS OF *OUTSOURCING* POLICIES IN THE BANKING
SECTOR THROUGH AN INTERNATIONAL BENCHMARKING APPROACH**

FINAL PROJECT

INTERNSHIP & CERTIFIED INDEPENDENT STUDY (MSIB)



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INTERNATIONAL UNDERGRADUATE PROGRAM IN DEVELOPMENT ECONOMICS

FACULTY OF BUSINESS AND ECONOMICS

UNIVERSITAS ISLAM INDONESIA

2025

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INTERNSHIP & CERTIFIED INDEPENDENT STUDY (MSIB)

The final project of the Internship and Certified Independent Study (MSIB) program is prepared and submitted as one of the academic requirements to take the final exam which is one of the prerequisites for completing undergraduate studies and obtaining a bachelor's degree in the Bachelor of Development Economics Study Program, Faculty of Business and Economics, Universitas Islam Indonesia, Yogyakarta.

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2025

DECLARATION OF AUTHENTICITY

Herein I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgment. All quotations are cited and listed in the bibliography of the thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, May 05, 2024



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APPROVAL PAGE
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SECTOR THROUGH AN INTERNATIONAL BENCHMARKING APPROACH

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**ANALYSIS COMPARATIVE OF OUTSOURCING POLICY IN BANKING SECTOR THROUGH
THE INTERNATIONAL BENCHMARKING APPROACH**

A BACHELOR DEGREE THESIS

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MOTTO

“And Allah is the best of planners.”

(QS. Al-Imran: 54)

“You can find sunshine after the rain.”

(QS. Al-Insyirah: 5)

“Don’t be sad that Allah is with us.”

(QS. At-Taubah: 40)

“Allah knows what is unseen in the heavens and the earth. Allah is All-Seeing of what you do.”

(QS. Al-Hujurat: 18)

“Life is a succession of lessons which must be lived to be understood.”

~ Ralph Waldo Emerson ~

ACKNOWLEDGEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the Name of Allah, the Most Gracious, the Most Merciful, all praise and thanks be to Allah, the Lord of all the worlds. I am profoundly grateful to Allah SWT for His endless grace, unwavering guidance, and countless blessings that have enabled me to complete this Final Report. May peace and blessings be upon the Prophet Muhammad SAW, whose noble character continues to guide and inspire me in every step of life.

With all humility and sincerity, I dedicate this work to my beloved parents, father and mother, and brother. Their unconditional love, tireless prayers, and immeasurable emotional and material support have been the strongest foundation for all my achievements. Words can never fully express the depth of my gratitude for the sacrifices they have made.

This report, titled “**COMPARATIVE ANALYSIS OF *OUTSOURCING* POLICIES IN THE BANKING SECTOR THROUGH AN INTERNATIONAL BENCHMARKING APPROACH**”, is submitted as part of the graduation requirements of the International Undergraduate Program in Development Economics, Faculty of Business and Economics, Universitas Islam Indonesia. Its completion results from prayers, persistent effort, and the invaluable support of many individuals and institutions.

The researcher realizes that this internship report will not be completed without the support and assistance of various parties while preparing the final report. This program provides an opportunity for me to gain valuable practical experience, broaden my horizons, and develop skills in line with the needs of the working environment. On this occasion, I would like to express my sincere gratitude to:

1. Allah SWT, for all the grace, strength, and smoothness given during the internship process and completing the preparation of the final report of the Internship and Certified Independent Study (MSIB) Batch 2, Year 2024.

2. Father and mother, my brother, and my beloved parents and family always provide endless prayers, support, and motivation so that the author can complete this program well.
3. Universitas Islam Indonesia (UII), which has supported and facilitated me to participate in this MSIB program as part of student competency development..
4. Mr. Drs. Awan Setya Dewanta M.Ec.Dev. as the Supervisor from the University of Islam Indonesia (UII) Faculty of Business and Economics, who always provides reviews and motivation for the final report assignment.
5. Mrs. Alfi Zakiya, S.Kom., S.Pd as the language advisor for generously dedicating her time, expertise, and attention in reviewing and refining the language structure of this report with great care and precision.
6. As the organizer, the Ministry of Education, Culture, Research, and Technology of the Republic of Indonesia has facilitated the MSIB program as a form of Merdeka Belajar Kampus Merdeka (MBKM).
7. Otoritas Jasa Keuangan/The Financial Services Authority for providing the opportunity to learn through the Internship Program to the intern, so that the intern became one of the 100 students who passed out of 25,000 applicants for MBKM OJK Batch 2 Year 2024.
8. The Bank Provisions Review Team Unit of Commercial Banks and People's Economic Banks (PKB) at the Department of Banking Regulation and Development (DPNP), for the opportunity and guidance provided during my internship in such a professional and inspiring environment.
9. Mr. Nursantyo as Executive Analyst of the Directorate of Banking Development and Deputy Director of the Unit of the Bank Provisions Review Team for Commercial Banks and People's Economic Banks (PKB).

10. Mr. F Ziesco Yoga Sulisty, head of section in the Bank Provisions Review Team Unit of Commercial Banks and People's Economic Banks (PKB).
11. Mr. Dharma Iswara Bagoes Oka, a mentor in the Bank Provisions Review Team Unit of Commercial Banks and People's Economic Banks (PKB), provided direction during the Internship.
12. Mr. Danur Yulianto, as staff in the Team Unit for Reviewing the Provisions of Commercial Banks and Rural Banks (PKB), has greatly helped during the internship.
13. Mrs. Jessica Agnes Turnip, as staff in the Team Unit for Reviewing the Provisions of Commercial Banks and Rural Banks (PKB), who has helped a lot during the internship
14. Mr. Yusup Arip, SE, MM, as the Supervisor of Higher Education, constantly monitors during the Internship.
15. My fellow MSIB OJK Batch 2 2024 interns, especially at DPNP OJK, Rahma, Dzikra, Catherine, Jessica, Desy, and Fadel, who have provided encouragement, togetherness, and cooperation throughout this program.
16. For IUP ECONOMICS'21 Dhita, Hani, Jenisa, Zenath, and Farhan, I have my sincere appreciation for their friendship, support, and contributions over the last three and a half years, which have been an invaluable part of my academic journey.
17. To someone who means a lot to me, Dhicko Akbar Ramadhan. Thank you for always being by my side, in every situation, through every up and down. Your support, patience, and presence mean so much to me. I truly appreciate everything you've done and how you've stayed, no matter what. I couldn't have done this without you.
18. For Kaknorblok, the best support system from junior high school during this college journey, support and togetherness, continually strengthens at every step. Your presence is significant and irreplaceable in this journey.

19. For my best friends, Syahila, Nerissa, and Ervia, who have become a support system, thank you for your support, togetherness, listening to my complaints, and continually strengthening me at every step. In this journey, your presence is invaluable and genuinely significant.
20. Last but not least, I extend my deepest gratitude to myself, Vita Hilmalia, for the quiet strength in moments of doubt, the persistence when the path was unclear, and the unwavering commitment that led me to complete this final report. This journey has been more than an academic pursuit; it has been a process of learning, unlearning, and becoming. May Allah bless this journey with purpose, patience, and peace. Aamiin.

The researcher realizes that this report still has shortcomings. Therefore, constructive suggestions and criticisms are highly expected for future improvements. Hopefully, this report will benefit readers.

Yogyakarta, May 2025

Vita Hilmalia

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ABSTRACT

Outsourcing policies are widely adopted in the banking sector to enhance operational efficiency. This research aimed to analyze the implementation and effectiveness of Outsourcing regulations in Indonesia following the enactment of the Job Creation Law (Law No. 11 of 2020), while benchmarking against best practices in countries such as the United States (Federal Reserve Bank), Trinidad & Tobago (Central Bank), England (Bank of England), the European Union (European Central Bank), Malaysia (Bank Negara Malaysia), the United Arab Emirates (Central Bank of the UAE), and Singapore (Monetary Authority of Singapore). The research focuses on worker protection, risk management, and regulatory compliance. A qualitative normative legal research method combined document analysis and international comparisons. The findings revealed that while the Job Creation Law offered flexibility in Outsourcing practices, challenges remained in worker protection and oversight. Recommendations included strengthening regulations, improving transparency, and adopting data-driven risk management to foster a fair and sustainable *Outsourcing* ecosystem in Indonesia.

Keywords: *Outsourcing, Banking Sector, Job Creation Law, Worker Protection, Risk Management, Regulatory Compliance, Benchmarking, Comparative Study, International Best Practices.*

ABSTRAK

Kebijakan alih daya (*Outsourcing*) merupakan strategi yang banyak digunakan dalam sektor perbankan untuk meningkatkan efisiensi operasional. Penelitian ini bertujuan untuk menganalisis implementasi dan efektivitas regulasi alih daya di Indonesia pasca penerapan Undang-Undang Cipta Kerja (UU No. 11 Tahun 2020), serta membandingkannya dengan praktik terbaik di beberapa negara seperti Amerika Serikat (Federal Reserve Bank), Trinidad & Tobago (Central Bank), Inggris (Bank of England), European Union (European Central Bank), Malaysia (Bank Negara Malaysia), Uni Emirat Arab (Central Bank of the UAE), dan Singapura (Monetary Authority of Singapore). Fokus penelitian meliputi perlindungan hak pekerja, manajemen risiko, dan kepatuhan regulasi. Metode penelitian yang digunakan adalah pendekatan kualitatif dengan analisis normatif terhadap peraturan perundang-undangan dan benchmarking internasional. Hasil penelitian menunjukkan bahwa meskipun UU Cipta Kerja memberikan fleksibilitas dalam praktik alih daya, masih terdapat tantangan dalam hal perlindungan pekerja dan pengawasan. Rekomendasi yang diajukan mencakup penguatan regulasi, peningkatan transparansi, dan penerapan manajemen risiko berbasis data untuk menciptakan ekosistem alih daya yang berkeadilan dan berkelanjutan di Indonesia.

Keywords: *Alih Daya, Sektor Perbankan, Undang-Undang Cipta Kerja, Perlindungan Tenaga Kerja, Manajemen Risiko, Kepatuhan Regulasi, Benchmarking, Studi Komparatif, Praktik Internasional Terbaik,*

CHAPTER I

THE INTERNSHIP PROGRAM

1.1 Certified Internship and Independent Study Programs (MSIB)

Certified Internship and Independent Study Programs (MSIB) enable students to complete internships or participate in skill-focused courses at top-tier organizations. This initiative is overseen centrally by the Ministry of Education, Culture, Research, and Technology (MoECRT). Through MSIB, they can spend a semester at esteemed partner institutions. Students are required to be in the 4th semester (for the vocational program) or the 5th semester (for the undergraduate program) when applying for the MSIB program. The students possess the final 20 credits/academic units.

1.1.1 Certified Internship

A certified internship is a program where students are placed with partner organizations as trainees, enabling them to engage in actual projects and make a difference in the industry. The primary criteria for partners include having an organized learning framework (well-defined project, clear issue statement and anticipated results, with students collaborating in multidisciplinary teams); committed and full-time mentors (guided by qualified mentors (routine feedback sessions, project completion assessments, etc.), and at least one mentor for every ten students); and alignment with academic schedules (full semester length of more than 16 weeks and a professional certificate provided by an organization for credit transfer).

The advantage of becoming a partner is gaining financial and non-financial assistance. The financial assistance includes a student stipend of up to IDR 2.8 million for each student, mentor salary subsidies reaching IDR 15 million per

mentor, and fully covered student travel expenses. A type of non-financial support comes from internship job listings on the Kampus Merdeka site, featuring over 500,000 active users and more than 250,000 applicants each semester.

1.1.2 Independent Study Program

An Independent Study Program is a non-title educational initiative developed and delivered by a partner organization as a short course, boot camp, massive open online course (MOOC), or other formats determined by a case study. The primary requirements for the partners involve providing organized learning tracks (skill enhancement plan with specified levels and results) for in-demand skills and Synchronous or hybrid education (cannot be fully asynchronous); committed and full-time mentors (guided by trained mentors with regular feedback sessions, end-of-project assessment, etc.) and at least one mentor per 25 students; along with alignment to academic timelines (full-semester length of more than 16 weeks and professional certificate awarded by an organization for credit transfer).

The advantage of becoming a partner is receiving both financial and non-financial assistance. The type of financial assistance includes participation fee subsidies reaching IDR 4 million monthly for each student and fully covered travel expenses for students (when the program necessitates travel). A type of non-financial aid consists of internship job listings on the Kampus Merdeka site, featuring over 500,000 active users and over 250,000 applicants each semester.

1.2 Company Profile

1.2.1 The Financial Services Authority (OJK)



Source: Otoritas Jasa Keuangan
Figure 1. *OJK Logo*

The Financial Services Authority (OJK) is a state institution established under Law Number 21 of 2011 which functions to organize an integrated system of regulation and supervision of all activities in the financial services sector both in the banking sector, capital markets, and non-bank financial services sectors such as insurance, pension funds, financing institutions, and other financial services institutions. In more detail, OJK is an independent institution free from interference from different parties. It has the functions, duties, and authority to regulate, supervise, examine, and investigate as referred to in Law Number 21. The supervisory responsibilities of the non-bank financial industry and capital markets were officially transferred from the Ministry of Finance and Bapepam-LK to the OJK on December 31, 2012. Meanwhile, supervision in the banking sector shifted to OJK on December 31, 2013, and Microfinance Institutions in 2015.

1.2.1.1 The Purpose of Establishing The Financial Services Authority (OJK)

Article 4 of Law No. 21/2011 on OJK states that OJK was established with the aim that all activities in the financial services sector are organized in an orderly, fair, transparent, accountable manner, and can realize an economic system that grows sustainably and stably, and can protect the interests of consumers and the public. With the establishment of the OJK, this institution is expected to support the interests of the financial services sector as a whole and increase economic competitiveness. In addition, OJK

must be able to safeguard national interests. This includes human resources, management, control, and ownership in the financial services sector while still considering the positive aspects of globalization. OJK is formed and based on the principles of good governance, which include independence, accountability, responsibility, transparency, and fairness.

1.2.1.2 Vision of the Financial Services Authority (OJK)

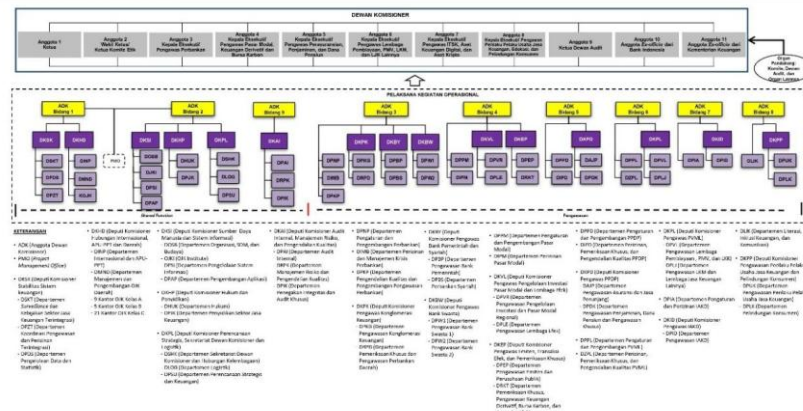
OJK's vision is to become a trusted financial services industry supervisory institution, protecting the interests of consumers and the public, and realizing the financial services industry as a pillar of the national economy that is globally competitive and able to advance public welfare.

1.2.1.3 Mission of The Financial Services Authority (OJK)

1. Realizing the implementation of all activities in the financial services sector that are orderly, fair, transparent, and accountable;
2. Realizing a financial system that grows sustainably and stably, and;
3. Protecting the interests of consumers and the public.

1.2.2 OJK-WIDE-EXISTING Organizational Structure

STRUKTUR ORGANISASI OJK-WIDE - EKSISTING



Source: Structure OJK
Figure 2. OJK-Wide-Existing Organizational Structure

The existing OJK-Wide organizational structure depicts a hierarchical framework under the Board of Commissioners (Dewan Komisiner). The Board comprises various members with specific areas of oversight, ranging from banking supervision to capital markets, non-bank financial institutions, and consumer protection. Below the Board is the Operational Implementing Element (Pelaksana Kegiatan Operasional), structured into several Supervisory Pillars (Arah Kebijakan) labeled Sector 1 through Sector 7. Each Supervisory Pillar oversees multiple Directorates (Direktorat), which are further divided into Departments (Departemen) and sometimes Sub-Departments (Subdirektorat). The legend at the bottom provides the acronyms for each Directorate and Department, indicating their specific functions and areas of responsibility within the OJK's regulatory and supervisory framework across the financial services sector. This structure illustrates a complex and specialized organization designed to oversee and regulate the diverse components of Indonesia's financial industry.

1.2.3 List of OJK Land and Building Assets

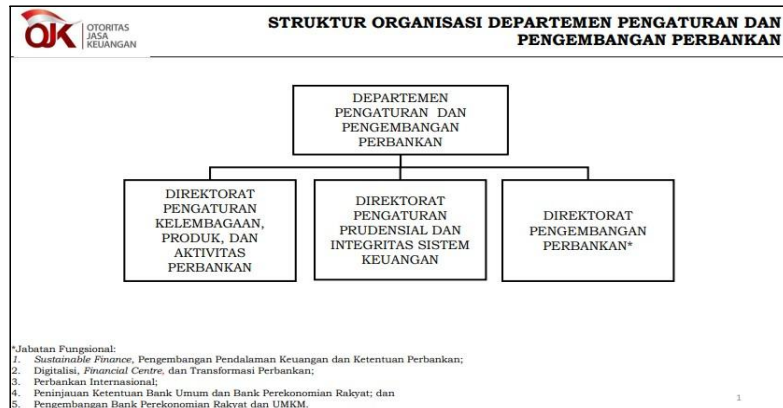


Source: OJK DLOG (Department of Logistics) Documentation Data, October 2021

Figure 3. List of OJK Land and Building Assets

The Indonesian Financial Services Authority's (OJK) land and building asset portfolio from 2012 to 2021, showcasing its expansion and development across the archipelago. The central image of a modern OJK building is flanked by a timeline displaying colored boxes and building icons representing specific OJK offices (KOK) and buildings in various regions, with colors indicating their status from unused land (pink) to operational offices (green and white for grant acquisitions). A legend clarifies the status codes, including a star marking assets with completed name transfers in 2021. Below the timeline, a separate section lists assets used by OJK but owned by other entities. This comprehensive visual representation highlights OJK's physical presence and infrastructure growth throughout Indonesia over the decade.

1.3 Organizational Structure of Work Unit (Department)



Source: Internal Documents of DPNP

Figure 3. Struktur Organisasi Departemen Pengaturan dan Pengembangan perbankan

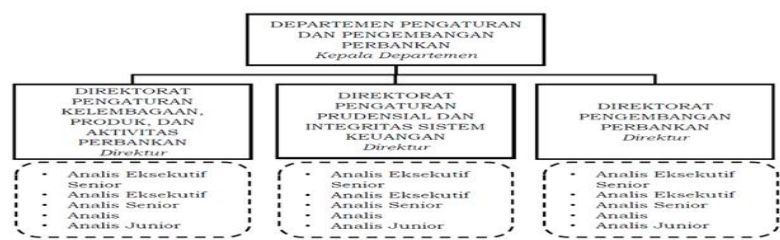
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The organizational structure of DPNP (Department of Banking Regulation and Development) consists of three main directorates: Directorate of Banking Institutions, Products, and Activities; Directorate of Prudential Regulation and Financial System Integrity; and Directorate of Banking Development. Each directorate is essential in regulating and developing the banking sector, including banking institutions, products, and activities, prudential regulation, and maintaining financial system integrity.

The organizational structure of the Department of Banking Regulation and Development under the Financial Services Authority (Otoritas Jasa Keuangan/OJK) illustrates the division of duties and functions that support the formulation, implementation, and supervision of banking regulations in Indonesia. This department comprises three main directorates: the Directorate of Institutional, Product, and Banking Activities Regulation; the Directorate of Prudential Regulation and Financial System Integrity; and the Directorate of Banking Development. Each directorate is responsible for the national banking system's specific regulatory and developmental aspects.

In addition to these directorates, functional positions provide support in key strategic areas such as sustainable finance, financial deepening, digital banking transformation, international banking regulation, and the development of rural banks and MSME banking. The overall structure reflects OJK's commitment to an integrated, forward-looking, and responsive regulatory approach in fostering Indonesia's resilient, inclusive, and innovative banking sector.

1.4 Department of Banking Regulation and Development



Source: Internal Documents of DPNP

Figure 5. Department of Banking Regulation and Development

The organizational structure above illustrates the internal composition of the Department of Banking Regulation and Development at OJK (Financial Services Authority of Indonesia). At the top is the Head of Department, under whom there are three main directorates:

1. Directorate of Institutional, Product, and Banking Activities Regulation
2. Directorate of Prudential Regulation and Financial System Integrity
3. Directorate of Banking Development

Each directorate is led by a Director who oversees policy formulation, regulatory oversight, and development initiatives specific to their respective domains.

Professional staff with various levels of responsibility support each directorate, including Executive Analysts (Senior and Junior), Senior Analysts, Analysts, and Junior Analysts. These roles form the core analytical backbone of the department, tasked with drafting regulations, conducting policy reviews, performing institutional analysis, and supporting the strategic

objectives of banking supervision and development. This hierarchical and functional structure ensures effective governance, regulatory consistency, and proactive banking system advancement.

1.4.1 The Function of the Department of Banking Regulation and Development

The function of planning, directing, determining, and evaluating the implementation of regulation and development for Conventional Commercial Banks (BU) and Conventional People's Economic Banks (BPR), as well as overseeing Financial Conglomeration through integrated regulation, serves as a critical foundation for achieving national financial system objectives. This comprehensive approach ensures that regulatory frameworks are responsive to current banking practices and risks and are forward-looking to accommodate innovation and structural shifts in the financial sector. Through structured planning and policy formulation, regulatory authorities such as the Financial Services Authority (OJK) can set clear strategic directions, establish measurable goals, and determine the necessary instruments to strengthen the resilience and performance of banks.

By guiding and evaluating regulatory and development initiatives, authorities can monitor the effectiveness of policies in promoting an efficient and integrity-based banking system. This includes ensuring that commercial banks and BPRs maintain prudent risk management, uphold strong governance practices, and operate within a regulatory environment that fosters fair competition and transparency. For financial conglomerates, integrated regulation becomes especially crucial due to the interconnectedness and complexity of their operations across various economic sectors. It helps mitigate systemic risks, close regulatory gaps, and prevent regulatory arbitrage.

Furthermore, effective communication of regulatory implementation is essential to align the understanding and readiness of financial institutions with evolving policy directions. Transparency and outreach improve compliance and foster trust among stakeholders, including the public, investors, and international partners. Ultimately, these regulatory functions are aligned with broader economic objectives—ensuring that the banking sector contributes meaningfully to financial system stability and sustainable economic growth.

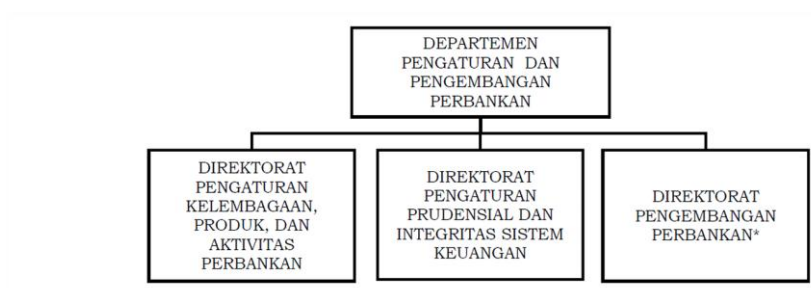
1.4.2 Main Tasks of the Department of Banking Regulation and Development

The main tasks assigned to the Department of Banking Regulation and Development are the following:

- a. Carrying out the regulation and development of Conventional BU, Conventional BPR, and Financial Conglomerate in a professional manner by prioritizing the implementation of good governance and upholding integrity;
- b. Conducting the development of Conventional BU and Conventional BPR in the context of banking regulation by global, regional, and domestic developments, which, among others, are related to policies:
 - 1) digitalization, financial center, and banking transformation;
 - 2) sustainable finance, development of financial deepening and banking provisions; and
 - 3) applicable international standards;
- c. Developing banking regulations for Conventional BU, Conventional BPR, and Financial Conglomerate;
- d. Reviewing the provisions of Conventional BU, Conventional BPR, and Financial Conglomerate and harmonizing with other provisions;

- e. Providing information, explanation/interpretation on specific issues or topics related to the provisions of Conventional BU, Conventional BPR, and Financial Conglomerate to internal and external parties;
- f. Coordinating and cooperating both internally and externally to formulate policies and provisions of Conventional BU, Conventional BPR, and Financial Conglomerate to promote banking system stability;
- g. Coordinating and cooperating with the Work Unit or other agencies related to the preparation of financial deepening policies in the banking sector, including the context of encouraging the development of MSMEs;
- h. Disseminating policies, regulations, and development of Conventional BU, Conventional BPR, and Financial Conglomerate to all stakeholders;
- i. Coordinating policy formation plans with other Work Units;
- j. Performing activity and budget planning, allocating resources, supervising the implementation of main tasks, and monitoring the implementation of the Work Unit budget;
- k. Coordinating the implementation the Work Unit's operational support with the Work Unit that carries out strategic management service functions in the banking sector related to the implementation of HR administration, budget/finance, secretarial, and logistics functions;
- l. Coordinating the evaluation of the implementation of work programs and budgets;
- m. Ensuring the effectiveness of implementing internal control, quality control, and risk management of the Work Unit; and
- n. Carrying out other duties assigned by the Board of Commissioners and/or Members of the Board of Commissioners.

1.5 Directorate of Banking Development



*Jabatan Fungsional:

1. Sustainable Finance, Pengembangan Pendalaman Keuangan dan Ketentuan Perbankan;
2. Digitalisasi, Financial Centre, dan Transformasi Perbankan;
3. Perbankan Internasional;
4. Peninjauan Ketentuan Bank Umum dan Bank Persektoran Rakyat; dan
5. Pengembangan Bank Persektoran Rakyat dan UMKM.

Source: Internal Documents of DPNP

Figure 6. Directorate of Banking Development

The Directorate of Banking Development at the Financial Services Authority (OJK) serves as a key structural unit under the supervision of the Banking Supervision and Regulation division. This directorate plays a strategic role in formulating and harmonizing policies that support the sustainable development of the national banking sector. Positioned as a regulatory policy think tank and a coordinator of cross-functional banking initiatives, the directorate bridges high-level policy directions with technical implementation across various banking institutions.

1.5.1 The Functions of the Directorate of Banking Development

Planning and evaluating the development of the banking industry is a fundamental function in ensuring that Indonesia's banking sector evolves in a

structured, sustainable, and forward-looking manner. This process involves formulating development strategies, identifying growth opportunities, assessing existing gaps and challenges, and designing initiatives aligned with national economic priorities and global financial trends. Planning is about setting targets for expansion and ensuring that the foundation of banking operations—governance, risk management, capital strength, digital readiness, and customer protection—is solid and future-proof.

On the other hand, evaluation plays a crucial role in ensuring that implemented policies and development programs deliver their intended outcomes. This involves conducting regular assessments, gathering stakeholder feedback, analyzing industry performance indicators, and benchmarking against international standards. The goal is to create a healthy banking system (sound and stable), efficient (cost-effective and productive), integrity-driven (trustworthy and compliant), and competitive (able to thrive in domestic and global markets). These efforts ultimately support the broader mandate of contributing to the financial system's stability and driving inclusive and sustainable economic growth through a strong, responsive, innovative banking sector.

1.5.2 The Main Tasks of the Directorate of Banking Development

The main tasks assigned to the Directorate of Banking Development are the following:

- a. Carry out banking development in a professional manner by prioritizing the application of good governance and upholding integrity;
- b. Coordinate, evaluate, monitor, and review the results of the development of sustainable finance, financial deepening, and banking provisions;

- c. Coordinate and evaluate the preparation and adjustment of program priorities related to digitalization, financial centers, and banking transformation roadmaps by taking into account the dynamics that develop at the global, regional, and domestic levels;
- d. Coordinate and evaluate the implementation of development to support the formulation of banking sector policy recommendations related to best practices according to international standards, including the Basel Capital Accord, the Basel Core Principles, by taking into account the development of global banking standards;
- e. Coordinate cooperation with international institutions to support the implementation of banking development and regulatory tasks, including collaboration with other countries' supervisory authorities (home/host supervision);
- f. Determine and direct the scope of review related to the effectiveness and validity of banking policies and provisions, harmonize with other provisions, and carry out codification of banking provisions, products, and activities;
- g. Coordinate information dissemination activities, explanation/interpretation of specific issues or topics related to banking development;
- h. Coordinate the management of the system for compilation and dissemination of development results, institutional, product, activity, and prudential policies and regulations, as well as financial system integrity related to Conventional BU, Conventional BPR, and Financial Conglomeration;
- i. Coordinate, evaluate, monitor, and review the results of the development of Conventional BPR;

- j. Coordinate and cooperate with other work units related to developing MSMEs; and
- k. Plan activities, allocate resources, and supervise the implementation of main tasks.

1.6 Unit Provision Review Team for Commercial Banks and People's Economic Banks



Source: Internal Documents of DPNP

Figure 7. Position Unit Provision Review Team for Commercial Banks and People's Economic Banks

The Directorate of Banking Development (Direktorat Pengembangan Perbankan) is one of the key structural units under the Department of Banking Regulation and Development (Departemen Pengaturan dan Pengembangan Perbankan/DPNP) at the Financial Services Authority (OJK). Positioned alongside the Directorate of Institutional, Product, and Banking Activity Regulation and the Directorate of Prudential Regulation and Financial System Integrity, this directorate plays a strategic role in supporting the transformation and long-term strengthening of the national banking sector. Unlike its counterparts that focus more heavily on regulatory formulation and prudential oversight, the Directorate of Banking Development emphasizes the development dimension—planning, coordinating, and

evaluating policies that foster sustainable banking growth, competitiveness, and innovation.

In line with its mandate, the directorate oversees a specialized unit: the Bank Regulation Review Work Unit (Unit Kerja Peninjauan Ketentuan Bank). This unit supports the directorate in systematically reviewing and updating banking regulations to ensure they remain relevant, effective, and in harmony with the evolving dynamics of the financial industry and global best practices. Through its position and scope of work, the Directorate of Banking Development contributes significantly to realizing a sound, resilient, and forward-looking banking system that supports national financial stability and economic development.

1.6.1 The Main Tasks of the Unit Provision Review Team for Commercial Banks and People's Economic Banks

The main tasks assigned to the Unit Provision Review Team for Commercial Banks and People's Economic Banks are the following:

- a. Carry out the task of reviewing the provisions of Conventional BU and Conventional BPR professionally by prioritizing the implementation of good governance and upholding integrity;
- b. Conducting reviews related to the effectiveness and validity of policies and provisions of Conventional BU and Conventional BPR;
- c. Conducting analysis and evaluation for harmonization among policies or provisions of Conventional BU, Conventional BPR, and Financial Conglomerate with other laws and regulations;
- d. Preparing and issuing codification of provisions, products, and activities of Conventional BU and Conventional BPR; and

- e. Coordinating system management for compilation and dissemination of development results, institutional, product, activity, and prudential policies and regulations, as well as financial system integrity related to Conventional BU, Conventional BPR, and Financial Conglomerate, whose workload distribution is further determined by the Director of Banking Development.

CHAPTER II

INTRODUCTION

2.1 Background

Indonesia has established laws and regulations covering all workers' rights and agreements as stated in Labor Law No. 13 of 2003. Labor law is the legal basis that regulates the rights and obligations of workers towards employers in the workplace. According to the legislation, provisions related to the placement of workers, the use of foreign workers, the amount of salary, termination of employment, and supervision of workers are regulated. According to Article 1, paragraph (1) of Law No. 13 of 2003 on Labor, "Employment is all matters related to labor before, during, and after the working period."

Law No.13 of 2003, which has been updated by the President with the Job Creation Law/Omnibus Law UU 11 of 2020, is a law that regulates the rights and obligations of *Outsourcing* workers. Article 6 of Labor Law No. 13 of 2003 defines *Outsourcing* as a work agreement signed between employers and workers; this allows companies to entrust some of their work to other companies through a written work agreement. When the global economic crisis, including Indonesia, hit, the *Outsourcing* policy began. Many businesses experienced declining sales while the company's costs increased to pay its workers.

The President created the Job Creation Law to strengthen the rights of workers. However, the regulation on *Outsourcing* in Indonesia was removed from Articles 64 and 65 of the Labor Law and Article 66 of the Labor Law. The Job Creation Law No.11 of 2020 amends several provisions of the Labor Law No.13 of 2003, one of which relates to provisions on the implementation of Outsourcing. The government hopes that this new law will help the implementation of Alih Daya in Indonesia, which already has many

Commented [L2]: Adakah English term? Apakah "alih daya" sama outsourcing? Jika iya ubah semua di file ini jika tidak ada hanya bhs Indo italic y

records showing that it can be implemented to improve the welfare of the workforce, including the Alih Daya workforce.

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2.2 Research Methods

This research was conducted using a qualitative approach, namely, a comparative analysis of the legislation. This research answers all questions and produces more in-depth conclusions deductively. The approach used in this research thoroughly and in-depth evaluates all research materials. The legal basis related to this research method consists of:

1. Law No.13 of 2003 concerning Labor;
2. Law of the Republic of Indonesia No. 11 of 2020 concerning Job Creation;
3. Law Number 2 of 2022 concerning Job Creation
4. Law of the Republic of Indonesia Number 6 of 2023 Concerning the Stipulation of Government Regulation instead of Law Number 2 of 2022 Concerning Job Creation into Law
5. POJK Number 9/POJK.03/2016 Regarding Prudential Principles for Commercial Banks that Perform Partial Handover of Work Implementation to Other Parties

2.3 Problem Formulation

Outsourcing in the banking sector is increasingly important as banks rely more on third parties for efficiency and innovation. However, this also brings risks that must be managed through appropriate regulation. In Indonesia, POJK Number 9/POJK.03/2016 is the main regulation for Outsourcing in banking. Since its issuance, the banking landscape has evolved significantly with digitalization, cloud services, and fintech partnerships. This raises questions about whether the regulation remains adequate. At the same time, other

countries have updated their Outsourcing regulations to address new challenges and strengthen supervision. Therefore, evaluating Indonesia's current regulatory framework and considering possible improvements is important. Based on this context, the following problem formulations are proposed:

1. Are there any developments related to Outsourcing arrangements in Indonesia?
2. Is POJK Number 9 of 2016 still relevant and can still be applied to banking?
3. How does the Outsourcing regulation in Indonesian banking compare with other countries?

2.4 Research Objectives

Based on the problem formulation, several objectives can be taken from this research. The following are the objectives of this research:

1. Analyze developments related to Outsourcing arrangements in Indonesia.
2. Analyze POJK Regulation Number 9 of 2016 with the Regulation of Law related to Outsourcing.
3. Conduct benchmarking with Outsourcing regulations in other countries to identify best practices that can be applied in Indonesia, especially in the banking sector.

2.5 Learning Topics Internship

Learning Topics and Learning Modules (Compulsory, Optional, or Complementary Modules) that participants should follow, including special materials that OJK Mentors want the participants to learn in 1 semester.

Table 1. Learning Topics Internship in OJK

No.	Learning Topics	Description
1.	The Role of the Financial Services Sector for the Economy of Indonesia	Mandatory Category
2.	Overview of Prudential Supervision in Banking Supervision in Indonesia	Mandatory Category
3.	Overview of Recent Developments on Capital Market Policy and Supervision	Mandatory Category
4.	Development of the Non-Bank Financial Industry in Indonesia	Mandatory Category
5.	Overview of OJK's Role in Improving Financial Literacy and Inclusion	Mandatory Category
6.	Overview of Digital Financial Innovation	Mandatory Category
7.	Banking Products and Activities: Their Regulation - Commercial Banks	Preferred Category
8.	Banking Products and Activities: Their Regulation - BPR	Preferred Category
9.	Financial Literacy and Inclusion Business Process	Preferred Category
10.	Banking Licensing and Information	Preferred Category

2.6 Internship Outputs

The Table 2 provided outlines the targets and outputs planned for September and October, with a breakdown of specific tasks as follows:

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Table 2. Internship Outputs in OJK

No.	Month	Targets/Outputs
1.	September	1. Preparation of Review of Bank Provisions related to the Use of Foreign Workers: Assist in the preparation and processing of study data 2. Preparation of a Study on Share-Backed Credit: Assist in the preparation and processing of study data 3. Analysis and Evaluation of all POJKs included in Proleg 2024: Assist in the preparation and processing of analysis data and evaluation 4. Indonesian Banking Regulation Handbook (HRPI): Assist in the preparation of the Handbook
2.	October	4. Preparation of Review of Bank Provisions related to the Use of Foreign Workers: Assist in the preparation and processing of study data 5. Preparation of a Study on Share-Backed Credit: Assist in the preparation and processing of study data

		6. Analysis and Evaluation of all POJKs included in Proleg 2024: Assist in the preparation and processing of analysis data and evaluation 7. Indonesian Banking Regulation Handbook (HRPI): Assist in the preparation of the Handbook
3.	November	Preparation of Review of Bank Provisions related to Transfer of Power: Assist in the preparation and processing of review data
4.	December	Preparation of Review of Bank Provisions related to Transfer of Power: Assist in the preparation and processing of review data

2.7 Internship Benefits

1. OJK (Financial Services Authority)

- a.) Regulatory Improvement: The comparative analysis of Outsourcing policies provides OJK with insights into global best practices and helps refine Indonesia's banking regulations.
- b.) Policy Relevance Assessment: The study evaluates whether POJK No. 9/2016 remains effective under the Job Creation Law, ensuring up-to-date regulations.
- c.) Risk Mitigation Strategies: Recommendations on worker protection, transparency, and risk management help OJK strengthen oversight of Outsourcing in banking.
- d.) Enhanced Collaboration: The internship fosters stronger ties between OJK and academic institutions like Universitas Islam Indonesia, encouraging future research partnerships

2. The Internship Experience

- a.) Practical Experience: Gained hands-on exposure to banking regulations, risk management, and policy analysis at a key financial regulator.
- b.) Skill Development: Improved research, analytical, and report-writing skills through real-world regulatory benchmarking.
- c.) Career Advancement: The internship enhances employability by adding professional experience at OJK to the intern's academic background in Development Economics.
- d.) Networking: Established connections with OJK professionals, banking experts, and policymakers, opening doors for future opportunities.

3. The Banking Sector & Universities

- a.) Improved Outsourcing Practices: Banks gain insights into compliant Outsourcing models, reducing operational risks.
- b.) Academic Contribution: The report references universities studying labor economics, banking regulations, and international policy comparisons.
- c.) Policy Recommendations: The findings help banks align with global standards (e.g., EU's GDPR, MAS guidelines) while adapting to Indonesia's legal framework.

2.8 Systematics of Writing The Final Project of Internship

The writing system used in this final project of the internship and certified independent study (MSIB) consists of five chapters, which include:

CHAPTER I: The Internship Program

Chapter I outlines the Certified Internship and Independent Study Program (MSIB), emphasizing its structure, objectives, and institutional context. It introduces

the Financial Services Authority (OJK) and its regulatory functions, particularly within the banking sector, and describes the internship framework, including the Department of Banking Regulation and Development (DPNP) role.

CHAPTER II: Introduction

Chapter II presents the research background, focusing on the evolution of the Outsourcing policy in Indonesia under the Job Creation Law. It defines the research problem, objectives, methodology, and the learning outcomes of the internship, establishing the study's relevance to regulatory reforms and institutional learning.

CHAPTER III: Literature Review

Chapter III reviews legal and theoretical frameworks related to Outsourcing in the banking sector, including Labor Law No. 13/2003, the Job Creation Law, and POJK No. 9/2016. It provides a conceptual basis for analyzing Outsourcing practices and their regulatory challenges.

CHAPTER IV: Analysis and Discussion

Chapter IV assesses the implementation of Outsourcing regulations post-Job Creation Law and evaluates POJK No. 9/2016 against international standards (e.g., Federal Reserve, ECB, Bank Negara Malaysia). It identifies gaps in protection, risk management, and oversight, offering evidence-based insights for regulatory improvement.

CHAPTER V: Conclusion and Recommendations

Chapter V concludes the study by highlighting the need to align POJK with current legislation and international best practices. It proposes recommendations such

as enhanced transparency, improved data-driven risk management, and adopting global mechanisms like centralized Outsourcing registers and GDPR-aligned data protection.

CHAPTER III

LITERATURE REVIEW

3.1 Definition and Legal Basis Related to Outsourcing

3.1.1 Law Number 03 of 2003 on Labor

Article 64 of the Labor Law states that businesses can delegate portions of work execution to other companies via written contracts for work or services involving workers/labor. Article 65 of the Labor Law specifies that tasks that can be assigned to other companies must satisfy the following criteria:

- a. Performed separately from the main activity;
- b. Carried out with direct or indirect orders from the employer;
- c. It is a supporting activity of the company as a whole; and
- d. Does not directly hamper the production process.

Other companies, as referred to, must be in the form of a legal entity. Work protection and working conditions for workers/laborers in other companies must be the same as work protection and working conditions in the employing company or by applicable laws and regulations.

Article 66 states that:

1. The employer cannot utilize workers/laborers from firms offering labor services to perform core activities or those directly tied to the production process, unless it involves supportive services or tasks that do not directly linked to the production process.
2. Workers/labor service providers for supporting service activities or activities that do not directly related to the production process must meet the following requirements:

- a. There is a working relationship between the worker/laborer and the company providing worker/labor services;
 - b. The work contract relevant to the work relationship is a fixed-term work agreement that satisfies the conditions mentioned in Article 59 and/or a permanent work agreement that is drafted in writing and signed by both parties;
 - c. The responsibility for safeguarding wages and welfare, work conditions, and any disputes that may arise shall fall upon the company supplying labor/services; and
 - d. Contracts between businesses utilizing worker/labor services and other firms serving as worker/labor service providers must be documented in writing and include the Articles mentioned in this law.
3. The worker/labor service provider is a legal entity and holds a license from the agency in charge of Labor.
4. If the requirements mentioned in paragraph 1, as well as those in section 2 letters a, b, and d, and paragraph 3 are not satisfied, the employment relationship between the worker/laborer and the company supplying the labor service shall, by law, be converted to an employment relationship between the worker/laborer and the company offering the work.

3.1.2 Law Number 11 of 2020 regarding Job Creation

The stipulations in Article 64 and Article 65 are removed, whereas the stipulations in Article 66 of the Labor Law, amended by the Job Creation Law, provide further provisions regarding Outsourcing. This amendment stipulates the following:

1. The employment relationship between an Outsourcing firm and its workers is founded on a written work agreement, which may be either a fixed-term agreement or a permanent agreement.
2. Safeguarding workers/laborers, their wages and welfare, working conditions, and any resulting disputes is carried out in line with legal and regulatory requirements. It is the responsibility of the Outsourcing firm.
3. If the Outsourcing company hires workers/laborers through a temporary work agreement, the agreement must ensure the transfer of rights protection for workers/laborers if the Outsourcing company changes, provided that the work object continues to exist.
4. Outsourcing firms exist as legal entities and are required to adhere to the Business Licenses provided by the Central Government.
5. Business Licenses must meet the norms, standards, procedures, and criteria set by the Central Government.
6. Further provisions regarding the protection of workers/laborers as referred to in paragraph 2 and Business Licensing as referred to in paragraph 4 are regulated in a Government Regulation. Such workers/laborers shall receive protection equal to permanent workers, especially regarding job security and welfare.

3.1.3 Law Number 2 of 2022 regarding Job Creation

The provision of Article 64 is amended to indicate that a company can delegate portions of the work execution to another company via a written Outsourcing agreement. However, Article 65 is removed. Meanwhile, the provisions of Article 66 are amended, stating the following:

1. The working relationship between an company and the Workers/Laborers employs based on a Work Agreement made in writing, either a specific time work agreement or an indefinite time work agreement.
2. The safeguarding of workers/laborers, compensation and well-being, workplace conditions, and any disputes that emerge must be carried out at a minimum in line with legal provisions and regulations, being the duty of the Outsourcing company.
3. If the Outsourcing Company hires Workers/Laborers under a fixed-term work agreement, this agreement must protect the Workers/Laborers' rights if the Outsourcing Company changes, provided the work object remains the same.
4. Outsourcing Companies are legal entities and must comply with Business Licenses issued by the Central Government.
5. Business Licenses must meet the norms, standards, procedures, and criteria set by the Central Government.
6. Further provisions regarding the protection of Workers/Laborers and Business Licensing are regulated in a Government Regulation.

3.1.4 Law Number 6 of 2023 on Job Creation

The stipulations of Article 64 are altered as follows:

1. A Company may assign part of the work implementation to another Company through an Outsourcing agreement made in writing.
2. The Government determines part of the work implementation, as in paragraph 1.

3. A Government Rule shall stipulate Further provisions regarding the partial assignment of work as referred to in paragraph 2.

However, the clauses of Article 65 are removed. At the same time, the stipulations of Article 66 are revised as outlined below:

1. The employment relationship between an Outsourcing company and the workers/laborers employs based on a written work agreement, either a specific time work agreement or an indefinite time work agreement.
2. The Outsourcing Company shall ensure the protection of workers/laborers, wages and welfare, working conditions, and resolving disputes, at a minimum, by the applicable laws and regulations.

3.1.5 The Difference between Labor Law and Job Creation Law

The difference between labor law and job creation lab can be seen in the following Table 3.

Table 3. Difference between Labor Law and Job Creation Law

ASPECTS	LAW NO. 13 OF 2003 ON LABOR	LAW NUMBER 11 OF 2020 ON JOB CREATION	LAW NUMBER 6 OF 2023 ON JOB CREATION
Fixed-term Employment Agreement (Perjanjian Kerja Waktu	Restricted to specific jobs with a maximum period of 3 years.	This makes PKWT more flexible and does not set strict time limits.	There are no significant changes from the 2020 Job Creation Law, but it emphasizes the flexibility of non-permanent contracts.

Tertentu /PKWT)			
Minimum Wage	Regulated by local governments, considering KHL (Decent Living Needs/Kebutuhan Hidup Layak).	Changed to consider productivity and economic growth, with a greater role for the central government.	Minimum wage determination still refers to the Job Creation Law 2020 mechanism.
Severance Pay	Severance pay is regulated in detail based on length of service, with a maximum amount of 32 times the monthly wage.	The severance pay was reduced to 25 times the monthly wage. Job Loss Guarantee (Jaminan Kehilangan Pekerjaan/JKP) is introduced as additional compensation.	There are no significant changes from the 2020 Job Creation Law regarding severance pay and JKP.
Outsourcing System	Outsourcing is limited to supporting work and is not directly related to the company's main activities.	More flexible, without the limitation of Outsourcing work only to support work.	Continue to follow the provisions of the 2020 Job Creation Law with an emphasis on

			protecting the rights of outsourced workers.
Working Time and Overtime	Working time is a maximum of 40 hours a week, with overtime rules of 3 hours per day and 14 hours per week.	Overtime is extended to 4 hours per day and 18 hours per week.	Overtime rules still follow the 2020 Job Creation Law, with additional protection of workers' rest rights.
Contract Worker Protection	Protection is limited, and contracts are extended based on company needs.	More flexible protection but still emphasizes the certainty of rights for contract workers.	The provisions are the same as those in the 2020 Job Creation Law, with strengthened monitoring mechanisms.

3.1.6 Financial Services Authority (OJK) Regulation Number 9 /POJK.03/2016

In the provisions of Article 1, in this Financial Services Authority Regulation, what is meant by the following:

1. Bank means a commercial bank that carries out business activities conventionally as referred to in Law Number 7 of 1992 concerning Banking as amended by Law Number 10 of 1998, including branch offices of banks domiciled abroad, as well as sharia commercial banks and sharia business units as referred to in Law Number 21 of 2008 concerning Sharia Banking.
2. Submission of Part of the Work Implementation to Other Parties, referred to as Outsourcing, is the submission of part of the work implementation to

- a service provider company through a work contracting agreement and/or a labor service provision agreement.
3. Service Provider Company is an organization that performs some of the tasks the Bank assigns via a work contractor agreement and/or through a labor service provision contract.
 4. Board of Directors:
 - a. A Bank structured as a legal entity in the form of a Limited Liability Company is represented by the board of directors as outlined in Law Number 40 of 2007 regarding Limited Liability Companies.
 - b. For a Bank in the form of a legal entity:
 - 1) Regional Public Company or Regional Company refers to the board of directors as outlined in Law Number 23 of 2014 regarding Regional Government, as most recently modified by Law Number 9 of 2015;
 - 2) The Regional Company will serve as the board of directors of the Bank that has not transformed into a Regional Public Company or Regional Company in line with Law Number 23 of 2014 about Regional Government, as last modified by Law Number 9 of 2015;
 - c. For Banks organized as a Cooperative legal entity, the management is described in Law Number 25 of 1992 on Cooperatives;

- d. For a bank classified as a division of a foreign bank, the head of the division office is the official directly subordinate to the division office leader.

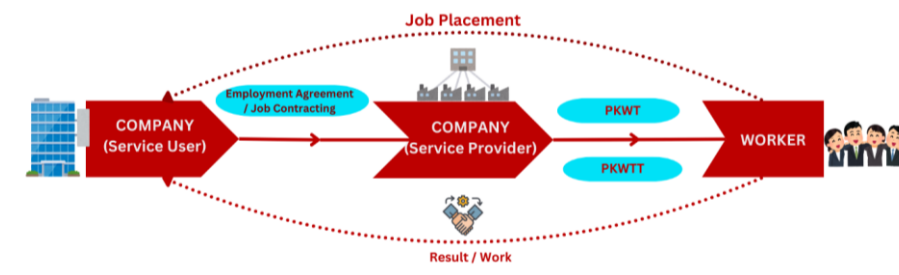
5. Commissioners Board:

- a. For a Bank structured as a Limited Liability Company, the governing body is the board of commissioners as stated in Law Number 40 of 2007 regarding Limited Liability Companies;
- b. For a Bank structured as a legal entity:
 - 1) Regional Public Company serves as the supervisory board as outlined in Law Number 23 of 2014 regarding Regional Government, as most recently amended by Law Number 9 of 2015;
 - 2) Regional Company is the commissioner mentioned in Law Number 23 of 2014 about Regional Government, as most recently amended by Law Number 9 of 2015;
 - 3.) Regional Company will oversee a Bank that has not transitioned into a Regional Public Company or Regional Company as per Law Number 23 of 2014 regarding Regional Government, which was last revised by Law Number 9 of 2015;
- c. For Banks organized as a Cooperative legal entity, the overseer is mentioned in Law Number 25 of 1992 related to Cooperatives;
- d. For Banks designated as a branch office of a foreign bank, the entity assigned to perform the supervisory role is the one.

In the provisions of Article 2:

1. The Bank may outsource to a Service Provider Company
2. In Outsourcing, the Bank is obliged to apply prudential principles and risk management.¹

3.2 Outsourcing Work System



Source: Author (2024)

Figure 8. Outsourcing Work Agreement Flows

A. Definition of *Outsourcing Work System*

The *Outsourcing* work system is an agreement in written or oral form made to bind the relationship between workers or laborers and employers, within a specific or indefinite period. *Outsourcing* is a new development in the world of work and profession in Indonesia. Contract workers are legally defined as workers with a status that is not permanent, or in other words, workers who only work for a specific time based on an agreement between the worker and the employer company.

Several forms of agreement will be carried out in a work agreement. The agreement is a series of words containing any agreement listed, spoken, or written. According to the Big Indonesian Dictionary, a contract is about renting something based

¹ <https://www.ojk.go.id/id/kanal/perbankan/regulasi/peraturan-ojk/Documents/Pages/pojk-prinsip-kehatiian-bank-umum-yang-melakukan-penyerahan-sebagian-pelaksanaan-kerja-kpd-pihak-lain/SALINAN-POJK.9%20Alih%20Daya.pdf>

on an agreement agreed by both parties within a specific time, a trade agreement. In the Big Indonesian Dictionary (KBBI), a contract is:

- a. An agreement (in writing) between two parties in trade, leasing, etc.
- b. A legally sanctioned agreement between two or more parties to do or not to do an activity.
- c. Binding by agreement (about hiring people, etc.)
- d. Renting

B. Forms of Outsourced Work System (Contract)

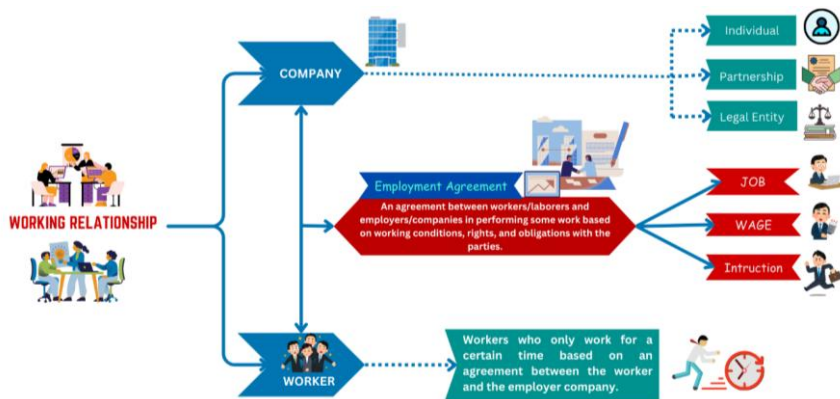


Figure 9. Forms of Outsourced Work System (Contract)

Source: Author (2024)

The employment relationship refers to the connection between workers/laborers and employers in forming a work agreement that includes wages and directives. Thus, the evidence that an individual is employed by a company/institution is a contract outlining the rights and duties of every worker and employer.

a. Oral Employment Agreement

According to Law Number 13 of 2003, Article 50, number 1, concerning Labor, work agreements can be made orally. Although the employment contract agreement is not in writing, this agreement can still bind workers and

employers to carry out the contents of the employment contract contained in the employment contract. However, of course, this oral employment contract also has a fatal weakness if there are some contents that the employer does not explain to the worker, which will harm the worker.

According to Law Number 13 of 2003, Article 52 concerning labor, employment agreements are made based on:

1. Agreement of both parties.
2. Ability or capacity to perform legal acts.
3. The existence of the promised work.
4. The work promised does not contradict the general provisions, decency, and prevailing laws and regulations.

However, Article 59 of the Labor Law regulates certain time work agreements that meet the requirements. This specific time work agreement must fulfill the following criteria:

1. A working relationship exists between the worker and the company providing worker services.
2. A work agreement made in writing and signed by both parties
3. The company providing worker services is accountable for safeguarding wages and benefits, ensuring working conditions, and managing disputes.
4. The agreement between the labor service user company and the labor service provider company is made in writing.

C. Specified Time Work Agreement (PKWT) or Contract System Work Agreement

A fixed-term employment agreement (PKWT) is an agreement between a worker/laborer and an employer to establish a working relationship limited to a certain

period. The definition of a Specific Time Work Agreement is contained in Law Number 13 of 2003 concerning Labor, which regulates the implementation of work agreements for a specific time in Article 1 paragraph (1) which is: “A work agreement between workers/laborers and employers to establish a working relationship within a certain time or for a certain job”. So, a work agreement for a specific time means that in a work agreement between workers/laborers and employers, there is a limit to the working time within a predetermined period.

Work agreements for a specific time and certain types of work have a maximum working time limit of only up to 3 (three) years and may not be extended again. And if the work is carried out for more than the maximum limit of 3 (three) years, the worker will automatically become a permanent worker, and the work agreement changes to a non-permanent work agreement.

a. Terms of a Fixed-Term Employment Agreement (PKWT)

Law Number 13 of 2003 on Labor regulates the terms of a Fixed-Term Employment Agreement as follows:

1. The work agreement is made in writing, where Article 57, number 1 states that “Work agreements for a certain period are made in writing using the Indonesian language and Latin letters.” The fixed-term employment agreement is made in Indonesian and foreign languages. If there is a different interpretation between the two in the future, the specific time employment agreement contained in the Indonesian shall prevail.
2. If the employment agreement is not made in writing, it is deemed contrary to what is referred to in Article 57, point 1, so that it is declared null and void. The result is the worker as stated in Article 57,

number 2, which reads: “A work contract for a specified duration that is not documented in writing according to the provisions mentioned in point 1 will be considered an indefinite work agreement.”.

3. No probation period

Law No. 13 of 2003 on Labor prohibits employers from applying a probationary period for contract workers or those bound by a work agreement for a specific period. If there is a probation period in the agreement, the fixed-term employment agreement will be changed into an indefinite-term one and will be null and void or deemed to have never existed.

Therefore, if the employment relationship is terminated due to the probationary period, the employer is deemed to have terminated the employment relationship before the expiration of the employment agreement. Employers will be required to pay employees equivalent to their wages until the end date of the employment contract.

b. The characteristics of a work contract for a specific period (PKWT)

Work for a particular duration can only be executed based on the kind and character of activities carried out in a particular time, as stipulated in Article 59, number 1 of Law No.13 of 2003 concerning Labor, namely:

1. Work that is once completed or temporary.
2. Work that is expected to be completed in a short period and a maximum of 3 years.
3. Seasonal Work or

4. Work related to new products, new activities, or additional products that are still being tested or explored. However, in reality, many deviations still occur, and contract workers are required to work permanently.

c. Content of the Fixed-Term Employment Agreement (PKWT)

The contents of a work agreement basically must not conflict with legislation, decency, and public order. In Law Number 13 concerning Labor, Article 54 stipulates that a work agreement for a specific time must contain, namely:

1. Name, address of the company, and type of business.
2. Name, gender, age, and address of the worker/laborer.
3. Position or type of work.
4. Place of employment.
5. The amount of wages and the method of payment.
6. Working conditions that contain the rights and obligations of employers and workers/laborers.
7. The start and validity period of the work agreement.
8. The place and date the employment agreement was made and
9. Signatures of the parties to the employment agreement.

d. Extension or renewal of the Fixed-Term Employment Agreement (PKWT)

As previously explained above, a work agreement for a specific time can be based on a specific time and work, which is limited to a maximum of 3 years. For specific jobs, the work period may not be extended or renewed. This specific time employment agreement can be implemented for the first time for a maximum of two years, and it may then be extended one time for an additional maximum period of one year.

Meanwhile, the renewal of a specific period work agreement is carried out after going through a “pause period” with a grace period of at least 30 days from the expiration of the old specific period work agreement, and this renewal can only be done once for a maximum period of 2 years.

e. Expiration of a Fixed-Term Employment Agreement

1. Termination by Law

This agreement ends due to the expiry of the stipulated time, the agreed work being completed (Article 61 point 1 letter b), or due to the death of the worker/labor concerned (Article 1 point 1 letter a). This agreement does not expire if the employer dies or if the rights to the company are transferred due to sale, inheritance, or grant (Article 61, point 2), or if the employer becomes bankrupt.

2. Employment relationship terminated by the employer

The reasons that make employers terminate employment agreements for a specific time are:

- a. The worker/labor gives false or falsified information at the time of the agreement with the employer.
- b. Being drunk, using drugs or dope in the workplace.
- c. Stealing, cheating, or committing other crimes in the workplace.
- d. Abusing, violently insulting, or threatening employers or coworkers.
- e. Committing acts that violate the law or decency in the workplace.
- f. Intentionally or leaving company property in a state of danger.

- g. Intentionally, despite being warned, they endanger themselves and their coworkers.
 - h. Disclosing company secrets.
3. Employment relationship termination by the worker

There are several reasons for terminating employment by workers, namely:

- a. The employer mistreats, violently insults, or threatens the worker/laborer, the worker's family or household members, or allows this to happen by the employer's family, household members, or subordinates.
- b. Persuading the worker and members of the worker's family to do something that is against the law or immoral by subordinates of the employer.
- c. Twice failing to pay workers' wages on time.
- d. Not fulfilling the requirements or not performing the obligations stipulated in the employment agreement.
- e. Failing to provide sufficient work to workers whose income is based on the results of work performed under the agreement.
- f. Failing to provide the required work facilities to workers/laborers if their earnings are based on the results of work performed by the workers.
- g. If the employment relationship is continued, it will cause danger to the worker's life, safety, or health, which was not known by the worker when the employment agreement was made.

- h. Ordering workers/laborers to do improper work that should not be done, and of course, work not in the employment agreement.
- i. Ordering work, even if the worker refuses, to be carried out in another company not by the employment agreement.

4. Force circumstances

Workers/laborers and employers can apply for permission to terminate employment to the industrial labor dispute settlement committee.

5. Provision of compensation

This is governed by Article 62 of Law No. 13 of 2003 on Labor, which indicates that if a party ends the employment relationship before the conclusion of the timeframe set in the fixed-term employment agreement, or the termination of the employment relationship is not due to the provisions referred to in Article 61 point 1 of Law No. 13 of 2003 Concerning Labor, the party terminating the employment relationship is obliged to pay compensation to the other party in the amount of the wages of the worker/laborer until the expiration of the period of the employment agreement.

3.3 Outsourcing Regulation in Indonesia in the Banking Sector

A. Financial Services Authority Regulation (OJK) Number 9 /POJK.03/2016

Banks can outsource to Service Provider Companies through agreements:

- a. Work contracting; and/or
- b. Provision of labor services

The bank must ensure the agreement, laws, and regulations are implemented for the outsourced work. The Bank remains responsible for the work outsourced to the

Service Provider Company. In the context of *Outsourcing*, the bank's activities are categorized as:

- a. Business activities; and
- b. Business support activities

Each business activity and support activity consists of a series of main and supporting work. The bank can only outsource supporting work in the flow of the bank's business activities and the flow of the bank's business support activities. Supporting work at least meets the following criteria:

- a. Low risk;
- b. Does not require high competency qualifications in the banking sector; and
- c. Not directly related to the decision-making process that affects the Bank's operations.

These criteria must be outlined in the Bank's policy on *Outsourcing*. The Bank is prohibited from performing *Outsourcing*, which results in the transfer of responsibility or risk of the outsourced work object to the Service Provider Company. The Bank may only enter into an *Outsourcing* agreement with a Service Provider Company that meets at least the following requirements:

- a. Indonesian legal entity;
- b. Has a valid business license from the authorized agency in its field of business;
- c. Has good financial performance and reputation as well as sufficient experience;
- d. Has human resources that support the implementation of outsourced work; and
- e. Has the facilities and infrastructure needed for *Outsourcing*.

In *Outsourcing*, the Bank must agree with the Service Provider Company in writing. The *Outsourcing* Agreement at least includes:

- a. The scope of work;

- b. The period of the agreement;
- c. Contract value;
- d. Fee structure and payment mechanism;
- e. Rights, obligations, and responsibilities of the Bank and the Service Provider Company, among others:
 - 1. The Bank's authority to evaluate and inspect the Service Provider Company related to the implementation of the *Outsourcing* agreement;
 - 2. The obligation of the Service Provider Company, including the labor used in *Outsourcing*, to maintain the confidentiality and security of the Bank's information and/or the Bank's customers;
 - 3. The obligation of the Service Provider Company to submit reports and information to the Bank in writing and periodically.
 - 4. The obligation of each party to comply with the provisions of laws and regulations;
 - 5. The obligation of the parties to protect the rights and interests of the Bank's customers related to the outsourced work;
 - 6. The obligation of the Service Provider Company to have a contingency plan, and
 - 7. The willingness of the Service Provider Company to provide access to inspection to the Financial Services Authority and/or other authorized authorities, together with the Bank, in the event necessary;
- f. Measures and standards of work implementation;
- g. criteria or conditions for terminating the agreement before the expiration of the agreement period (early termination);
- h. sanctions and penalties; and

- i. Dispute resolution.

CHAPTER IV

ANALYSIS AND DISCUSSION

4.1 Review of Outsourcing Implementation after the Job Creation Law

The revised regulation on Outsourcing and non-permanent contracts contained in the Job Creation Law can improve the business environment. However, this should come with some caveats, especially regarding monitoring. The Labor Law Number 13 of 2003, Article 59, states that non-permanent contracts can only be made for specific jobs that will be completed quickly, based on the kind and character of the work or activities. In the meantime, the Job Creation Law no longer defines the duration. Provisions relating to the type and character of work activities, period, and extension of fixed-term employment contracts are further regulated by government regulations. This regulation interprets that employers will be free to hire workers without the certainty of appointment as permanent workers. Unlike the previous regulation that describes the kind of work that can be outsourced, the Job Creation Law removes the provisions of Articles 64 and 65. It no longer limits the types of businesses in this scheme. In other words, *Outsourcing* can also be extended to different kinds of work.

4.2 Financial Services Authority (OJK) Regulation Number 9/POJK.03/2016

POJK No. 9/POJK.03/2016 on Prudential Principles for Commercial Banks that transfer part of the implementation of work to other parties is a regulatory basis for banks that will conduct Outsourcing and provides strict regulations regarding the obligation for each bank to apply prudential principles in the activities of using Outsourcing services. The POJK regulates the legal relationship between banks and companies that provide Outsourcing services. In the explanation of Article 3 paragraph (1) POJK Number 9/POJK.03/2016 concerning Prudential Principles for Commercial Banks, which transfers

part of the implementation of work to other parties, does not regulate the contracting of work.

POJK Number 9/POJK.03/2016 Regarding Prudential Principles for Commercial Banks that transfer part of the implementation of work to other parties regulates Outsourcing activities into several parts, starting from general provisions, Outsourcing activities themselves, application of prudential principles, reporting to the Financial Services Authority, and sanctions that the Financial Services Authority will impose to banks that commit violations. It can be concluded that there are several general principles in banking regulations regarding the transfer of part of the work to Outsourcing, which are as follows:

- a. Banks must apply prudential principles and risk management in Outsourcing activities;
- b. Bank remains responsible for the work that uses Outsourcing to the service provider company;
- c. Bank must ensure the implementation of outsourced work by the agreement made and applicable laws and regulations;
- d. Bank is prohibited from performing Outsourcing that results in the expiration of the responsibility or risk of the object of work using Outsourced labor to the service provider company; and
- e. The Financial Services Authority (OJK) has the authority to stop Outsourcing by a bank if the Outsourcing, according to the Financial Services Authority's assessment, can potentially jeopardize the bank's business continuity.

As stipulated in Article 4 of POJK No. 9/POJK.03/2016, concerning Prudential Principles for Commercial Banks, which transfers part of the implementation of work to

other parties, banks can only outsource supporting work in the flow of bank business activities and the flow of bank business support activities. In the explanation of the POJK, what is meant by supporting work is work that does not have to exist in the flow of business activities or the flow of business support activities of the bank. Thus, in the absence of such work, the intended activities can still be carried out without significant disruption. Examples of supporting work in bank business activities, such as credit or financing, include call center work, marketing (telemarketing, direct sales, or sales representatives), and collections.

To determine whether a job meets the criteria for supporting work, the bank should first conduct a test using at least the following criteria:

a. Low risk

Low-risk work will not significantly disrupt the bank's operational activities in the event of failure.

b. Does not require high competency qualifications in banking.

Supporting jobs generally do not require high competency qualifications in banking, which include formal education and knowledge or experience in banking. However, the Bank still requires the Service Provider Company (PPJ) to provide labor services with competency qualifications that meet the requirements of the work performed by outsourced workers. The Bank may require certain competency qualifications for specific fields of work and special expertise that permanent employees cannot always fulfill, such as supporting work related to Information Technology (IT), security, billing, and cash management.

c. It is not directly related to the decision-making process, significantly affecting the bank's operational activities.

Outsourced workers' work must not be related to analysis, consideration, and/or decision-making that affects the bank's operations. To provide legal certainty in the application of the prudential principle for banks that transfer work to outsourced labor, if the bank does not strictly implement the prudential principle as regulated in the Financial Services Authority Regulation, it will be subject to administrative sanctions in the form of:

- a. Written reprimand;
- b. Decrease in the health level of the bank; and/or
- c. Suspension of specific business activities.

Therefore, as a strict application of the precautionary principle, banks are required to ensure that the quality and procedures for the implementation of work using outsourced labor are by the measures and standards stipulated in the cooperation agreement, among others by supervising the implementation of work by the Service Provider Company (PPJ) regularly and taking practical steps on identified problems, so that the implementation of work continues to run well and the interests of customers are protected. In addition to paying attention to the provisions stipulated in this Financial Services Authority Regulation, the implementation of the assignment of work to other parties must also refer to the provisions of other Financial Services Authority Regulations and even Bank Indonesia Regulations that regulate *Outsourcing* in specific jobs in banks more specifically, such as provisions regarding prudential principles in the use of information technology, implementation of bank audit functions, Good Corporate Governance (GCG) and the implementation of card payment instrument activities.

For every bank that employs outsourced workers, each worker must maintain the confidentiality and security of customer information referring to the provisions and laws and regulations, among others, regarding bank secrets, provisions governing the

transparency of bank product information and the use of customer personal data and provisions governing consumer protection in the financial services sector, especially banking.

4.3 Obligation of Banks to Report the Use of *Outsourcing*

Article 17 paragraph (1) POJK Number 9/POJK.03/2016 concerning Prudential Principles for Commercial Banks that transfer part of the implementation of work to other parties, stipulates: “Banks are required to submit reports on *Outsourcing* to the Financial Services Authority in a complete, correct and timely manner”. The report includes:

a. Outsourcing Plan

The Outsourcing plan report contains information regarding at least:

1. Type of work to be outsourced;
2. General description and scope of work
3. The type of Outsourcing agreement;
4. The estimated number of outsourced workers required;
5. The period of the agreement, the purpose of the *Outsourcing*, and
6. Analysis of estimated costs, benefits, risks, and mitigation.

The Outsourcing plan report must be submitted annually, no later than December 31. The Bank can only make additions and/or changes to the outsourced work plan reported to the Financial Services Authority and must submit the Outsourcing Plan Amendment Report no later than June 30 of the current year. If the report submission deadline falls on Saturday, Sunday, or a holiday, the report shall be submitted on the next business day.

b. problematic Outsourcing

The problematic Outsourcing report, as referred to, contains information at least regarding:

1. Type of work outsourced;
2. The name of the Service Provider Company;
3. Description of the problems that occur; and
4. Steps taken by the Bank to resolve the problematic *Outsourcing*

The report on problematic *Outsourcing* must be submitted no later than 7 (seven) working days after the bank becomes aware of the problem. If a bank that transfers part of the work to *Outsourcing* does not submit a report to the Financial Services Authority, as stipulated in Article 19 POJK Number 9/POJK.03/2016 concerning Prudential Principles for Commercial Banks that transfer part of the work implementation to other parties, the bank will be subject to the following sanctions:

- a. Administrative penalties will be imposed as a fine of Rp1,000,000.00 (one million rupiah) for each working day of delay if it is delayed by 1 (one) working day to 10 (ten) working days;
- b. Administrative penalties in the form of fines, as stated in item a, are supplemented with administrative penalties in the form of fines of Rp1,500,000.00 (one million five hundred thousand rupiah) for each working day of subsequent delays if tardy by 11 (eleven) working days to 20 (twenty) working days;
- c. Administrative penalties in the form of fines as in letters a and b are added with administrative penalties in the form of a fine of Rp2,000,000.00 (two million rupiah) per working day of the subsequent delay, with a maximum amount of late sanctions of Rp100,000,000.00 (one hundred million rupiah) if late 21

(twenty one) working days or more. Administrative sanctions in the form of a fine of Rp1,000,000.00 (one million rupiah) per working day of lateness if 1 (one) working day to 10 (ten) working days late;

Banks recognized by the Financial Services Authority for engaging in Outsourcing but failing to submit the Outsourcing plan report as outlined in Article 17 paragraph (2) letter a and/or amendments or updates to the Outsourcing plan mentioned in Article 17 paragraph (6) will face administrative penalties including a fine of Rp125,000,000.00 (one hundred twenty-five million rupiah).

Table 4. Difference between Labor Law and Job Creation Law with POJK Number 9/POJK.03/2016

ASPECTS	LAW NUMBER 13 OF 2003 CONCERNING LABOR	LAW NUMBER 11 OF 2020 CONCERNING JOB CREATION	LAW NUMBER 6 OF 2023 CONCERNING JOB CREATION	POJK NUMBER 9 /POJK.03/2016
Fixed-term Employment Agreement (Perjanjian Kerja Waktu Tertentu /PKWT)	Restricted to specific jobs with a maximum period of 3 years.	This makes PKWT more flexible and does not set strict time limits.	No significant changes from the 2020 Job Creation Law, but it emphasizes the flexibility of non-permanent contracts.	No explanation of non-permanent contracts, but emphasizes banks' obligation to ensure contracts with third-party service providers

				are by applicable laws.
Minimum Wage	Regulated by local governments, considering KHL (Decent Living Needs/ <i>Kebutuhan Hidup Layak</i>).	Changed to consider productivity and economic growth, with a greater role for the central government	The method for establishing minimum wage relates to the framework outlined in the 2020 Job Creation Law.	There is no direct regulation for the minimum wage; it is determined by the agreement between the bank and the external service provider, following labor laws.
Severance Pay	Severance pay is regulated in detail based on length of service, with a maximum amount of 32 times the monthly wage.	The severance pay was reduced to 25 times the monthly wage. Job Loss Guarantee (JKP) is introduced as additional compensation.	There are no significant changes from the 2020 Job Creation Law regarding severance pay and JKP.	There is no specific explanation regarding severance pay, but it emphasizes that banks must ensure that third-party service providers fulfill

				labor obligations.
Outsourcing System	Outsourcing is limited to supporting work and is not directly related to the company's main activity.	More flexible, without the limitation of Outsourcing work only to supporting work.	Continue to follow the provisions of the 2020 Job Creation Law, emphasizing protecting the rights of Outsourced workers.	Strictly regulate the Outsourcing process by banks, including the obligation to mitigate operational, reputational, and legal risks and liability to customers, as well as supervision of third parties.
Working Time and Overtime	Working time is a maximum of 40 hours a week, with overtime rules of 3 hours per day and 14 hours per week.	Overtime is extended to 4 hours per day and 18 hours per week.	Overtime rules still follow the 2020 Job Creation Law, with additional protection of	No explanation directly regulates working time and overtime, but banks must ensure that third-party service providers

			workers' rest rights.	comply with labor rules related to working time and overtime.
Contract Worker Protection	Protection is limited, and contracts are extended based on company needs.	More flexible protection but still emphasizes the certainty of rights for contract workers.	The provisions are the same as those in the 2020 Job Creation Law, with strengthened supervision mechanisms.	Banks must ensure that third-party service providers have worker protection mechanisms that comply with labor standards, including contracts, fundamental rights, and compensation.

4.4 Benchmark International

4.4.1 Federal Reserve Bank of New York²

A. Outsourcing arrangements

² <https://www.newyorkfed.org/medialibrary/media/banking/circulars/outsource.pdf>

There are six key elements to mitigating Outsourcing risks:

1. Create a management structure to establish, manage, and monitor the Outsourcing arrangements.

- a. Establish cross-functional teams, including internal audit, information security, human resources, legal, and business units, to ensure a broad representation of viewpoints and to increase support across the institution. Retain key individuals from the Outsourcing function to manage and monitor the Outsourcing arrangements, and provide future strategic direction.
- b. Actively monitor relationships, respond aggressively to problems and issues, use escalation procedures promptly, and resolve conflicts.
- c. Identify objective and measurable performance measures that are well-defined, relevant to the supported business unit, mutually agreed upon, and easily comparable to established criteria.
- d. Regularly review, renegotiate, and renew contracts. Reset service level targets annually.

2. Selecting qualified vendors.

Conduct due diligence on service providers to ascertain their technical capabilities, managerial skills, financial viability, familiarity with the financial services industry, and demonstrated capacity to keep pace with innovations in the market. An evaluation process involves assessing service quality and considering factors such as business strategy, human resource management, service philosophy, and quality assurance to select a vendor. The method also involves assessing the relationship between the service provider and the client.

The process also involves evaluating the risk associated with Outsourcing, using objective criteria to determine the institution's suitability.

3. Structuring the Outsourcing arrangement.

Negotiate a written contract that is operationally flexible and clearly articulates the expectations and responsibilities of both parties. The contract should also be flexible. Contracts generally last for five to seven years, with some extending to ten years or more. It is tough for managers to forecast and plan for every eventuality. In addition, business needs may change, or the market may develop in unexpected directions. For these reasons, contracts must be flexible enough to meet the challenges of a changing environment.

Key elements of such agreements include:

1. The terms of the agreement;
2. Written procedures;
3. Minimum service levels, including additional services to be provided;
4. Payment schedule;
5. Incentives - contracts can offer bonuses for outstanding performance and penalties for poor performance. Overall, the contract should align the interests of the service provider with those of the financial institution.
6. Right to retain other third parties - to keep the service provider sensitive to competitive pressures;
7. Use of subcontractors - approval from the institution should be required.
8. Auditability: the right to conduct audits of service providers and/or receive third-party reviews of their operations;

9. Maintaining ownership and confidentiality of data shared with service providers;
 10. Guarantees, responsibilities, and disclaimers;
 11. Dispute resolution mechanisms: including the level of service to be provided during disputes, escalation procedures, and arbitration provisions.
 12. Termination and potential bankruptcy clauses;
 13. Change management issues;
 14. Human resource issues;
 15. Contingency and business recovery plans; and
 16. Force majeure, or “Natural Disaster” events.
4. Manage human resources by involving the human resources department early in the process when staff are to be released or transferred to service providers. Incorporate these issues into contracts and proactively communicate with staff.
5. Establish controls and ensure independent validation by specifying the expected security controls in the Outsourcing contract and developing appropriate performance measures to monitor the consistent application of those controls. Further, internal and/or external audits are involved in the outsourcing process.
6. Establish viable contingency plans by ensuring that contingency plans are formulated and can be executed in the event of performance failure by the service provider.

4.4.2 Central Bank of Trinidad & Tobago³

Outsourcing refers to a regulated organization engaging a third-party or service provider (whether affiliated with the group or external) to carry out activities typically done by the regulated organization consistently. The primary motivations for *Outsourcing* are to lower and manage operational expenses and to address the demands of technological advancements, greater specialization, and heightened competition.

A Regulated Financial Institution (RFI) is a financial entity that the Central Bank oversees. It encompasses an economic entity that holds a license or has been granted a financial holding company license according to the Financial Institutions Act 2008 (FIA) which is registered under the Insurance Act Chapter 84:01 (IA), licensed per the Exchange Control Act (ECA), or recognized as a Systemically Important Financial Institution (SIFI).

A. Principles of Outsourcing

Efficient corporate governance and risk oversight of *Outsourcing* necessitate that RFIs implement solid principles. Each of these principles is addressed in this section, and detailed advice is given on applying these principles.

1. RFI needs a thorough policy to direct the evaluation of whether and how RFI's operations, roles, procedures, and services may be suitably outsourced. The Board of Directors ought to oversee the Outsourcing policy and bear the overall responsibility for the activities carried out under that policy.

³ https://www.central-bank.org.tt/sites/default/files/page-file-uploads/Draft%20Outsourcing%20Guideline%20October%202015_1.pdf

2. RFI Senior Management should establish a comprehensive risk management framework to address outsourced activities and relationships with service providers.
3. RFIs must ensure that *Outsourcing* does not diminish their capacity to meet their responsibilities to customers and the Central Bank, nor hinder efficient oversight by the Central Bank. RFIs must guarantee that.
4. RFIs must perform suitable due diligence when choosing service providers. The evaluation of the service provider in the RFI should comprise an examination of:
 - a. Expertise and technical proficiency of pertinent management and personnel to execute and assist the suggested activities;
 - b. Safety, technology, and internal regulations, reporting, and monitoring environment;
 - c. Its fiscal stability and capacity to fulfill obligations;
 - d. Its standing and corporate culture, grievances, and ongoing legal matters;
 - e. Its commercial aims, targets, continuity planning, and approach; and
 - f. Determine if a license is necessary to carry out outsourcing activities.

The RFI must monitor the service provider's performance and adherence to its contractual commitments in its continuous due diligence. To accomplish this, the RFI should be:

- a. Recognize and define explicit criteria to track the service provider, assess service standards, and ascertain the necessary level of service; and
- b. Establish measures to identify and report instances of non-compliance or unsatisfactory performance to the RFI, as well as the ability to assess the quality of services performed by service providers regularly.

5. The *Outsourcing* relationship must be regulated by a formal agreement that explicitly delineates all material aspects of the *Outsourcing* relationship, such as the nature and scope of the services provided, and includes the rights, responsibilities, and expectations of all parties.
6. RFI and its service providers must establish and maintain contingency plans, including disaster recovery plans and periodic testing of backup facilities.
7. RFI must implement necessary measures to ensure that service providers safeguard RFI's and its clients' confidential information from deliberate and unintentional exposure to unauthorized individuals.

B. Business Operations/Services that may not be delegated

RFIs should not delegate specific essential management tasks associated with internal control, compliance, and decision-making activities, including:

- a. Business planning, structuring, risk assessment, and oversight;
- b. Assessing adherence to Know Your Customer (KYC) standards for account initiation;
and
- c. Approval of the loan.

C. *Outsourcing* Arrangements with External Auditors

RFI might occasionally delegate specific non-audit services to its external auditors. External auditors provide non-audit services that can be classified into three primary categories:

1. Services mandated by law or contract to be conducted by the business auditor encompass regulatory filings, legal obligations to report on specific issues, contractual duties to inform lenders or suppliers about net assets, etc.

2. Services that the auditor deems most effective due to their existing business knowledge, or because the information needed results from the audit process.
3. Services that may be provided by several companies, in which case, the fact that the company is the auditor is incidental and generally only selected because it has won the tender process. Such services include management consulting, tax advice, and human resource consulting.

However, non-audit services should not be contracted to RFI's external auditors.

Such non-audit services include:

1. Actuarial services;
2. Internal audit services concerning RFI's internal accounting controls, AML/CFT compliance, financial systems, or financial statements, unless it can be reasonably determined that the outcomes of these services will not undergo audit procedures during the examination of RFI's financial statements. This does not prevent the external auditor from delivering non-recurring services to assess a specific item or program, as long as those services are not fundamentally delegated from the internal audit function.
3. Bookkeeping records management or any services associated with financial statements;
4. Services for the design and implementation of financial information systems; and
5. Additional non-audit services that the Central Bank may occasionally specify.

D. *Outsourcing* to a Cross-Border Service Provider (CBSP)

RFIs must carefully observe governmental policies and the political, social, economic, and legal environments in the nation where the service provider operates, and implement adequate procedures to manage country risk. RFIs may encounter considerable political, financial, and social challenges in other nations that could adversely affect the service

provider's capacity to deliver services. Individuals engaged in *Outsourcing* agreements with CBSPs ought to proceed by:

- a. Entering (in theory) agreements solely with service providers based in regions that typically honor confidentiality clauses and agreements;
- b. Indicate the legal framework that oversees the agreement;
- c. Ensure that the outsourced tasks are carried out in a way that does not hinder the ability to oversee or replicate the Trinidad and Tobago endeavors of the RFI (i.e., from its records, accounts, and documents) promptly; and
- d. Inform the Central Bank if any foreign entity seeks access to its customer data or if any circumstance arises that limits or denies the RFI's and the Central Bank's access rights.

Management needs to assess what benefits this *Outsourcing* arrangement will bring to RFI's overall operations before collaborating with the CBSP. Such an assessment will encompass:

- a. Carrying out suitable risk evaluations, which involve tracking economic, social, and political conditions as well as governmental policies in overseas regions;
- b. Evaluating CBSP's capacity to fulfill RFI's requirements, considering the legal frameworks, regulations, regional business customs, accounting norms, and legal conditions in the overseas jurisdiction; and
- c. Assess operational risks associated with the protection and privacy of RFI and client data. Organizations must guarantee that the confidentiality of client data adheres to applicable regulations and the conditions outlined in the agreement between the client and the RFI.

4.4.3 Bank of England⁴

The PRA (Prudential Regulation Authority) Handbook describes '*Outsourcing*' as 'any kind of agreement between a company and a service provider, whether supervised or not, in which the service provider carries out a process, service, or activity, either directly or via a sub-outsourcer, that the firm would normally undertake itself'. This definition originates from Article 2(3) of the MODR (Commission Delegated Regulation on organizational criteria and operational conditions) and Article 13(28) of Solvency II. According to the European Banking Authority (EBA)'s Published Final Guidelines (GL), firms should evaluate if a third-party arrangement qualifies as *Outsourcing* by determining if the third party will consistently perform the relevant function or service (or a part of it).

A. *Outsourcing* and The Senior Managers and Certification Regime (SM&CR)

The PRA requires firms to allocate the Prescribed Responsibilities for their regulatory obligations related to *Outsourcing* to the Senior Management Function (SMF). These responsibilities may be shared among individuals performing the Operations Senior Management Function (SMF24) or other areas. Companies should interpret this responsibility as covering the company's overall framework, policies, and systems and controls relating to *Outsourcing*. Responsibility for individual *Outsourcing* arrangements may still rest with the relevant line of business.

B. *Outsourcing* Policy

The *Outsourcing* policy should be principle-based and can be backed up by procedures that have been developed, approved, and maintained at the board level.

⁴ <https://www.bankofengland.co.uk/prudential-regulation/prudential-and-resolution-policy-index/banking/Outsourcing-and-third-party-risk-management>

However, the policy should be detailed enough to guide company staff on how to put its requirements into practice.

Table 5. *Outsourcing Policy Bank of England*

General	a. The board's duties encompass its participation, as necessary, in making significant <i>Outsourcing</i> choices. b. The participation of business lines, internal control functions, and other parties (especially the SMF) regarding <i>Outsourcing</i> agreements. c. Connections to additional pertinent policies. d. Documentation and record keeping. Procedures for identifying, assessing, managing, and mitigating relevant potential conflicts of interest. e. Business continuity planning (BCP). f. Differences, if any, between approaches to: - Intragroup, which is <i>Outsourcing</i> vs. <i>Outsourcing</i> to external service providers; - Material <i>Outsourcing</i> vs non-material <i>Outsourcing</i>; - <i>Outsourcing</i> to service providers regulated or supervised by the Bank, Prudential Regulation Authority (PRA), or Financial Conduct Authority (FCA) vs unregulated service providers; and - <i>Outsourcing</i> service providers in specific regions outside the United Kingdom (UK).
Pre-Outsourcing & orientation	a. Vendor due diligence procedure and to evaluate the significance and risk of the <i>Outsourcing</i> agreement (including informing the Prudential Regulation Authority, PRA, if necessary). b. Liability for establishing new <i>Outsourcing</i> contracts, especially significant <i>Outsourcing</i> contracts.
Supervision	Methods for continuous evaluation of service provider effectiveness, including when applicable: a. daily supervision, encompassing incident documentation, regular performance evaluations against service level agreements, and routine strategic evaluations; b. being aware of and reacting to modifications in the <i>Outsourcing</i> agreement or service provider (e.g., related to the financial status, structural organization, ownership changes, or sub-<i>Outsourcing</i>); c. independent review and audit of adherence to legal and regulatory obligations and policies; and d. revitalization process.
Termination of employment	An exit strategy and termination procedure that explicitly accounts for the possibility of an unplanned or distressed termination of the <i>Outsourcing</i> agreement, takes into consideration the likelihood of service disruption (and the company's tolerance of impact on business services),

	and requires a documented exit plan for material <i>Outsourcing</i> arrangements where such an exit is deemed possible.
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4.4.4 European Central Bank (ECB)⁵

Since 2022, the European Central Bank (ECB) has been collecting the *Outsourcing* list of all Significant Institutions (SIs) in the Single Supervisory Mechanism (SSM) on an annual basis. In 2023, the *Outsourcing* list template has been enhanced for data collection to ease the reporting process and improve data quality. Banks' increasing reliance on *Outsourcing* entails adopting appropriate risk management and supervision to ensure and strengthen the operational resilience of the banking sector. Key aspects such as the criticality of the *Outsourcing* function, the possibility of integrating or replacing *Outsourcing* services, and reliance on providers outside the EU and cloud service providers should be analyzed and monitored.

A. Background and Objectives

The European Central Bank (ECB) initiated the collection of *Outsourcing* registers from all Significant Institutions (SIs) to understand the pattern of banks' reliance on third parties to perform critical functions. The main objective is to improve understanding of:

- a. Risks inherent in *Outsourcing* dependency.
- b. Supervision is essential to ensure the operational resilience of the banking sector.
- c. Data quality and compliance with European Banking Authority (EBA) guidelines.

In 2023, the *Outsourcing* register format was updated to simplify reporting, improve data quality, and support risk-based supervision.

B. Key Statistics and Findings

⁵ <https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/internal-governance/guidelines-Outsourcing>

a. *Outsourcing* Contract Data

1. Active Contracts: Of the 59,007 active *Outsourcing* contracts, 29,022 cover critical functions. A total of 10,427 contracts involve external parties, indicating significant reliance on service providers outside the institution.
2. Service Providers: There are 17,051 service providers involved, with 5,929 handling critical functions. Of these, 4,747 providers are external.

b. Increased reliance on third-party providers for critical functions

1. The average contract with external providers for critical functions is a minimum of 2 contracts and a maximum of 1,512 contracts.
2. External providers for critical functions per bank average at least one provider and a maximum of 936 providers.
3. A budget of €25.1 billion for external providers of essential services.

C. Use of Cloud Technology

- a. Cloud usage continues to increase, with approximately 15% of total *Outsourcing* contracts.
- b. Of the 108 SIs that use the cloud, 103 utilize it for critical functions. Major providers include global companies such as Microsoft, Amazon, and Google.

D. Dependence on Third Countries

- a. A total of 22% of critical function *Outsourcing* (2,297 functions) is done by third-country providers.
- b. Key provider countries include the United Kingdom (UK), the United States (US), Switzerland (CH), and India (IN). This suggests geopolitical and compliance risks that need to be closely monitored.

E. Analysis of Risks and Challenges

a. Service Provider Concentration

Approximately 50% of the *Outsourcing* budget is allocated to the 20 largest service providers, and 90% is concentrated in the top 300 service providers. This high concentration increases the risk of dependency on a few specific parties.

b. Processing of Personal Data

Around 70% of *Outsourcing* contracts involve processing personal data, with most of the data being processed outside the EU. This poses challenges regarding data protection and compliance with regulations such as the General Data Protection Regulation (GDPR).

c. Compliance with EBA (Asset-Backed Securities) Guidelines

12% of contracts reported were not compliant with EBA (Asset Backed Securities) guidelines, of which 60% were not audited in the last three years. This emphasizes the need for closer monitoring to ensure compliance.

4.4.5 Bank Negara Malaysia (BNM)⁶

A. Background and Objectives

Malaysia has undergone a significant transformation in its financial landscape over the past decade, driven by:

1. Globalization and digitalization.
2. Increasingly diverse financing needs.
3. Increased competition: Globalisasi dan digitalisasi.

Outsourcing is used as a strategy to:

1. Improve operational efficiency.

6

[https://www.bnm.gov.my/documents/20124/963937/Risk+Management+in+Technology+\(RMiT\).pdf/810b088e-6f4f-aa35-b603-1208ace33619?t=1592866162078](https://www.bnm.gov.my/documents/20124/963937/Risk+Management+in+Technology+(RMiT).pdf/810b088e-6f4f-aa35-b603-1208ace33619?t=1592866162078)

2. Reduce costs.
3. Leverage expertise and synergies within the financial group

However, *Outsourcing* also carries risks, primarily if not appropriately managed. This regulation aims to:

1. Ensure robust risk management.
2. Ensure operational sustainability of financial institutions.
3. Protect customer data and maintain public trust.

B. Scope and Application

This guideline applies to:

1. Financial institutions in Malaysia undertake all *Outsourcing* activities.
2. Foreign branches operating in Malaysia, but only for activities in Malaysia.

Exceptions include general services such as hardware maintenance, marketing, security services, and other non-critical activities.

C. Key Policies

Responsibilities of the Board of Directors and Senior Management

1. The board of directors ensures strong governance of the *Outsourcing* arrangement.
2. Senior management shall develop an *Outsourcing* risk management framework that includes:
 - a. Identification of material *Outsourcing* activities.
 - b. Compliance with laws and regulations.
 - c. Overall risk oversight.

D. *Outsourcing* Risk Management

1. Due Diligence Process: Financial institutions should conduct thorough due diligence before entering or renewing an *Outsourcing* arrangement. Aspects to be

assessed include reputation, financial strength, risk management capabilities, and service provider data security.

2. Contractual Arrangements: All *Outsourcing* arrangements should be governed by a written contract that covers duration, service provider responsibilities, audit rights, data protection, and business continuity plans.
3. Data Protection: Customer data must be protected with strict security standards, including arrangements with service providers outside Malaysia.

E. Overseas *Outsourcing*

1. *Outsourcing* to service providers outside Malaysia requires additional measures to manage risks, including country risk and data access.
2. Financial institutions should ensure these arrangements do not affect the ability to oversee and execute business continuity plans.

F. Use of Cloud

Cloud providers must meet Malaysia's regulatory requirements. Financial institutions must ensure data accessibility, security, integrity, and compliance.

G. Regulatory Process

1. BNM Approval: Financial institutions must obtain written approval from BNM for material *Outsourcing* arrangements.
2. *Outsourcing* Plan: Annually, financial institutions must submit an *Outsourcing* plan covering new and renewal arrangements, including their impact on the workforce.

H. Risks Addressed

This document identifies the key risks associated with *Outsourcing*, including:

1. Strategic risks: Impact on the achievement of business objectives.
2. Operational risk: Operational disruption due to service provider failure.

3. Information security risk: Breach of customer data and confidentiality.
4. Compliance risk: Non-compliance with laws and regulations.
5. Concentration risk: Dependence on a few key service providers..

4.4.6 Central Bank of the United Arab Emirates (CBUAE)⁷

A. Governance and Control of Risk

The bank will maintain a suitable risk governance framework by the risk management Regulations and Standards set by the Central Bank. This risk governance framework must be thorough and encompass all outsourced business operations while specifically tackling extra risks that occur when business functions are outsourced, including but not limited to:

1. Operational risks stemming from insufficient processes or systems, inadequately trained or supervised personnel, as well as fraud or mistakes by the outsourced service provider;
2. Compliance risk resulting from the inability of the *Outsourcing* Service Provider to adhere to laws and regulations or the Bank's policies, standards, or codes of conduct;
3. Vendor lock-in and business continuity risks stem from insufficient contractual and practical measures that guarantee outsourced business functions can be swiftly transitioned to other service providers or back to the Bank itself, or concluded without significantly disrupting the Bank's operations or its capability to handle risks;

⁷ <https://rulebook.centralbank.ae/en/rulebook/Outsourcing-regulation-banks#:~:text=5.1%20Outsourcing%20agreements%20must%20ensure,access%20this%20data%20upon%20request>.

4. Concentration risk stemming from dependence on a single *Outsourcing* service provider for various *Outsourcing* agreements, or from multiple *Outsourcing* service providers relying on the same subcontractor;
5. Risks related to governance and internal control stemming from excessive *Outsourcing* in general, within a specific area or department, or an overdependence on third parties in business operations;
6. The marginal risk of each suggested *Outsourcing* arrangement and the total risk of all *Outsourcing* options.

B. Guidelines and protocols for evaluating and authorizing material business activity, *Outsourcing*

The Bank must establish policies and procedures to guarantee adherence to relevant regulations and standards, and to confirm that the following have been accomplished before *Outsourcing* any business activity:

1. The Board or a committee has received sufficient information and sanctioned the *Outsourcing* arrangement, as necessary.
2. A suitable due diligence assessment has been performed on the chosen *Outsourcing* service provider that considers factors including, but not limited to:
 - a. Capacity, encompassing financial resources, to fulfill the terms of the agreement and deliver services consistently;
 - b. Familiarity with comparable contracts and offerings;
 - c. Management, internal oversight, internal auditing, documentation, and tracking abilities;
 - d. Safety, encompassing digital security;
 - e. Personnel, encompassing worker credentials and abilities; and

- f. Country risk elements and relevant legal framework...
- 3. Measures have been established to track performance per the Outsourcing agreement.
- 4. Suitable measures for business continuity and disaster recovery are established, encompassing contingency plans to reintegrate the *Outsourcing* function into the company if necessary, or identifying alternative *Outsourcing* service providers.

C. Materiality of *Outsourcing* Arrangements

When assessing whether an *Outsourcing* agreement is substantial, banks should take into account the following factors at the very least:

- 1. The effect on the Bank's capacity to handle and regulate risk;
- 2. The effect on the Bank's results and management of its performance;
- 3. The consequences of the *Outsourcing* service provider's inability to provide services as per the agreement, including the neglect to manage risks or function safely and wisely;
- 4. The effect on the Bank's capacity to adhere to legal and regulatory obligations;
- 5. The type of information exchanged under the *Outsourcing* agreement.

D. Register for *Outsourcing*

The *Outsourcing* Register's objective is to give internal and external stakeholders, such as the Central Bank or external auditors, a thorough picture of a bank's *Outsourcing* activities. An *Outsourcing* registration must be created and kept up to date to achieve this goal:

- 1. Accurate;
- 2. Current information;

3. Enables differentiation between material and non-material *Outsourcing*;
4. Enables the differentiation of various risk levels;
5. Identifies if data is shared and, if applicable, the data type involved.

E. Data privacy

Banks must guarantee that outsourcing agreements offer the same data protection required to carry out outsourcing activities independently. Banks should implement suitable policies and procedures and take all the necessary actions to guarantee data integrity, confidentiality, and accessibility. At the very least, these policies and measures ought to encompass the following for both digital and physical access:

1. Management of access rights, encompassing but not restricted to policies for assigning and withdrawing access rights, as well as regular evaluations of user privileges;
2. Defense against physical and cyberattacks;
3. Safeguarding the integrity of data;
4. Tracking record;
5. Procedures for identifying, responding to, and recovering from data security events.

F. Agreement of *Outsourcing*

a. Minimum required content

The *Outsourcing* Agreement must specify the degree of certainty regarding at least the following:

1. Extent of the agreement, services to be delivered, and rights and duties of all parties engaged;
2. Cost and charge framework;
3. Standards of service and performance expectations;
4. Management, safety, evaluation, documentation, and oversight processes;
5. Management of business continuity and disaster recovery.;
6. Information security, privacy, and confidentiality;
7. Provisions for default and termination, which also cover early termination for any cause;
8. Liability, indemnification, and insurance;
9. Compliance with anti-money laundering and counter-terrorism financing laws and regulations;
10. Commencement and conclusion dates of the contract, along with clauses for assessing, extending, or canceling the agreement;
11. Agreements for resolving disputes, which include identifying the applicable legal jurisdiction;
12. If subcontracting is permissible, under what circumstances?
13. Safeguarding of bank and customer information is addressed within the terms of the agreement.

14. The necessity for the *Outsourcing* service provider to inform the Bank promptly of any breaches regarding the Bank's data, especially violations of confidential data; and

15. The Central Bank's authority and any delegate assigned by it will perform on-site inspections at the *Outsourcing* service provider's location and collect any data or information from the *Outsourcing* service provider needed for oversight.

b. The Central Bank's access to *Outsourcing* service providers

The Central Bank needs the same access to outsourced business activities for supervisory reasons as it would have if the bank managed those activities directly. Typically, the Central Bank will acquire any required information from the bank. Nevertheless, any *Outsourcing* contract must contain an explicit clause obligating the *Outsourcing* service provider to supply directly to the Central Bank, upon request, any data or information that the Central Bank considers necessary for supervision.

G. *Outsourcing* beyond the UAE

Banks need to evaluate the risks linked to *Outsourcing* business operations to service providers in different jurisdictions and take steps to manage or reduce those risks.

H. Internal Outsourced tasks must stay within the boundaries of internal audit and compliance duties. They must adopt a similar risk-based strategy to the activities carried out by the bank while considering the extra risks that *Outsourcing* those activities may introduce. The bank's internal audit function must be equipped to gather all required information to reassure the Board of Commissioners. If necessary, it must be allowed to ask for an extension of the scope of audits carried out by other parties.

I. No objection from the Central Bank

The Central Bank must give its consent before the Bank agrees to outsource significant commercial operations. The Bank must provide the Central Bank with at least the following when obtaining no-objection approval:

1. A short overview of the business task intended for *Outsourcing*;
2. An overview of the materiality evaluation;
3. Overview of the risk evaluation;
4. Overview of due diligence conducted and findings;
5. Approval of the internal audit function and compliance function confirmation;
6. A summary of the closely associated *Outsourcing* agreement;
7. Verification of adherence to the stipulations of the *Outsourcing* Regulations for Banks;
8. Proof of the Board's or a committee's endorsement of the suggested *Outsourcing*.

The Central Bank will either approve or ask for additional details. Banks are advised to engage in early discussions about their significant *Outsourcing* strategies and collaborate with the Central Bank to prevent delays in *Outsourcing* caused by the non-objection procedure.

J. Obligations for reporting

Banks must consistently provide the Central Bank with reports on their *Outsourcing* arrangements, following the format and schedule set by the Central Bank.

4.4.7 Monetary Authority of Singapore (MAS)⁸

The Monetary Authority of Singapore (MAS) released these guidelines to establish a systematic framework for overseeing the risks linked to *Outsourcing* agreements in financial institutions. The guidelines emphasize accountability, risk management, and integrity of financial services, ensuring institutions meet their obligations despite relying on external service providers.

A. Key Components of the Guidelines

1. Introduction and Objectives

While *Outsourcing* provides operational efficiency and cost benefits, it also introduces risks, such as reputational, compliance, operational, and security risks. MAS emphasizes the need for a comprehensive risk management framework to ensure institutions comply with legal and regulatory requirements while overseeing outsourced functions.

2. Scope and Applicability

These guidelines apply to all financial institutions in Singapore, including their overseas branches and subsidiaries. Institutions are expected to:

- a. Evaluate *Outsourcing* risks and maintain governance.
- b. Ensure compliance with Singapore law and MAS expectations, especially for material *Outsourcing* arrangements.

⁸ <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-Outsourcing>

3. Definitions

This guideline defines some essential terms, such as:

- a. *Outsourcing* Arrangements: When an external party performs services essential to the institution.
- b. Material *Outsourcing*: Activities that could significantly impact operations, compliance, or customer confidence in the event of failure.

4. *Outsourcing* Provisions

a. Interaction with MAS

Institutions must:

- a. Keep MAS informed of any adverse developments in the *Outsourcing* arrangements.
- b. Maintain a list of *Outsourcing arrangements and submit them* to MAS annually or upon request.
- c. Address deficiencies found by MAS and modify the *Outsourcing* relationship as necessary.

b. Risk Management Practices

Institutions should have a robust risk management framework, including:

- a. Responsibilities of the Board of Directors and Management: Oversight all *Outsourcing* risks and ensure effective governance.

- b. Risk Evaluation: Identification and assessment of risks, including due diligence of service providers and analysis of the potential impact of failure.
- c. *Outsourcing* Agreement: A written agreement that governs roles, responsibilities, confidentiality, dispute resolution mechanisms, and termination of cooperation.
- d. Business Continuity Management (BCM) ensures operations continue despite service disruptions.
- e. Monitoring and Control: Regular performance reviews, audits, and oversight to ensure compliance and effective service.

5. Cloud Computing

Cloud computing services are considered part of an *Outsourcing* arrangement.

Institutions must:

- a. Address risks such as data sovereignty, confidentiality, and operational resilience.
- b. Ensure oversight and controls appropriate to the associated risks.

6. Audit and Inspection

Outsourcing arrangements must not impede MAS's oversight function. Institutions must:

- a. Allow MAS and its designated agents to inspect service providers.

- b. Conduct independent audits to verify compliance with security, operational, and governance requirements.

7. Special Scenarios

- a. Intra-group *Outsourcing*: Requires cross-group risk management and documented responsibilities.
- b. *Outsourcing* Outside Singapore: Institutions must address country-specific risks, such as political, legal, or economic uncertainties.

Table 6. Benchmark International

COUNTRY /INSTITUTION	POLICY ASPECTS	REGULATION
Indonesia	a. Prudential Principle b. Risk Management c. Local Vendor Requirements	a. The Bank may only outsource supporting work that is low risk and does not affect critical decision-making. b. The service provider must be an Indonesian legal entity with a business license and a good reputation. c. The Bank remains responsible for the outsourced activities and must make and monitor the <i>Outsourcing</i> agreement in writing according to POJK No. 9/POJK.03/2016 provisions.

Federal Reserve Bank of New York (USA)	a. Governance b. Risk Management c. Data Security	a. Emphasize the importance of risk management controls and transparency in <i>Outsourcing</i> contracts. b. Policies should ensure compliance with data security standards and regulators' access rights to operational information.
Central Bank of Trinidad & Tobago	a. Materiality Assessment b. Business Continuity Planning	a. Each <i>Outsourcing arrangement should be evaluated based on the impact of materiality</i> on the bank's operations. b. Banks should have a clear business continuity plan and exit strategy regarding <i>Outsourcing</i> activities
Bank of England (UK)	a. Proportionality b. <i>Outsourcing</i> Agreement c. Audit Rights	a. Ensure the scale and complexity of <i>Outsourcing</i> are suitable for the company's size and risk. b. Contracts should include audit rights and regulatory access. c. Focus on data protection in a cloud <i>Outsourcing</i> framework.
European Central Bank (ECB)	a. Criticality and Dependency Management b. Cloud Usage	a. Oversight of outsourced critical functions. b. Detailed regulations regarding the use of cloud services and the risk of dependency on third-party providers outside the EU (European Union).
Bank Negara Malaysia	a. Supervise the Board of Directors b. Data Confidentiality	a. Emphasize the importance of risk management controls and transparency in <i>Outsourcing</i> contracts.

	c. Cross-Border <i>Outsourcing</i>	b. Policies should ensure compliance with data security standards and regulators' access rights to operational information.
Central Bank of the United Arab Emirates (CBUAE)	a. Service Provider Assessment b. Cybersecurity Standard	a. Service providers must undergo rigorous due diligence before arrangements are approved. b. Strict cybersecurity standards are required to protect customer data and bank information assets.
Monetary Authority of Singapore (MAS)	a. <i>Outsourcing</i> Risk Management b. Compliance Monitoring c. Contract Termination Protocol	a. Focus on a robust <i>Outsourcing</i> risk management framework. b. Oversight to ensure service providers comply with contract terms. c. There should be a contract termination protocol that ensures the secure transfer of data.

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

During my internship at the Indonesian Financial Services Authority (OJK), I was assigned to the Banking Regulations Review Team under the Directorate of Banking Regulation and Development (DPNP) as part of the Certified Independent Study and Internship Program (MSIB) Batch 2, from September to December 2024. My primary responsibilities included assisting in the review and analysis of banking regulations, particularly those related to outsourcing, the use of foreign labor, and equity-backed loans. I participated in evaluating OJK Regulations (POJK) included in the 2024 legislative program and supported the development of the Indonesian Banking Regulations Handbook (HRPI). Additionally, I conducted comparative studies on outsourcing practices in other countries such as the United States, the United Kingdom, Malaysia, and Singapore to provide policy insights for regulatory improvements. During the internship, I participated in training modules covering prudential supervision, digital financial innovation, and financial inclusion. This experience enabled me to develop skills in regulatory research, policy analysis, and institutional collaboration while gaining practical insights into how financial regulations support a stable and inclusive banking system.

a. Changes in *Outsourcing* Arrangement

The change from Law Number 13 of 2003 on Labor to Law Number 11 of 2020 on Job Creation has made the definition of *Outsourcing* more flexible. *Outsourcing* can now be implemented any work the company requires for operational efficiency, not just supporting work as before.

b. Relevance of POJK with Job Creation Law

The Financial Services Authority Regulation (POJK) Number 9/POJK.03/2016 on Prudential Principles for Commercial Banks that Transfer Part of the Work Implementation to Other Parties is still relevant in the context of early labor regulations. However, with the enactment of the Job Creation Law, it is necessary to adjust the definition and strengthen the supervisory provisions to align with the new law, which offers more flexibility in the *Outsourcing* mechanism.

c. International Benchmarking

The international benchmarking analysis showed that banks in other countries, such as the Federal Reserve Bank of New York (USA), Central Bank of Trinidad and Tobago, and Bank of England (UK), have more specific rules related to risk management, data protection, and business continuity strategies in the context of *Outsourcing*. This suggested the importance of integrating global best practices in domestic regulations. This indicated an opportunity to adopt some of the policies successfully implemented in other countries to strengthen *Outsourcing* governance in Indonesia.

5.2 Recommendations

This study provided several recommendations that may be considered by the Financial Services Authority (OJK) which are outlined below:

1. Adjust POJK No. 9/2016 by simplifying the types of *Outsourcing* agreements to use only one kind of *Outsourcing* agreement.
2. Maintain POJK Number 9 of 2016 related to *Outsourcing* restrictions on supporting work, considering best practices from benchmarking countries.
3. Adopt best practices, as described below:

Table 5.1 Recommendations for Implementation in Indonesia

Best Practices	Country /Institution	Details	Recommendations for Implementation in Indonesia
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Strict Supervision by Regulators	United States (Federal Reserve Bank)	Active management and monitoring by the board of directors and senior management. Establish cross-functional teams to ensure thorough oversight, including internal audit, information security, and compliance.	OJK is advised to encourage banks in Indonesia to involve various units, such as legal, audit, and IT, in supervising <i>Outsourcing</i> activities.
Flexible Contracting	United States (Federal Reserve Bank)	Flexible contracts with performance incentives and penalty mechanisms to maintain service quality. Include contingency plans in case of service provider failure.	OJK is advised to encourage banks in Indonesia to make flexible contracts with vendors.
Use of Technology for Surveillance	European Union (European Central Bank)	A centralized <i>Outsourcing</i> register will be used to monitor all <i>Outsourcing</i> contracts. Cloud technology is utilized for critical functions with strict security requirements.	OJK must encourage banks to utilize technology to supervise <i>Outsourcing</i> practices, such as centralized <i>Outsourcing</i> registers and cloud technology for critical functions.

Implementation of Data-Driven Risk Management	England (Bank of England)	Risk-based policies that include operational risk identification, exit strategies, and periodic evaluation of vendor performance.	OJK needs to require banks in Indonesia to periodically evaluate the performance of the vendors or <i>Outsourcing</i> service providers they use.
Compliance with International Data Regulations	European Central Bank (ECB)	Ensure data protection by the General Data Protection Regulation (GDPR). Emphasize the importance of transparency in data processing and information security, especially when using cross-border service providers.	OJK needs to emphasize the importance of protecting customers' data, including rules on data transfer to foreign service providers, and adopt the transparency principles of the General Data Protection Regulation (GDPR).

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Appendix 1 – Monthly Report September – December 2024

1. How is the mentoring activity and coordination with Mentor & DPP?
2. What have you been working on and how is it going?
3. What challenges have you faced, and provide alternative solutions to overcome them?
4. What competencies have been developed?

06 September – 05 Oktober 2024

No.	Activity
1.	During the first month, I began coordinating with my assigned mentor at OJK, Mr. Dharma Iswara Bagoes Oka. I also participated in a series of orientation programs organized by the MSIB committee and the Department of Banking Regulation and Development (DPNP). I actively engaged with the internal PKB team to coordinate work and delegate early-stage tasks. The mentoring in this stage focused on understanding institutional expectations, orientation on regulatory functions, and discussing initial assignments.
2.	I was introduced to OJK's institutional framework and began familiarizing myself with POJK and SEOJK, especially those related to financial transparency and <i>Outsourcing</i> . I worked on analyzing regulations for Rural Banks (BPR and BPRS) and participated in internal team meetings. I also started outlining my classical report and was assigned to assist with basic administrative processes related to documentation.
3.	My initial challenge was understanding regulatory documents, particularly the structure and technical language of POJK/SEOJK. I found it challenging to interpret and apply the legal jargon to practical analysis. To address this, I sought clarification from my mentor, made summary notes of the regulations, and conducted additional research on banking supervision.
4.	I developed foundational knowledge in regulatory interpretation, internal administrative procedures, and early-stage policy analysis. This month also helped me build confidence in formal communication and familiarized me with the expectations and workflow of a government institution.

Appendices 1. Monthly Report 06 September – 05 October 2024

05 October – 30 Oktober 2024

No.	Activity
1.	Mentoring and coordination became more intensive. I regularly updated my mentor on the progress of the classical report and began receiving structured feedback. I also joined multiple team discussions and internal Zoom meetings regarding the upcoming “Handbook on Indonesian Banking Regulation (HRPI)” event. This mentoring process provided more strategic direction and enhanced my ability to respond to short-deadline tasks.
2.	I worked on drafting and completing all chapters of the classical report, from Chapter 1 (Introduction) to Chapter 5 (Conclusion and Recommendations). In parallel, I was directly involved in organizing the HRPI consignment meeting, assisting in logistics, creating invitation documents, communicating with hotel vendors, and even serving as the Master of Ceremonies (MC). I also prepared meeting notes and helped summarize the outcome of the event.
3.	One of the biggest challenges this month was balancing content-heavy report writing with the logistical and administrative load from the consignment meeting. I handled multiple tasks at once, often under tight schedules. I managed this by preparing daily to-do lists, scheduling coordination meetings, and leveraging document templates to speed up processes.
4.	This month, I improved my project management skills, particularly in balancing academic writing with professional responsibilities. I strengthened my public speaking and event coordination skills, gained hands-on experience in administrative operations, and deepened my understanding of regulatory event planning.

Appendices 2. Monthly Report 05 October – 30 October 2024

31 October – 25 November 2024

No.	Activity
1.	Mentoring activities in November focused on developing the final report and preparing for the Focus Group Discussion (FGD) on <i>Outsourcing</i> and foreign labor. My mentor provided valuable feedback on the structure of the paper, while the PKB team helped coordinate guest speakers from ministries and other relevant institutions. This month involved frequent communication with internal and external stakeholders, under the supervision of my mentor.
2.	I was responsible for drafting the final report on the “Comparative Analysis of <i>Outsourcing</i> Regulation in the Banking Sector through International Benchmarking.” I also handled the logistics for the FGD, including sending Terms of Reference (TOR), designing cue cards, and collecting administrative requirements from speakers. I participated in the event, followed up with attendees, and compiled minutes of discussion.
3.	Coordinating with external stakeholders such as the Ministry of Manpower and the Directorate General of Immigration required professionalism and accuracy. Ensuring all TORs, SK drafts, and personal data submissions were in order took effort and patience. I solved this by preparing email templates, using shared Google Drive folders for efficient file management, and keeping a follow-up log for each speaker.
4.	This month, I enhanced my stakeholder communication skills and learned to organize and lead high-level policy discussions. I improved my ability to write formal documents and learned how to manage inter-institutional events. I also developed a sharper eye for policy gaps by analyzing global <i>Outsourcing</i> practices.

Appendices 3. Monthly Report 31 October – 25 November 2024

26 November – 31 December 2024

No.	Activity
1.	In the final month, mentoring focused on refining the final report and preparing for the final presentation. I received detailed input from both my mentor and the PKB team. These mentoring sessions helped me finalize content, address revisions, and improve the narrative and logic of my presentation. Coordination was also extended to collect feedback after the presentation and compile revisions.
2.	I completed and submitted my final report and presentation titled “Comparative Analysis of <i>Outsourcing</i> Policy in the Banking Sector through International Benchmarking.” I also followed up on final revisions and participated in the evaluation session conducted by the PKB unit. All feedback received during the presentation was noted and incorporated into the final version of my report.
3.	My key challenge this month was synthesizing a large amount of data and insight into a clear, persuasive presentation. I had to ensure the message was coherent and aligned with institutional expectations. To overcome this, I rehearsed my delivery, structured the slides clearly, and revised the content based on multiple rounds of feedback.
4.	I developed advanced skills in policy presentation and public speaking. I also strengthened my academic writing, especially in translating theoretical frameworks into actionable policy insights. Furthermore, I learned the importance of responsiveness to feedback and the iterative process of refining work products in a professional environment.

Appendices 4. Monthly Report 26 November – 31 December 2024

Appendices 5 – Certificate from MSIB



Appendices 5. Certificate from MSIB

Appendices 6 – Internship Certificate and Grade from OJK



Appendices 6. Internship Certificate and Grade from OJK

Appendices 6 – Final Assignment Recapitulation Results

				
Hasil Rekapitulasi Nilai Akhir				
Nama Peserta	:	Vita Hilmalia		
Perguruan Tinggi	:	Universitas Islam Indonesia		
Jurusan	:	Ekonomi Pembangunan		
Satuan Kerja	:	Departemen Pengaturan dan Pengembangan Perbankan		
Mentor	:	Dharma Iswara Bagoes Oka		
No.	Komponen Penilaian	Bobot	Nilai	Nilai Final* (0-100)
1	Pelaksanaan Program Kampus Merdeka Learning	25%	100.00	25.00
2	Proyek/Riset	40%	88.02	35.21
3	Working Experience	35%	85.00	29.75
Total Nilai Akhir				89.96

Appendices 7. Final Assignment Recapitulation Results