

# **Juridical Analysis of The Application of Local Currency Settlement Between Indonesia and China in Business Transactions**

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## **Abstract**

This article investigates the application of Local Currency Settlement (LCS) in transactions between Indonesian and Chinese businesses. The LCS framework is a settlement of bilateral trade transactions conducted by companies in Indonesia and partner countries using each country's currency. This research uses a normative legal research method that involves an in-depth review of the laws and regulations governing LCS and analyzing bilateral trade agreements between Indonesia and China. This method is used to interpret rules and regulations and bilateral trade agreements. In Indonesia, only banks that have met the criteria stipulated in Bank Indonesia Regulation No. 22/12/PBI/2020 can execute transactions using the LCS Framework. China also does the same to determine banks that can complete transactions using the LCS Framework. The advantages of the LCS Framework in the perspective of trade between countries can be seen in terms of mechanism, community productivity, and data security. Meanwhile, the LCS Framework's shortcomings can be seen from the perspective of the stability of each country, which can affect transactions.

**KEYWORDS** *Juridical, Local Currency Settlement, Indonesia, China, Business*



## Introduction

China is one of Indonesia's largest trading partners. Total trade between China and Indonesia reached US\$ 133.65 billion in 2022, growing 17.70% compared to 2021. Indonesia's exports to China reached US\$ 65.92 billion, while imports from China reached US\$ 67.72 billion. Both exports and imports are the highest in history. In January-March 2023, exports to China were recorded at US\$ 16.58 billion, up 26.7%. Imports were recorded at US\$ 15.34 billion, or down 3.6%. Throughout the first quarter of 2023, Indonesia still recorded a surplus of US\$ 1.24 billion against China.<sup>1</sup>

Indonesia-China trade relations have been well-established for a long time. Although it continues to grow, the relationship between the two is expected not to stop at buying and selling but is expected to become cooperation that has more impact, one of which is by attracting investment in value-added fields. In fact, Deputy Chairman for Investment at the Indonesian Chamber of Commerce and Industry Kevin Wu explained that the good trade relations between China and Indonesia need to be improved.<sup>2</sup>

As is known in international trade manoeuvres, the dollar currency has become a medium of exchange for transactions. This has been true since the approval of the Bretton Woods System by 44 countries in a conference held in 1944 in Bretton Woods, New Hampshire, United States. This conference changed the world exchange rate system from using a fixed exchange rate through gold as a medium of exchange to a two-standard system, which still uses the gold standard and the United States Dollar.<sup>3</sup>

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<sup>1</sup>Tim Redaksi. (2023). *Bukti China Lebih Bahaya Bagi RI Ketimbang AS, Simak!*. CNBCIndonesia.com. <https://www.cnbcindonesia.com/news/20230511084504-4-436430/bukti-china-lebih-bahaya-bagi-ri-ketimbang-as-simak>

<sup>2</sup>Kristian Bonanio, R. (2023). *Hubungan Ekonomi Indonesia-China Perlu Terobosan*. Kompas.Id. <https://www.kompas.id/baca/ekonomi/2023/03/29/hubungan-dagang-indonesia-china-perlu-terobosan>.

<sup>3</sup>Andika Amrija Saragih, "Bretton Woods System : Eksistensi Hegemon Amerika Serikat Dalam Tatanan Perekonomian Global Paska Perang Dunia," *E-Journal UPN* 4, no. 2 (2016): 119–30.

These two standards are then used as tools for international trade across countries today.

In companies and trade, every party wants all practical and safe realizations, especially in payment traffic.<sup>4</sup> The payment system has evolved over time to realize the most practical and secure system. The development of this payment system by mankind began with barter, goods money, post-goods money, coins, and paper money.<sup>5</sup> Money in general is something that can be generally accepted as a means of payment within a certain area, as a means of paying debts, or as a means of purchasing goods or services. In other words, money is a tool that can be used in a certain area.<sup>6</sup>

However, it turns out that the payment system innovation is still undergoing development to create a more practical and secure payment system. The pace of technological development is one of the influences on the development of payment systems.<sup>7</sup> According to a report on the [kominfo.go.id](http://kominfo.go.id) website, the combination of cyber-physical systems, the Internet of Things (IoT), and the Internet of Systems will enable the acceleration of the Industrial Revolution 4.0 and everything it entails.<sup>8</sup> It is interesting that Local Currency Settlement (LCS) was introduced regarding payment systems utilising technology.

The LCS nomenclature itself has been embodied in Article 1 paragraph (2) of Bank Indonesia Regulation Number 22/12/PBI/2020, which states that the settlement of bilateral trade transactions using Local Currency (LCS) is the settlement of bilateral trade transactions carried out

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<sup>4</sup> ALDILLA RENATA CHANIAGO, "Analisis Hukum Terhadap Penggunaan Cek Sebagai Alat Bukti Penarikan Uang," *Jurnal Mutiara Hukum* 1, no. 1 (2018): 64–75.

<sup>5</sup> Anisa Rizki Febriani, "Sejarah Kemunculan Uang Dan Perkembangannya Di Dunia," *detikEdu*, 2023, <https://www.detik.com/edu/detikpedia/d-6514671/sejarah-kemunculan-uang-dan-perkembangannya-di-dunia>.

<sup>6</sup> Sepri Wulan Sari, "Perkembangan Dan Pemikiran Uang Dari Masa Ke Masa," *An-Nisbah: Jurnal Ekonomi Syariah* 3, no. 1 (2016), <https://doi.org/10.21274/an.2016.3.1.39-58>.

<sup>7</sup> Jefry Tarantang, "Penyelesaian Sengketa Melalui Lembaga Arbitrase," *Jurnal Al-Qordh* 4, no. 2 (2019): 110.

<sup>8</sup> Bambang Irawan et al., "Pengenalan Teknologi Blockchain Dan Perkembangannya Bagi Masa Depan" 1 (2022): 75–80.

by business actors in Indonesia and in partner countries using the currencies of each country.

Bank Indonesia began to realize the LCS by synergizing with the governments of other countries, namely Malaysia and Thailand, through their central banks, namely Bank Negara Malaysia (BNM) and Bank of Thailand (BOT), through discussions and agreements on economic cooperation in using local currencies as a medium of exchange to conduct trade transactions between the frameworks of the three countries.<sup>9</sup> In addition, China also participated in supporting the LCS by being represented by the People's Bank of China. The implementation of the LCS itself is not without reason; this implementation is considered to reduce dependence on the American dollar. LCS was created to reduce currency exchange rate pressure against the US Dollar. Through this, it will make transaction cost efficiency because banks can directly buy the currency of the destination country without the need to buy dollars first.

The manifestation of LCS in regulation clearly shows the government's seriousness in realizing LCS. The regulation on LCS aims to support the stability of the Rupiah exchange rate by reducing dependence on the use of USD in settling bilateral trade transactions between Indonesia and partner countries. This regulation is also expected to reduce the cost of foreign exchange transactions against the Rupiah with direct quotations between the Rupiah and several currencies of partner countries to develop regional currency markets and expand access for businesses to pay their obligations in local currency.<sup>10</sup>

It is interesting to see Indonesia-China bilateral transactions. During the January-October 2022 period, the value of Indonesia-China trade

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<sup>9</sup> Aldy Nofansya and Hasan Sidik, "Kerja Sama Ekonomi Indonesia-Malaysia-Thailand: Penguatan Local Currency Settlement (LCS) Framework Dalam Memfasilitasi Perdagangan," *Padjadjaran Journal of International Relations* 4, no. 2 (2022): 164, <https://doi.org/10.24198/padjir.v4i2.40478>.

<sup>10</sup> Yozami, M. A. (2017). *BI Atur Penyelesaian Transaksi Perdagangan Bilateral Pakai Mata Uang Lokal*. HukumOnline.Com. <https://www.hukumonline.com/berita/a/bi-atur-penyelesaian-transaksi-perdagangan-bilateral-pakai-mata-uang-lokal-lt59e4922f0ee3a>

reached US\$ 109.22 billion. This value grew 26% compared to the same period the previous year. This value managed to get a portion worth 24.6% of the total value of Indonesia's trade with all its partners. The Indonesian government, through Bank Indonesia, signed a Memorandum of Understanding (MoU) with the People's Bank of China regarding the LCS on September 22, 2020.<sup>11</sup>

The author considers that applying LCS in Indonesia as an alternative settlement of trade transactions between countries still needs escalation of existence in juridical discourse under the legal atmosphere, especially between Indonesia and China, given their high trade value. As is known, the concept of the rule of law regulated in the provisions of Article 1 paragraph (3) of the 1945 Constitution is an adoption of the idea of Rechtsstaat, which was used in the 1854 Regeringsreglement. The acceptability of the Rechtsstaat concept itself is done to facilitate economic interests that require legal certainty in doing business. Legal certainty for all parties is urgent to provide comfort in transactions for all parties. Departing from the polemic, the intention of research novelty and usefulness, researchers want to study the **Juridical Analysis of the Application of Local Currency Settlement between Indonesia and China in Business Transactions.**

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<sup>11</sup> LM. (2021). Indonesia and China agree to use local currency in bilateral trade. Idnfinancials.Com.<https://www.idnfinancials.com/news/40083/indonesia-china-agree-local-currency-bilateral-trade>

## Method

This paper is included in library research, with the nature of the research used being normative research to produce and collect instructions in completing the analysis carried out. Normative legal research is generally only a document study, which uses sources of legal material in the form of laws and regulations, court decisions / decrees, contracts/agreements / contracts, legal principles and principles, legal theories, and doctrines/opinions of legal experts.<sup>12</sup> The type of data that researchers use in this research is secondary data, which is a type of data collected through a literature review. In this case, secondary legal materials are journals, books, and doctrines from experts regarding an analysis. The legal material collection technique used in this legal research is document study or library research.

## Result and Discussions

### Appointed Cross Currency Dealer (ACCD)

As stated in the introduction, Bank Indonesia appoints banks that can organize LCS transactions, which are then called ACCD Banks. The appointment of ACCD Banks in the implementation of LCS in Indonesia does not manoeuvre in a vacuum; each LCS implementation has different rules for each partner country. This will then be regulated in the Board of Governors Regulation as mandated by Article 2 Paragraph (3) letter b of Bank Indonesia Regulation No. 22/12/PBI/2020.

The cooperation between Indonesia and China is given a legal umbrella through the Regulation of the Members of the Board of Governors of Bank Indonesia No.23/16/PADG/2021. Article 2 of this regulation then provides criteria for appointing Indonesian ACCD banks.

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<sup>12</sup> Muhaimin. *Metode Penelitian Hukum*. (Mataram: Mataram University Press, 2020). 48.

ACCD Indonesia banks are appointed by Bank Indonesia, namely by considering:

- a. the health condition of the Bank;
- b. the Bank's ability to facilitate financial activities
- c. and Financial Transactions between Indonesia and China;
- d. the Bank's ability to establish business relationships with banks in Indonesia and China;
- e. access to the Bank's office network in Indonesia, or having a parent or branch in China and recommended by the People's Bank of China; and
- f. other criteria set by Bank Indonesia and the People's Bank of China.

Regarding rupiah or foreign exchange transactions against the currencies of partner countries, ACCD Bank Indonesia can conduct rupiah or foreign exchange transactions against the currencies of partner countries with non-ACCD Bank Partner Countries to implement squaring positions. It must be carried out on a gross basis. Regarding trade through the LCS, ACCD Bank Indonesia can provide trade financing in partner country currencies to Indonesian importer/exporter customers as mandated in Article 25 paragraph (1) of Bank Indonesia Regulation No. 22/12/PBI/2020. This financing can be in the form of financing trade activities and direct investment activities by applying the precautionary principle.

Then the ACCD banks in Indonesia that have met the above criteria were determined, including<sup>13</sup>:

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<sup>13</sup> Departemen Komunikasi, "Indonesia - Tiongkok Memulai Implementasi Penyelesaian Transaksi Bilateral Dengan Mata Uang Lokal (Local Currency Settlement)," 2021, [https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp\\_2322721.aspx#:~:text=Bank-bank yang ditetapkan sebagai,Bank Central Asia%2C Tbk.](https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2322721.aspx#:~:text=Bank-bank yang ditetapkan sebagai,Bank Central Asia%2C Tbk.)

- a. PT. Bank Central Asia, Tbk;
- b. Bank of China (Hongkong), Ltd;
- c. PT. Bank China Construction Bank Indonesia, Tbk;
- d. PT. Bank Danamon Indonesia, Tbk;
- e. PT. Bank ICBC Indonesia;
- f. PT. Bank Mandiri (Persero), Tbk;
- g. PT. Bank Maybank Indonesia, Tbk;
- h. PT. Bank Negara Indonesia (Persero), Tbk;
- i. PT. Bank OCBC NISP, Tbk;
- j. PT. Bank Permata, Tbk;
- k. PT. Bank Rakyat Indonesia (Persero), Tbk; dan
- l. PT. Bank UOB Indonesia.

After appointing ACCD Bank, based on Article 7 of Bank Indonesia Regulation No. 22/2020 on the Settlement of Bilateral Transactions Using Local Currency Through Banks, for LCS implementation, ACCD Bank Indonesia conducts financial activities and financial transactions.

***Financial Activities in the Local Currency Settlement Framework***

Based on Article 8 of Bank Indonesia Regulation No. 22/12/PBI/2020, the financial activities carried out by Bank ACCD Indonesia include:

- a. Opening of SNA Rupiah (particular account belonging to ACCD Bank of Partner Country in rupiah currency opened at ACCD Bank of Indonesia for LCS implementation) and SNA Mitra (particular account belonging to ACCD Bank of Indonesia in Partner Country currency opened at ACCD Bank of Partner Country for the purpose of LCS implementation);
- b. Opening of Partner's Sub-SNA (special account belonging to LCS Indonesia's customer in the currency of the Partner



Country opened at ACCD Bank of Indonesia for the purpose of LCS implementation);

- c. Management of Rupiah SNA and Partner SNA balances and management of Rupiah Sub-SNA and Partner Sub-SNA balances;
- d. Fund transfer; and
- e. Financing.

As referred to in Article 8 letter c, in the management of Rupiah SNA and Partner SNA balances as well as Rupiah Sub-SNA and Partner Sub-SNA balances, ACCD Bank Indonesia may manage Partner SNA balances through:

- a. investment in financial assets in the currency of the Partner Country in the Partner Country;
- b. swap transactions of the Partner Country's currency against rupiah and/or foreign exchange with ACCD Bank Indonesia and/or with ACCD Bank of the Partner Country; and/or
- c. conversion to various currencies.

In terms of fund transfer as a financial activity by Bank ACCD Indonesia, it can be carried out between SNA Rupiah accounts and/or from SNA Rupiah accounts to non-SNA Rupiah accounts both at ACCD Banks and non-Bank ACCD, which are further regulated in the Regulations of the Members of the Board of Governors. Meanwhile, financial activities by Bank ACCD Indonesia in the form of financing, as referred to in letter e of Article 8 of Bank Indonesia Regulation Number 22 of 2020, are trade financing and/or investment financing.

Regarding accountability, Bank ACCD Indonesia must prepare reports and/or make corrections to information on financial activities and Financial Transactions to support the implementation of the LCS by Bank Indonesia. Bank Indonesia also has the right to request incidental reports

from Bank ACCD Indonesia. If Bank ACCD Indonesia violates the provisions listed in Article 50 paragraph (1), it will be subject to administrative sanctions in the form of a written warning. However, the sanction does not remove Bank ACCD Indonesia's obligation to continue to submit reports. Thus, Bank ACCD Indonesia that violates the provisions stated in Article 50 paragraph (1) of Bank Indonesia Regulation Number 22 of 2020 will receive administrative sanctions as a written warning. All financial activities and Financial Transactions of Bank ACCD Indonesia for LCS implementation.

#### ***Financial Transactions in the LCS Framework***

Financial Transactions as an interest of ACCD Bank in the interest of LCS implementation are regulated in Article 30 of Bank Indonesia Regulation Number 22/12/PBI/2020:

- a. Spot transactions;
- b. Forward transactions;
- c. Swap transactions; and/or
- d. Other transactions determined by agreement between Bank Indonesia and the Partner Country authorities.

Spot transactions are foreign exchange transactions with delivery and payment on the spot, although in practice, spot transactions will be settled in the next two business days.<sup>14</sup> Article 1 Paragraph 6 of Bank Indonesia Regulation No. 18/18/PBI/2016 provides the nomenclature of spot transactions as sale or purchase transactions between foreign currencies against Rupiah with delivery of funds made 2 (two) business days after the transaction date, including transactions with delivery of funds on

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<sup>14</sup> Dede Abdurrohman, "Analisis Transaksi Lindung Nilai Syariah ( Al-Tahawwuth Al- Islami / Islamic Hedging ) Atas Nilai Tukar," *Ecopreneur : Jurnal Ekonomi Dan Bisnis* 1, no. 1 (2020): 59.

the same day (today) or with delivery of funds 1 (one) business day after the transaction date (tomorrow). Spot transactions consist of:<sup>15</sup>

- a. *Today, is a purchase or sale transaction of foreign exchange, for example (USD) against domestic currency (IDR) or against other foreign currencies based on today's exchange rate, with delivery today.*
- b. *Tomorrow, is a foreign exchange purchase or sale transaction e.g. (USD) against domestic currency (IDR) or against other foreign currencies based on today's exchange rate, with delivery 1 business day after the transaction date.*
- c. *Spot, is a foreign exchange purchase or sale transaction e.g. (USD) against domestic currency (IDR) or against other foreign currencies based on today's exchange rate, with delivery 2 business days after the transaction date.*

Whereas forward transactions are foreign exchange transactions with delivery at some future time of a certain amount of currency based on a certain amount of other currencies.<sup>16</sup> In addition, swap transactions as an interest of ACCD Bank in the interest of LCS implementation, as stipulated in Article 30 of Bank Indonesia Regulation No. 22/12/PBI/2020, is the simultaneous purchase and sale of a certain amount of currency with two different exchange (delivery) dates.<sup>17</sup> Meanwhile, swap transactions (barter transactions) are combination contracts between buyers and sellers for two currencies in cash, followed by buying and reselling the same currency in cash (spot) and arrears (forward) simultaneously with different time limits.<sup>18</sup>

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<sup>15</sup> Siti Nur Asiah and Harry Roestiono, "Analisa Transaksi Spot, Forward Dan Swap Sebagai Alat Pengendalian Risiko," *Jurnal Ilmiah Manajemen Kesatuan* 6, no. 3 (2018): 139–46.

<sup>16</sup> *Ibid.*

<sup>17</sup> Abdurrohman, *op.cit.*, 60.

<sup>18</sup> Asiah, *op.cit.*, 141.

Types of Swap Transactions are divided into:<sup>19</sup>

- a. Interest Rate Swap Transaction, an agreement between two parties to exchange interest payments (rate). Under the contract, what is exchanged is the interest (rate) of a nominal fund where one party receives fixed-rate and pays floating-rate while the other party receives floating-rate and pays fixed-rate for some period in the future.
- b. Currency swap transaction, is a contract between two parties that involves the exchange of funds in currency A and its interest from party I and funds in currency B and its interest from party II. If in interest rate swaps there is no transfer of nominal funds, in currency swaps there is a transfer of nominal funds at the beginning and end of the contract.

In addition to the above, the term underlying transaction is also known. Underlying transactions are defined as all economic activities underlying the implementation of LCS. Article 39 of Bank Indonesia Regulation Number 22/12/PBI/2020 interprets the underlying transactions for the purpose of implementing LCS as:

- a. Current transactions between Indonesian LCS customers and Partner Country LCS customers in the form of:
  1. all trade activities of goods and services between Indonesia and Partner Countries;
  2. all primary income transactions which include:
    - a) labor compensation receipt and payment transactions; and
    - b) investment income from direct investment, portfolio investment, and/or other investments.
  3. all secondary income transactions including:
    - a) government sector receipts and payments;

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<sup>19</sup> *Ibid.*

- b) other sector receipts and payments including remittances; and
  - c) other similar transactions, but excluding grants, gifts, donations, and/or the like;
- b. All direct investment activities between LCS Indonesia Customer and LCS Partner Country Customer in the form of:
- 1. investment between LCS Indonesia Customer and LCS Partner Country Customer, with a minimum equity ownership limit of 10% (ten percent); or
  - 2. inter-company loans within the same group.
- c. Underlying other transactions.

*Mechanisms of Business Actors in Bilateral Trade Transactions Using the LCS Framework*

Basically, the transaction mechanism using LCS depends on the ACCD Bank, as the list of banks has been submitted earlier. In its implementation, LCS will be conducted through commercial banks. This provision produces regulations on the implementation and financial transactions that can be carried out by banks appointed as cross-currency dealers (ACCD).

ACCD banks appointed by Bank Indonesia and the central banks of partner countries will receive several facilities and financial transactions in the forex market, such as opening accounts in local and partner country currencies, rupiah transactions against partner country currencies, trade financing in partner country currencies and transfer funds for the benefit of LCS implementation.<sup>20</sup> The following is the flow of transactions between Indonesian business actors and China using the LCS mechanism:

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<sup>20</sup> Muta, *Op.Cit.*, 217.

1. ACCD bank in Indonesia opens SNA partner's account in Chinese currency;
2. The ACCD Bank of China opens a rupiah SNA account with the ACCD Bank of Indonesia in rupiah currency. In this case, each ACCD Bank can only open one SNA account with each ACCD Bank of the other country. The aggregate balance at the end of each day for all SNA China accounts held by SNA China is a maximum of 400 billion rupiah;
3. ACCD Banks in Indonesia accept the opening of Sub-SNA Partner accounts by LCS Indonesia customer businesses;
4. LCS customers can purchase foreign currency for transaction settlement at ACCD Bank in Indonesia, this will increase the customer's Sub-SNA account balance;
5. LCS customers settle LCS transaction payments through the ACCD Bank of the customer's choice; and
6. Funds from the customer's Sub-SNA Partner will be reduced and transferred to the Sub-SNA account of the customer's trading partner in another country.

***Pros and Cons of Bilateral Trade Transactions of Business Actors Using the LCS Framework***

LCS has its advantages and disadvantages. These can be viewed in terms of mechanism, community productivity, country stability, and data security. The first advantage of LCS utilization can be seen in terms of mechanism. The LCS utilization mechanism allows businesses to open LCS customer accounts directly without preparing any special documents. This makes the trade process simpler and more efficient, reduces bureaucracy, and speeds up trade transactions. Businesses from Indonesia and partner countries do not need to prepare special documents to utilize local currencies in trade, such as exports, imports, and investment financing.

This is because they are given the facility to directly open LCS customer accounts.<sup>21</sup>

The second advantage of LCS can be seen in terms of productivity. The implementation of LCS in Indonesia is the standardization of digital payment transactions known as the Standard National Open API (SNAP) set by Bank Indonesia. In implementing SNAP, Bank Indonesia has developed a SNAP Developer Site that includes a standard publication, a SNAP-based payment Open API testing application that can be accessed online, and a publication directory. With this SNAP, LCS transactions between Indonesia and China become more accessible, faster, and efficient. This will support the increase in community productivity and the development of a modern banking system.<sup>22</sup> SNAP implementation promotes the modernization of the banking system. Bank Indonesia can play a more proactive role in promoting the latest technology in the banking system, which can enhance the competitiveness and relevance of financial institutions in an increasingly connected global economy.

However, despite the above advantages, the LCS also has some disadvantages. The first drawback of the LCS can be seen from the conditions of each country. LCS policy is subject to the situation in each user country such as Indonesia and China, each of which faces dynamic and diverse domestic and foreign political issues. The LCS is also vulnerable to changes in domestic and foreign regulations. Changes in international financial regulations or trade regulations between countries may affect the ease and stability of LCS transactions. Therefore, the stability of transactions in the LCS system cannot always be ensured and is closely related to the flexibility of central bank policies.<sup>23</sup>

A further drawback of LCS is that there is a security threat associated with the criminal breach of LCS customer accounts that can occur at any

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<sup>21</sup> Aldy Nofansya. *Op.cit.* Hal. 18.

<sup>22</sup> *Ibid.*

<sup>23</sup> Idy Nofansya. *Op.cit.* Hal. 19.

time. While technological transformation has accelerated transactions, it has also brought security vulnerabilities. In this case, some types of crime in digital banking include card-skimming, carding, and phishing. Card skimming is a crime where the perpetrator steals customer data by forging the magnetic stripe on a credit or debit card. Carding is a similar type of banking crime to card-skimming. However, the perpetrator illegally obtains credit and debit card data through third parties such as fake marketers or merchants. One banking crime that is more dangerous than card skimming and occurs frequently is phishing, where customer data is stolen by luring customers to provide their personal information through Internet banking channels without realizing it, which ultimately results in the loss of customer money without the use of a credit or debit card.<sup>24</sup>

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<sup>24</sup> Aprilia Dwi Rasdiyanti and Suyeno. "Analisis SWOT Kebijakan Local Currency Settlement Indonesia-China," *Jurnal Aplikasi Administrasi* Vol. 25 No. 1 Mei 2022 21.



## Conclusion

Based on the comprehensive analysis that has been carried out, the author draws the following conclusions:

1. The application of local currency settlement in business transactions between Indonesia and China has been regulated in a complex manner in several regulations. Starting from the requirements of the Appointed Cross Currency Dealer (ACCD) Bank as a service provider, types and mechanisms of transactions, to the needs of parties in implementing the LCS Framework. The legal basis for the LCS between Indonesia and China is the Regulation of the Members of the Board of Governors No. 23/16/PADG/2021, concerning the Settlement of Bilateral Transactions between Indonesia and China Using Rupiah and Yuan Through Banks.
2. Several types of transactions are carried out using the LCS framework, including spot, forward, swap, and other transactions determined by agreement between Bank Indonesia and the Partner Country authorities. Not all banks from each country can execute the LCS framework; only banks that meet the requirements and have been determined by each country's central bank can manage it.
3. The LCS framework has several advantages and disadvantages. The benefits of the LCS Framework in the perspective of trade between countries can be seen in terms of mechanism, community productivity, and data security. The shortcomings of the LCS Framework can be seen when viewed from the perspective of the stability of each country, that can affect transactions.

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