

LAW OF THE REPUBLIC OF INDONESIA  
NUMBER 84 YEAR 1958  
ABOUT  
ALTERATION OF ARTICLES 16 AND 19  
LAW OF THE COST OF BANK INDONESIA  
(LAW NO. 11 OF 1953)  
PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering: a. that the position of money in the country are building in the broadest sense of the word is important;

b. that there should be the possibility to run monetary policy and credit policy that RAL and effective;

c. that in connection with such matters need to set the main rules concerning the limits of discretion control the amount of money circulating in the community without interfering with the course of development as well as monetary balance;

Given: Articles 89, 109 and 111 of the Constitution while  
Republic Of Indonesia;

With the approval of the House of Representatives;

Decided:

To stipulate: LAW ON CHANGES IN ARTICLES 16 and 19 LAW OF THE COST OF BANK INDONESIA (LAW No. 11, 1953).

Article I.

Article 16 of the Basic Law on Bank Indonesia, Law No. 11, 1953 (State Gazette 1953 No. 40), are amended to read as follows:

"(1) Bank tried to keep the number of all the paper money bank, current account balances and other bills that can be immediately recovered from the Bank for at twenty percent secured by gold, gold-exchange, material currency reserves consist of gold and over alatalat Foreign exchange which generally can be exchanged-exchanged, as well as rights to the International Monetary Fund and the Worldbank submitted or will be submitted to the Bank Act.

(2) The Bank strives to maintain a guarantee referred to in paragraph (1) of this section at least on the same level with the amount of imports during the three months, calculated on the basis of the average amount of imports during the three consecutive calendar year that just passed.

(3) The guarantee referred to in paragraph (1) is of at least twenty percent should exist in Indonesia.

(4) If the provisions of paragraphs (1), (2) and (3) are not met, then the Government to report to Parliament within a month after the current provisions of paragraph (1), (2) and ( 3) was not met.

The next government is also accountable to the House of Representatives every quarter if after the first report on the above given assistance as referred to in these verses (1), (2) and (3) has not been fulfilled again. "

Article II.

Article 19 of the Basic Law on Bank Indonesia, Law No. 11, 1953 (State Gazette 1953 No. 40), are amended to read as follows:

"(1) Without prejudice to that specified in Articles 16 and deviating from the specified in the first paragraph of Article 15, the Bank required each time the Minister of Finance considers it necessary to strengthen the State Treasury while, giving an advance in the accounts of the papers to the Republic Indonesia, which was held at the expense of paper-sufficient in treasury and that expenditures or penggadaianya be permitted by or under the legislation.

(2) The Government is guided, so that the advance payment referred to in paragraph (1) of this article in each fiscal year is not more than thirty percent and in

exceptional circumstances as high as fifty percent of state revenue in the last fiscal year which has been established by the Act ,

(3) If the provisions of paragraph (2) is exceeded then the Government to report to Parliament within a month of the current provisions in paragraph (2) is exceeded. Furthermore, the government is also accountable to the House of Representatives every quarter if after the first report on the above given, the provisions referred to in paragraph (2) was also exceeded. "

#### Article III.

Any regulations or decisions mention or rely Articles 16 and 19 of Law Principal Bank Indonesia in content and form long, since the entry into force of this law must be adapted to this Law.

#### Article IV.

This Act shall take effect on the day of promulgation.

So that everyone can be aware of, this law with the placement in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

on December 27, 1958. The President of the Republic of Indonesia,

Signed.

SOEKARNO.

The finance minister, sgd.

Soetikno Slamet.

Promulgated

on December 31, 1958.

Minister of Justice,

Signed.

G.A. Maengkom.

#### EXPLANATION

##### ABOUT

LAW CHANGES IN ARTICLES 16 and 19

LAW OF SIGNIFICANT BANK INDONESIA.

##### I. OVERVIEW.

1. In Article 16 paragraph 1 of the Basic Law on Bank Indonesia stated that the amount of money in circulation must be guaranteed by 20% with gold and means of payment abroad.

On August 20, 1958 this monetary assurance stayed at 7.30%, which illustrates the comparison between the wealth of Rp. 1,542 million in the form of gold, US dollar and Indonesian Rp. 21 115 million in the form of bank notes, balances-newspaper accounts and other bills that may soon digagih. Monetary guarantee has been under 20% minimum since January 1957.

Paragraph 3 and 4 of article 16 is indeed give as much leeway in whole 6 months after the approval of Parliament, which means that after that period passes, the comparison must return again to the level of minimum 20% .

As explained in the annual report of Bank Indonesia, laporanlaporan Central Bureau of Statistics and the Government Financial Memorandum, the causes of growing amount of money in circulation was located to a large extent on increasing the amount of advances granted by the Bank to the Government. Besides, the wealth of gold and dividend increases are not comparable with the increase in the volume of money in circulation, and even since the last quarter of last year to date showed a setback.

With these facts it turns out that we must have a new criterion in terms of controlling the money supply is, in a way that does not have to hinder our obligations in exceptional circumstances, but also no need to disturb the balance of the monetary.

2 In a paper standard, as is the case with our money system, the value of money is determined by the ratio between the collateral and the amount of money in circulation. This is because the value of money is influenced by many factors, among others, by changes in the velocity of money in circulation, changes in the taxation system, changes in loan rates set by banks, changes in the balance of payments from abroad, changes in the price of raw materials, and so on. In essence the value of money depends on changes in national production.

So, guarantees on paper money standard is intended as a guard value for money. Here are held as collateral restrictions on the volume line of money in circulation, or more precisely, worn as a sign of danger that if the guarantee limit is exceeded, then the monetary authorities must be vigilant in controlling the monetary and credit policy.

3 As stated above guarantee value for money lies in changes in the national product. Size to determine community needs money, so does the amount of money in circulation plus that can still be created -, located on the magnitude of changes in the national product.

For this we need a national economic budget requires careful calculation and equipment carefully. New state stand which is in the beginning stage of development, the problem difficult to solve in a short time; for we needed an easy criterion, but also closer to the real situation.

Because the Indonesian economy is still heavily influenced by foreign trade, then kreterium national product we can replace with the balance of foreign payments. But also in this case the necessary calculations which are difficult to compare the need for money, considering the number of elements in the balance of payments is a basic calculation that uses an assortment.

The bright complicates the calculation is the effect of real money transfers, ie changes in the volume of money due to the effect of shifting and payment services detained herein capital and payments payable-other receivables resulting from the release of goods as a result of entering international trade. Another factor to consider in the standard system of paper money that is not accompanied by restrictions in the creation of money is mekhanisme of credit system in the country, or the state of the money market and capital. If the credit agencies were not yet really an intermediary between savers and those in need of credit, money creation will further enlarge the inflationary pressure to hamper the development of the economy.

Elimination of the money supply relationship with a guarantee, the more the bleak economic circumstances, as now, would mean eliminating a brake on inflationary pressures. In addition, such actions could disrupt public confidence in the value of money, which consequently would disrupt production alone.

So the criterion of measuring the amount of money that can be circulated without jeopardizing the balance of the monetary and economic developments, the cancellation is in prosenan but flexible.

Thus, the association of the large volume of money in circulation in the presence of a hurled and foreign exchange reserves as the basis for oversight is the grip of the most easy and safe. So the security system as it is now well maintained continuously, just to be adjusted to kebutuhankebutuhan and real circumstances.

4. In addition to the guarantee of 20% mentioned above, the bank must attempt to have a reserve of at least equal to the amount of imports during the three months, which is calculated on the basis of the average rate of the last 3 years in a row, excluding imports from companies oil. The amount of this reserve is not the limit, but the minimum goal should be maintained wherever possible.

As an example calculation:

Total imports (excluding imports of oil companies) since 1955-1956-1957 is Rp. (6429 + 9001 + 7507 p) million = Rp. 22 937 million. Import average for 3 months so Rp. 1,911 million. This amount should be the minimum goal of banks to maintain reserves of gold and foreign exchange. Reserve equal to the amount of imports an

average of 3 months is necessary as the real keeper of the purposes of the production / consumption in the country. So we can say this is the amount of iron reserves, which are held to keep kontinuitet national production.

5. As stated above, the main cause of the increase of money in circulation is the cash advance granted by the bank to the Government, which is required to finance expenditures as indicated in the budget belanjaanggaran-shopping.

It turns out, that in the circumstances exceptional, especially for purposes of economic development and the state of (emergency) war, an advance that takes more than 30% of state revenue in the budget year. Limit advances from state income in the fiscal year. Cash advance limit should be increased to 50% in exceptional circumstances are, because then the government can act more quickly and decisively in order to cope with the situation. Article 19 is located interests fleksibilitet given to the Government in advance payment request, in order to act quickly. Custody of ketelodoran use of article 19 is located in chapter 16.

If if only 30% of it will be exceeded, then the Government will notify the causes overrun to the Board of Representatives.

## II. ARTICLE BY ARTICLE EXPLANATION.

### Article 1.

a. Regarding paragraph 1 of Article 16:

See general explanation.

That need explanation is the notion of "instruments of foreign payments that generally can be exchanged-change". Here are intended not only convertible currency, ie the currency-currency US, Canada, Britain and Switzerland, but that is generally transferable, including stretits dollar, DM, guilders and francs Belgi. So understanding convertible should be replaced by international transferbility, because in fact the currency-transferable currency that can be transferred / exchanged for cash kemata-convertible currency for international pembayaranpembayaran.

b. Regarding paragraph 2 of Article 16:

Sufficiently explained in the general description,

c. Regarding paragraph 3 of article 16:

It is clear. That is lest the whole depends on the banks of foreign exchange abroad.

Besides, 20% of these guarantees can be considered as a fund sterilization.

d. Regarding paragraph 4 of Article 16: Self-explanatory.

### Article 2.

Sufficiently explained in the overview.

Chapters 3 and 4. Self-explanatory.

Note:

Minister of Justice, Signed

G.A. Maengkom.