

UNEQUAL INTEGRATION: INDONESIA'S CAUTIOUS APPROACH TO THE ASEAN BANKING INTEGRATION FRAMEWORK

Divisi Pasar Modal | Bidang Keilmuan

Business Law Community

Penulis

1. Qanita Alya Nafisa

ABSTRACT

The ASEAN Banking Integration Framework (ABIF) was established to promote regional financial integration and create a more competitive and stable banking environment within the ASEAN Economic Community (AEC). The framework allows banks that meet prudential and governance standards, known as QABs, to operate across member states through bilateral agreements. However, implementation has varied widely among ASEAN countries. Indonesia has adopted a cautious approach, reflecting its long-standing emphasis on financial sovereignty and stability. This paper examines the legal and institutional reasons behind Indonesia's slow participation in ABIF and how domestic regulations interact with regional commitments. The discussion explores three main areas: the structure of ABIF as a cooperative rather than a supranational framework; Indonesia's legal architecture under Law No. 7 of 1992 on Banking, Law No. 21 of 2011 on the Financial Services Authority (FSA LAW), and the Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law); and the broader regional disparities that limit mutual recognition. The analysis finds that Indonesia's prudential and protective laws, while effective in maintaining financial stability, slow the process of regional integration. The paper concludes that Indonesia can reconcile national and regional interests through gradual legal adaptation, enhanced regulatory cooperation, and measured liberalization that preserves both stability and ASEAN's collective progress.

A. INTRODUCTION

Regional economic integration has become one of the main policy priorities in Southeast Asia during the 21st century. The creation of the AEC in 2015 represented a shared effort to make the region more economically connected. It aims to establish a single market and production base, allowing goods, services, investment, capital, and skilled labor to move more freely among ASEAN countries. Through this framework, ASEAN seeks to reduce trade barriers, attract investment, and strengthen its position in the global economy. The AEC's agenda is broader than trade. It also covers the financial sector, which is seen as the foundation for regional business and cross-border investment. Within this context, the ASEAN Banking Integration Framework (ABIF) was developed as a key initiative to promote cooperation and stability in the region's banking industry.¹

The ASEAN Banking Integration Framework was formally endorsed by ASEAN finance ministers in 2014 as part of the wider AEC roadmap. Its purpose is to enable banks that meet certain prudential and governance standards, known as QABs, to operate in other member states under a system of mutual recognition.² In principle, ABIF allows banks to expand across borders with easier licensing procedures and closer cooperation between regulators. However, ABIF is not a supranational law. It functions through bilateral agreements between member countries, meaning that its implementation depends on each state's domestic rules, institutional capacity, and policy decisions. As a result, the pace of integration differs widely across ASEAN, and the framework's success depends on how well national regulators cooperate.

¹ ASEAN Secretariat, *Joint Statement of the ASEAN Finance Ministers and Central Bank Governors on the ASEAN Banking Integration Framework (ABIF)*, Nay Pyi Taw, 2014.

² Asian Development Bank (ADB), *ASEAN Banking Integration Framework (ABIF)*, ARIC Initiative (2024), <https://aric.adb.org/initiative/asean-banking-integration-framework-abif>.

Among all ASEAN members, Indonesia has adopted one of the most careful approaches toward ABIF. The country supports ASEAN's objectives but moves gradually when liberalizing its financial sector. This caution is shaped by Indonesia's experience during the 1997–1998 Asian Financial Crisis, which exposed major weaknesses in supervision, capital control, and governance within its banking system.³ The crisis led to large-scale bank failures and created a long-term regulatory mindset that emphasizes prudence and consumer protection before market openness. Indonesia's banking policy today reflects this history, with laws and regulations designed to maintain financial stability and prevent excessive exposure to external shocks.

The legal framework governing Indonesia's banking sector shows this cautious orientation. The foundation lies in Law No. 7 of 1992 on Banking, as amended by Law No. 10 of 1998, which regulates licensing, ownership, and foreign participation. The law allows foreign banks to operate in Indonesia but includes conditions intended to safeguard domestic stability. Oversight was strengthened through FSA LAW, which established the Financial Services Authority (Otoritas Jasa Keuangan or OJK) as an independent regulator for banking, capital markets, and insurance.⁴ More recently, P2SK Law consolidated supervision under OJK and reaffirmed the principle of financial sovereignty. Together, these laws form a layered framework that supports ABIF's prudential goals but maintains tight national control.

OJK's implementing rules demonstrate how Indonesia aligns with ABIF while protecting its domestic market. OJK Regulation No. 12/POJK.03/2021 on Commercial Banks specifies detailed licensing requirements, capital adequacy ratios,

³ Hal Hill, *The Indonesian Economy since the Asian Financial Crisis* (Singapore: ISEAS Publishing, 2014), 25–30.

⁴ Republic of Indonesia, *Law No. 21 of 2011 on the Financial Services Authority (OJK)*.

and risk-management standards for both domestic and foreign banks.⁵ These provisions are consistent with ABIF's emphasis on sound governance but ensure that all regional entrants remain subject to Indonesia's own evaluation. In this system, foreign banks cannot automatically operate as QABs without fulfilling national standards. The result is a balance between regional participation and domestic oversight.

Indonesia's cautious stance can be interpreted as both strategic and protective. On one side, it demonstrates responsible risk management. Emerging markets such as Indonesia remain vulnerable to capital volatility, and premature liberalization could destabilize the financial system. On the other side, this cautiousness slows ASEAN's collective effort to build an integrated banking market. Countries such as Malaysia and Singapore have already advanced bilateral ABIF arrangements, while Indonesia continues to evaluate participation based on domestic readiness. This uneven progress highlights the ongoing challenge for ASEAN: to achieve integration without undermining national stability.

In Indonesia's case, the approach to ABIF reflects more than hesitation. It represents a deliberate policy shaped by law and experience. Indonesia recognizes the potential benefits of regional banking integration but insists that it must be achieved under conditions that protect national interests. The country's experience shows that regional cooperation in banking requires not only shared goals but also mutual trust in each member's legal and supervisory capacity. How Indonesia continues to balance these two priorities, sovereign control and regional integration will determine its role in ASEAN's financial future.

⁵ Otoritas Jasa Keuangan (OJK), *POJK No. 12/POJK.03/2021 on Commercial Banks* (Jakarta: OJK, 2021).

B. FINDINGS AND DISCUSSION

1. What is ABIF?

The ABIF is a policy initiative established to promote greater financial integration among ASEAN member states. It was endorsed by ASEAN finance ministers and central bank governors in 2014 as part of the AEC agenda on financial services.⁶ The framework seeks to create a more interconnected and resilient regional banking system by allowing banks that meet common prudential and governance standards, known as Qualified ASEAN Banks (QABs), to operate more freely across the region.⁷ In practice, ABIF serves as a legal and institutional mechanism to encourage cross-border banking within ASEAN, complementing existing trade and investment liberalization measures under the ASEAN Framework Agreement on Services (AFAS).

The main objective of ABIF is to strengthen financial stability while advancing market access. It does this by harmonizing regulatory standards, promoting mutual recognition of supervisory frameworks, and supporting reciprocal treatment among member countries.⁸ The key concept within ABIF is reciprocity, which means that access to a host country's market is granted only when both the home and host regulators agree to recognize each other's standards and supervisory systems. This approach aims to balance national sovereignty with regional integration, ensuring that countries maintain oversight of their domestic financial systems while still participating in regional cooperation.

⁶ ASEAN Secretariat, *Joint Statement of the ASEAN Finance Ministers and Central Bank Governors on the ASEAN Banking Integration Framework (ABIF)*, Nay Pyi Taw, 2014.

⁷ Asian Development Bank (ADB), *ASEAN Banking Integration Framework (ABIF)*, ARIC Initiative (2024), <https://aric.adb.org/initiative/asean-banking-integration-framework-abif>.

⁸ De Jesus and Torres, "Analysis of the ASEAN Banking Integration Framework: The Philippines as a Looking Glass for Consumer Preference," *Journal of Global Entrepreneurship Research* 7 (2017): 24.

Unlike the European Union’s “passporting” model, ABIF does not establish a supranational authority or automatic right of market entry. Instead, it operates as a cooperative framework where countries voluntarily negotiate bilateral agreements to implement its principles.⁹ This makes ABIF distinct from legally binding regional treaties. Its flexibility allows each member state to adjust commitments according to its own regulatory capacity and level of banking development. However, this flexibility also slows down progress, as the framework depends on the political will and institutional readiness of individual countries.

The implementation of ABIF is guided by two main documents: the Principles, endorsed in 2014, and the ASEAN Financial Integration Framework (AFIF), which provides the roadmap for regional financial services liberalization.¹⁰ These documents outline the creation of QABs, define eligibility criteria, and establish guidelines for supervisory cooperation between home and host authorities. In short, ABIF is not a law in itself but a policy mechanism that operates through national legal systems and bilateral arrangements.

2. Historical Background

The development of ABIF is closely tied to the broader process of ASEAN economic and financial integration. The ASEAN Framework Agreement on Services (AFAS), adopted in 1995, laid the foundation for liberalizing trade in services, including financial services.¹¹ Over time, ASEAN recognized that the growth of intra-regional investment and trade required a more connected banking system. In 2011, ASEAN finance ministers agreed on the AFIF, which set out a long-term goal to achieve an integrated financial market by 2025.¹²

⁹ Yamanaka, “Integration of the ASEAN Banking Sector,” *Nomura Journal of Asian Capital Markets* 6, no. 1 (2014): 34.

¹⁰ ASEAN Secretariat, *AEC Blueprint 2025* (Jakarta: ASEAN Secretariat, 2015), 25–27.

¹¹ ASEAN Secretariat, *ASEAN Framework Agreement on Services (AFAS)*, Bangkok, 1995.

¹² ASEAN Finance Ministers, *ASEAN Financial Integration Framework (AFIF)*, Joint Communiqué, 2011.

Under AFIF, the ABIF was identified as one of the priority areas for action. The endorsement of ABIF in 2014 represented a milestone because it provided a clear policy direction and operational plan for banking integration. It established the Qualified ASEAN Bank concept and encouraged countries to begin bilateral negotiations to open their markets to selected regional banks.¹³

In 2016, the first bilateral arrangement under ABIF was signed between Indonesia Central Bank (BI) and Bank Negara Malaysia. This agreement set out reciprocal commitments for the entry of QABs from both countries and outlined cooperation on regulatory supervision.¹⁴ Although the agreement symbolized progress, its implementation remained cautious and limited in scope. Only a few banks were identified for potential qualification, and regulatory approval processes were lengthy.

The ABIF framework continues to operate within the larger structure of the AEC Blueprint 2025, which emphasizes “financial inclusion, stability, and integration.”¹⁵ The AEC Blueprint 2025 envisions an ASEAN region where capital and financial services can move efficiently, but it also acknowledges the diversity in financial development levels among member states. For this reason, ABIF emphasizes flexibility and readiness. Each member state can determine when and how it will participate, based on domestic capacity and supervisory preparedness.

This context explains Indonesia’s cautious attitude. The country recognizes ABIF’s importance but remains mindful of its own institutional constraints and the lessons from past crises. As a result, Indonesia approaches integration through gradual harmonization rather than rapid liberalization.

¹³ Handayani et al., “Strengthening Indonesian Banking Industry to Comply with ASEAN Banking Integration Framework Concerning Reciprocity and Gap-Reduction Principles,” *Padjadjaran Journal of Law* 5, no. 2 (2018): 130–135.

¹⁴ Bank Indonesia and Bank Negara Malaysia, *Bilateral Arrangement on the ASEAN Banking Integration Framework (ABIF)*, signed August 2016, Vientiane.

¹⁵ ASEAN Secretariat, *AEC Blueprint 2025*, 29.

3. OJK regulation and National Legal Structure

Indonesia's banking sector is governed by a comprehensive legal framework that prioritizes prudential stability. The primary law is Law No. 7 of 1992 on Banking, amended by Law No. 10 of 1998, which defines the types of banking institutions, their licensing requirements, and the extent of foreign ownership.¹⁶ Article 5 of this law classifies banks into commercial and rural banks, while Article 10 regulates the establishment and licensing of commercial banks by BI. These provisions form the legal foundation for domestic and foreign bank operations in Indonesia. The amendment opened limited space for foreign investment but retained strict approval procedures to protect the domestic financial system.

In 2011, the passage of Law No. 21 of 2011 on the Financial Services Authority (Otoritas Jasa Keuangan or OJK) fundamentally changed the regulatory structure. Under Article 5 of this law, OJK assumed full authority over regulation and supervision of financial institutions, including banks, capital markets, and non-bank financial entities.¹⁷ The transfer of supervisory functions from BI to OJK in 2013 centralized financial oversight within one independent institution. This change aimed to prevent regulatory gaps that contributed to the Asian Financial Crisis. The OJK Law emphasizes consumer protection and prudential regulation as core objectives, aligning with ABIF's own standards of governance and risk management.

The most recent reform is the P2SK Law, which updates Indonesia's financial governance framework. Article 10 of the P2SK Law reinforces OJK's mandate to maintain financial stability and expand its powers to oversee new financial technologies and cross-border banking operations.¹⁸ The law also introduces coordination mechanisms between OJK and BI to ensure macroprudential

¹⁶ Republic of Indonesia, *Law No. 7 of 1992 on Banking*, as amended by *Law No. 10 of 1998*.

¹⁷ Republic of Indonesia, *Law No. 21 of 2011 on the Financial Services Authority (OJK)*, art. 5.

¹⁸ Republic of Indonesia, *Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law)*, art. 10.

supervision. This is particularly relevant for ABIF, as it strengthens Indonesia's capacity to cooperate with other ASEAN regulators while preserving domestic oversight.

Under these laws, OJK has issued implementing regulations that directly affect Indonesia's participation in ABIF. One key regulation is OJK Regulation No. 12/POJK.03/2021 on Commercial Banks, which outlines the classification of commercial banks based on core capital and business activities. Article 4 specifies that foreign banks seeking to operate in Indonesia must establish a legal entity under Indonesian law, while Article 10 sets minimum capital requirements for foreign bank subsidiaries.¹⁹ These provisions ensure that foreign banks entering Indonesia meet local prudential standards before they are granted operational licenses.

Another important rule is OJK Regulation No. 13/POJK.03/2020 on Consolidation of Commercial Banks, which encourages mergers and consolidation to strengthen domestic banks' competitiveness.²⁰ This regulation indirectly supports ABIF by preparing Indonesian banks to compete regionally under the QAB framework. However, it also demonstrates OJK's protective approach by limiting excessive foreign dominance in the domestic market.

Together, these laws and regulations create a cautious but coherent legal structure. Indonesia aligns with ABIF's principles of prudential governance and regional cooperation but applies them through national laws that prioritize stability and consumer protection. In this sense, ABIF's objectives are compatible with Indonesia's domestic legal system, but implementation proceeds within the boundaries of national regulation.

¹⁹ OJK, *POJK No. 12/POJK.03/2021 on Commercial Banks*, arts. 4, 10.

²⁰ OJK, *POJK No. 13/POJK.03/2020 on Consolidation of Commercial Banks*.

4. Indonesia's Protective Banking Laws and the Impact on Integration

Indonesia's banking law remains one of the most conservative in ASEAN, emphasizing prudential control and systemic stability over rapid integration. This policy approach stems from the 1997–1998 Asian Financial Crisis, which exposed major weaknesses in Indonesia's banking system, including poor risk management, weak supervision, and excessive foreign borrowing. The crisis led to the collapse of over half of Indonesia's commercial banks, forcing the government to nationalize and liquidate many institutions. In response, the state shifted to a stability-first approach, prioritizing financial security before liberalization.

The foundation of Indonesia's banking regulation is established in Law No. 7 of 1992 on Banking, as amended by Law No. 10 of 1998. Article 5 classifies banking activities and requires banks to operate within licensed categories, while Article 8 mandates that credit must be issued under prudential principles, including adequate liquidity and solvency.²¹ These provisions are supported by OJK Regulation No. 12/POJK.03/2021 on Commercial Banks, which regulates the establishment, ownership, and governance of both domestic and foreign banks.²² The regulation requires any foreign or regional bank to meet strict minimum capital requirements, implement robust risk management, and maintain local control structures. OJK also retains the power to reject or delay applications if the institution's operation is deemed to endanger national financial stability.

While these measures safeguard against systemic risks, they also slow the adoption of the ASEAN Banking Integration Framework (ABIF). For instance, although Bank Indonesia and Bank Negara Malaysia signed a bilateral ABIF arrangement in 2016, implementation remains limited. Each Qualified ASEAN Bank (QAB) must undergo licensing under both jurisdictions before commencing

²¹ Republic of Indonesia, *Law No. 7 of 1992 on Banking*, as amended by *Law No. 10 of 1998*, art. 5, 8.

²² OJK, *POJK No. 12/POJK.03/2021 on Commercial Banks*, art. 4.

operations.²³ This double-layer requirement runs contrary to ABIF's intent of mutual recognition and streamlined procedures, making regional entry time-consuming and uncertain.

Further reinforcing this cautious posture is P2SK Law. Article 10 consolidates regulatory powers under the Financial Services Authority (OJK) and underscores Indonesia's principle of financial sovereignty.²⁴ The P2SK Law aims to strengthen consumer protection and prevent excessive foreign influence over critical financial institutions. While these objectives are legitimate, they also create structural limits to integration under ABIF, since OJK's discretion effectively supersedes any automatic or regional recognition of QABs. In this way, Indonesia's cautious legal design directly influences its slower pace of financial integration within ASEAN.

5. External and Regional Factors Affecting Implementation

Indonesia's approach to ABIF cannot be viewed in isolation from regional disparities. ASEAN countries differ significantly in their level of financial development, supervisory capacity, and institutional independence. Singapore and Malaysia have advanced financial systems with strong governance and effective risk oversight, while several other ASEAN members, including Cambodia and Laos, continue to develop basic supervisory frameworks.²⁵ These structural gaps complicate the creation of a truly integrated banking system. Unlike the European Union, ASEAN lacks a supranational body with binding enforcement power. The ABIF, therefore, relies on voluntary compliance and bilateral trust, which limits its effectiveness.

²³ Bank Indonesia and Bank Negara Malaysia, *Bilateral Arrangement on the ASEAN Banking Integration Framework (ABIF)*, signed August 2016, Vientiane.

²⁴ Republic of Indonesia, *Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law)*, art. 10.

²⁵ Yamanaka, "Integration of the ASEAN Banking Sector," *Nomura Journal of Asian Capital Markets* 6, no. 1 (2014): 35.

This structural imbalance also affects how Indonesia engages with regional commitments. ABIF arrangements must remain consistent with Indonesia's domestic legal instruments, including Law No. 7 of 1992 on Banking, Law No. 21 of 2011 on the Financial Services Authority (OJK), and P2SK Law.²⁶ All three grant OJK broad discretionary power to regulate and supervise banks, including those with foreign ownership. To allow full ABIF harmonization, Indonesia would have to delegate some of this authority to regional supervision, a step that current law does not permit. By contrast, Malaysia's Financial Services Act 2013 explicitly provides for reciprocal licensing, enabling faster bilateral implementation.²⁷

ASEAN's own institutional framework further contributes to Indonesia's cautious participation. The AECBlueprint 2025 emphasizes voluntary coordination and mutual benefit rather than legal compulsion.²⁸ This consensus-based structure allows each member state to adjust its commitments according to domestic readiness. For Indonesia, this flexibility has been used to align ABIF obligations with its gradual financial reforms, ensuring that integration proceeds without undermining national regulation. However, the same flexibility also weakens regional momentum, as there are no penalties or deadlines for delayed implementation. As a result, ABIF functions more as a platform for coordination than a binding mechanism for integration.

6. Balancing Sovereignty and Integration: A Legal Outlook

Indonesia's restrained participation in ABIF represents a legal and policy trade-off between sovereignty and integration. From one perspective, maintaining national control over licensing, ownership, and supervision ensures that foreign influence does not compromise financial stability. From another, the slow pace of

²⁶ Republic of Indonesia, *Law No. 7 of 1992 on Banking*; *Law No. 21 of 2011 on the Financial Services Authority (OJK)*; *Law No. 4 of 2023 on the Financial Sector Development and Strengthening (P2SK Law)*.

²⁷ Bank Negara Malaysia, *Financial Services Act 2013* (Act 758), Part X.

²⁸ ASEAN Secretariat, *ASEAN Economic Community Blueprint 2025*, 32.

integration limits the potential benefits of efficiency, innovation, and resilience that a more open system could bring. The question is not whether Indonesia should integrate, but how it can do so while safeguarding domestic interests.

A balanced solution could lie in incremental legal adaptation. OJK could revise Regulation No. 12/POJK.03/2021 on Commercial Banks to include a special mechanism for QABs.²⁹ This mechanism could grant conditional access to QABs that meet prudential standards comparable to domestic banks, without requiring full re-licensing. Such an approach would maintain OJK's oversight while signaling Indonesia's commitment to ASEAN's integration goals. Additionally, Indonesia could strengthen bilateral supervisory cooperation through shared inspection and information exchange, consistent with the Basel Core Principles for Effective Banking Supervision.³⁰

Ultimately, the success of ABIF in Indonesia depends on aligning domestic reforms with regional objectives. The P2SK Law already establishes a modern legal basis for supervision and risk management. Article 12 emphasizes OJK's mandate to enhance coordination with international financial authorities, which can include ASEAN counterparts.³¹ If this mandate is operationalized, Indonesia could gradually expand regional cooperation while maintaining prudential safeguards. By sequencing liberalization with institutional strengthening, Indonesia can participate more fully in ABIF without undermining its financial sovereignty.

C. CONCLUSION

Regional banking integration through the ABIF represents one of ASEAN's most ambitious initiatives under the AEC. Its central goal is to create a more open

²⁹ OJK, *POJK No. 12/POJK.03/2021*, art. 12.

³⁰ *Basel Committee on Banking Supervision, Core Principles for Effective Banking Supervision (Basel: Bank for International Settlements, 2012), Principle 13.*

³¹ Republic of Indonesia, *Law No. 4 of 2023 (P2SK Law)*, art. 12.

and interconnected financial environment that allows banks from member countries to operate freely under common prudential standards. For Indonesia, however, participation in ABIF has been measured and selective. The country's cautious stance reflects a deliberate choice grounded in legal design and institutional memory. Indonesia's regulatory framework evolved from the experience of financial crises, leading to laws and policies that prioritize systemic stability and consumer protection before integration. This approach demonstrates prudence, but it also illustrates the complex balance between national sovereignty and regional commitment.

Indonesia's current legal framework effectively secures the stability of its banking system. Law No. 7 of 1992 on Banking and its amendment in Law No. 10 of 1998 define the parameters for foreign and domestic participation, establishing prudential safeguards that prevent overexposure to volatile capital flows.³² Likewise, the FSA Law centralizes financial supervision under an independent authority, ensuring that licensing, risk management, and oversight remain under national control. The P2SK Law further consolidates these powers by explicitly reaffirming Indonesia's financial sovereignty and modernizing the institutional structure of OJK. Together, these laws form a coherent framework that protects the domestic market from external shocks and regulatory arbitrage. However, this coherence comes with a cost: Indonesia's cautious implementation of ABIF delays broader integration and limits the ability of regional banks to establish cross-border operations efficiently.

From a legal standpoint, this reflects a structural tension between Indonesia's national statutes and ASEAN's cooperative principles. ABIF's design relies on bilateral agreements and reciprocal recognition, yet Indonesia's regulatory model requires every foreign or regional bank to satisfy local licensing procedures. This framework protects domestic interests but contradicts ABIF's intended mechanism

³² Republic of Indonesia, *Law No. 7 of 1992 on Banking*, as amended by *Law No. 10 of 1998*, art. 5, 8.

of simplified cross-border operation.³³ In practice, the reliance on bilateral arrangements results in uneven progress across ASEAN, as seen in the contrast between Malaysia's active engagement and Indonesia's gradual approach. While Malaysia's Financial Services Act 2013 facilitates reciprocal licensing through defined criteria, Indonesia's laws grant OJK wide discretionary authority that effectively slows mutual recognition. The outcome is a regionally fragmented system where integration depends on the willingness and capacity of individual states, rather than a shared legal mandate.

Nevertheless, Indonesia's caution should not be interpreted as resistance to integration. Rather, it is a rational response to the realities of its financial system and governance capacity. A sudden liberalization of the banking sector could risk undermining the progress achieved since the late 1990s. The appropriate path forward lies in controlled adaptation. OJK could introduce regulatory amendments to POJK No. 12/POJK.03/2021 on Commercial Banks by defining a specific mechanism for QABs.³⁴ This mechanism could allow limited entry for QABs that meet both domestic prudential standards and ASEAN-recognized criteria. Such a step would demonstrate Indonesia's regional commitment without compromising stability. Furthermore, the government and OJK could deepen bilateral cooperation under Article 12 of the P2SK Law, which authorizes coordination with international financial authorities.³⁵ This legal provision provides a foundation for Indonesia to pursue supervisory collaboration within ASEAN while maintaining sovereignty.

Beyond technical adjustments, ABIF's success in Indonesia depends on broader alignment between domestic reforms and regional objectives. A regulatory environment that encourages transparency, supervisory cooperation, and gradual

³³ Bank Negara Malaysia, *Financial Services Act 2013* (Act 758), Part X.

³⁴ OJK, *POJK No. 12/POJK.03/2021 on Commercial Banks*, art. 12.

³⁵ Republic of Indonesia, *Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law)*, art. 12.

openness will not only strengthen the national banking system but also contribute to ASEAN's collective financial resilience. Effective implementation of ABIF does not require abandoning prudential principles; it requires reinterpreting them in a regional context. By focusing on capability building, information sharing, and consistent standards, Indonesia can transform ABIF from a symbolic commitment into a functional tool for growth and stability.

Ultimately, Indonesia's cautious integration reflects both its historical experience and its legal maturity. The country's insistence on prudential oversight demonstrates a deep understanding of the risks inherent in financial liberalization. Yet, regional integration and national sovereignty are not mutually exclusive. The evolution of Indonesia's financial laws, particularly under the P2SK framework, provides a platform from which balanced participation can emerge. As ASEAN continues to pursue economic cohesion, Indonesia's role will be critical in shaping a model of integration that values both stability and inclusivity. The gradual harmonization of laws under ABIF, supported by legal clarity, institutional cooperation, and shared prudence can lead to a more resilient and equitable regional banking system.

Bibliography

- Asian Development Bank. *ASEAN Banking Integration Framework (ABIF)*. ARIC Initiative, 2024.
- De Jesus, Mark Anthony, and Marvin Torres. "Analysis of the ASEAN Banking Integration Framework: The Philippines as a Looking Glass for Consumer Preference." *Journal of Global Entrepreneurship Research* 7 (2017): 1–27.
- Handayani, Tri, Eka Handayati, and Evi Mutia. "Strengthening Indonesian Banking Industry to Comply with ASEAN Banking Integration Framework Concerning Reciprocity and Gap-Reduction Principles." *Padjadjaran Journal of Law* 5, no. 2 (2018): 130–146.
- Hill, Hal. *The Indonesian Economy since the Asian Financial Crisis*. Singapore: ISEAS Publishing, 2014.
- MPRA Paper No. 73303. "ASEAN Financial Integration: Lessons and Prospects." Munich Personal RePEc Archive, 2016.
- Nomura Institute. "Integration of the ASEAN Banking Sector." *Nomura Journal of Asian Capital Markets* 6, no. 1 (2014): 33–42.
- SSRN Paper No. 3230488. "ASEAN Financial Integration and Banking Stability: Empirical Perspectives." Social Science Research Network, 2018.
- ASEAN Finance Ministers. *ASEAN Financial Integration Framework (AFIF): Joint Communiqué*. Jakarta: ASEAN Secretariat, 2011.
- ASEAN Secretariat. *ASEAN Economic Community Blueprint 2025*. Jakarta: ASEAN Secretariat, 2015.
- Joint Statement of the ASEAN Finance Ministers and Central Bank Governors on the ASEAN Banking Integration Framework (ABIF)*. Nay Pyi Taw, 2014.
- ASEAN Framework Agreement on Services (AFAS)*. Bangkok: ASEAN Secretariat, 1995.
- Bank Indonesia and Bank Negara Malaysia. *Bilateral Arrangement on the ASEAN Banking Integration Framework (ABIF)*. Signed in Vientiane, August 2016.
- Bank Negara Malaysia. *Financial Services Act 2013* (Act 758). Kuala Lumpur: Bank Negara Malaysia, 2013.

Basel Committee on Banking Supervision. *Core Principles for Effective Banking Supervision*. Basel: Bank for International Settlements, 2012.

Republic of Indonesia. *Law No. 7 of 1992 on Banking*, as amended by *Law No. 10 of 1998*.

Law No. 21 of 2011 on the Financial Services Authority (Otoritas Jasa Keuangan or OJK).

Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law).

Otoritas Jasa Keuangan (OJK). *POJK No. 12/POJK.03/2021 on Commercial Banks*. Jakarta: OJK, 2021.

POJK No. 13/POJK.03/2020 on Consolidation of Commercial Banks. Jakarta: OJK, 2020.

Asian Development Bank Institute. “Financial Integration in ASEAN: Progress and Policy Challenges.” *ADB Working Paper Series* No. 753, 2017.

AMRO (ASEAN+3 Macroeconomic Research Office). “Strengthening Financial Safety Nets in ASEAN.” *Policy Brief*, 2019.

Basel Committee on Banking Supervision. “Cross-Border Banking Supervision: Lessons from Emerging Markets.” *Working Paper*, Bank for International Settlements, 2015.