

PRESS RELEASE

ENHANCING UNDERSTANDING OF STATE DEBENTURES (*SURAT UTANG NEGARA - SUN*) FOR FUNDING NATIONAL DEVELOPMENT

**By:
UNIVERSITY OF PELITA HARAPAN
MAGISTER PROGRAM OF LAW AND MANAGEMENT**

Background and Seminar Urgency

One interesting issue in the banking world these days is about recapitalization. Therefore, it is not surprising that in many places, especially in higher education institutions raised the topic as one of the study.

Recapitalization corresponds to a reform of capital structure (such as capital increase) in an organization, so it can meet the capital structure as desired. Recapitalization program is intended to maintain or preserve the existence of banks that have prospects to survive and thrive through the restructuring of ownership (capital injection).

In the year 1998/1999 the Government of Indonesia was recapitalize banks in order to avoid the bankruptcy of national banks, following the advice the International Monetary Fund (IMF) at the time. Such recapitalization would have to be done to national banks so that they can be trusted again in the business world, and in order to re-implement intermediation function properly. Recapitalization of banks at that time is a very large cost carried out by Government Regulation (PP) No. 84 year 1998 about Public Bank Recapitalization Program.

With the power of PP No. 84 year 1998, the government issued banking recapitalization bonds which then given to the banks that will be recapitalized. Banking recapitalization bonds received has to bookkeeping it as referred securities on its balance sheet.

Instead, the bank handed over the existing bad debts in its books to the National Banking Restructuring Agency (*Badan Penyehatan Perbankan Nasional – BPPN*), a new institution which the Government of Indonesia established specifically for that purpose. Thus the balance of national banks appears to be healthy again, because bad credit does not appear again in the books.

Then in 2002 the Government issued Law No. 24 year 2002 about *Surat Utang Negara*. With the publication of Law No. 24 year 2002 then *Surat Utang Negara* existence becomes stronger, because the Act referred to the recapitalization bonds that have been published previously and acknowledged.

Next, Law No. 24 year 2002 provides understanding of *Surat Utang Negara* as follows:

"*Surat Utang Negara* are securities in the form of debt instruments denominated in Rupiah and foreign currencies, which guaranteed the payment of interest and principle by the Government of Indonesia in accordance with the validity period".

Thus, *Surat Utang Negara* becomes securities or securities traded in the Indonesian capital market. Number of *Surat Utang Negara* and substantial government guarantees to repay the interest and installments due to *Surat Utang Negara* became the benchmark for fixed-income securities (fixed income instruments) in the capital market.

That need to be seen is the Law No. 24 year 2002 states that the Republic of Indonesia to guarantee payment of debt principal and interest on *Surat Utang Negara* expiration time. This gives the sense that the government guarantee himself for the issuance of debt securities, but in terms of the juridical person / entity is not possible to be a guarantor for himself.

Therefore, understanding the guarantee given by the Law No. 24 year 2002 should be interpreted as the government's commitment to guarantee the payment on the due date, not a guarantee terms of the Civil Code.

Purpose

After the seminar, participants are expected to know the function of SUN as an alternative financing national development, and understand the urgency of the issuance of SUN by the government.

Speakers

The speakers in this seminar are:

1. **Dr. Rahmat Waluyanto** (General Director of Debt Management, Financial Department), topic: "Fiscal Policy and *Surat Utang Negara* Issuance Urgency".
2. **Dr. Tarmiden Sitorus**, topic: "Trading and Issuance Mechanism of *Surat Utang Negara*".
3. **Dr. Jonker Sihombing** (UPH), topic: "Legal aspects of Clinging to the Publishing and Trading of *Surat Utang Negara*".

Time and Place

Thursday, August 27, 2009

09.30 am – 12.00 pm

UPH Graduate Campus

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