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Comparison of Financial Institution Supervision between Indonesia's Danantara and Singapore's Temasek Holdings

Komang Genta Suryana[1], Ni Luh Gede Astariyani[2], Anak Agung Gde Ananta Wijaya Sahadewa[3]
Fakultas Hukum Universitas Udayana[12]
Fakultas Hukum Universitas Warmadewa[3]
correspondence: gentasuryana12@gmail.com[1], luh_astariyani@unud.ac.id[2], gungdenanta@warmadewa.ac.id[3]

ABSTRACT
This study examines a comparative analysis of financial institution supervision and state investment management between Indonesia and Singapore, focusing on the Indonesia Investment Authority (Danantara) and Temasek Holdings. The objective of this research is to identify the legal frameworks governing both entities and to analyze the fundamental differences in supervisory approaches, governance structures, and public accountability mechanisms. The research employs a normative juridical method using statute, conceptual, and comparative approaches, supported by the analysis of primary and secondary legal materials. The findings indicate that Indonesia applies a fragmented supervisory system in which the Financial Services Authority (OJK) and Bank Indonesia divide microprudential and macroprudential functions, while Danantara operates as a sovereign investment entity separate from the regulators. In contrast, Singapore adopts an integrated risk-based supervisory model through the Monetary Authority of Singapore (MAS) and establishes strategic synergy with Temasek Holdings, which is managed professionally under strong corporate governance principles, high transparency, and public accountability. The study concludes that Singapore's model is more adaptive to global dynamics through the integration of supervisory functions and state asset management, whereas Indonesia needs to strengthen inter-institutional coordination, consistently implement risk-based supervision, and enhance the governance and transparency of Danantara. The Temasek model may serve as a reference for reinforcing Indonesia's legal framework and improving the effectiveness of sovereign investment management.

Keywords: Financial Supervision, State Investment Governance, OJK, MAS, Danantara, Temasek Holdings.

INTRODUCTION

Indonesia, as a developing country with complex socio-political dynamics, faces the unique challenge of integrating economic growth into the national policy framework. Financial institutions play a crucial role in sustaining economic stability and growth, both at the national and international levels. As the main intermediary in the financial intermediation process, this institution collects and disburses public funds, shapes asset prices through market mechanisms, conducts risk management, and carries out the function of transferring monetary policy from the monetary authority to the real sector. Therefore, supervision of financial institutions is not just a technocratic responsibility, but a necessity in order to maintain the integrity of the financial system. Without strict supervision, the financial sector is very vulnerable to irregularities such as fraud, market manipulation, liquidity crises, and shadow banking practices that are detrimental to the public and the stability of the country. (Anak Agung Gede Krisna Murti, 2025) (Reinhart, 2009)

In Indonesia, the financial supervision function is carried out by the Financial Services Authority (OJK), an independent institution established under Law No. 21 of 2011. The OJK replaces the supervisory function that was previously spread between Bank Indonesia (BI) and the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK). Today, the OJK has comprehensive authority over banking, capital markets, and non-bank financial institutions, and is directly responsible to the President of the Republic of Indonesia. However, BI continues to carry out macroprudential supervision functions to maintain the stability of the national financial system, especially in coordination with the OJK through the Financial System Stability Committee (KSSK) established through Law No. 4 of 2023 concerning PPSK (Strengthening and Development of the Financial Sector). (Siregar, 2022) (Huda, 2023)

Instead, Singapore adopts a fully integrated supervisory model through a single institution called the Monetary Authority of Singapore (MAS). MAS not only serves as a central bank, but also as a regulatory and supervisory authority for all financial activities in the country. The functions of MAS include the formulation of monetary policy, regulation and supervision of banks, insurance, capital markets, asset management institutions, and supervision of state-owned investment entities such as Temasek Holdings. In this system, Singapore prioritizes the principle of "regulatory clarity with minimal overlap," where a single major institution controls all financial services activities for efficiency, coordination, and rapid policy response. (Yeoh, 2017)

Singapore's uniqueness is also evident in the position of Temasek Holdings, which is a state-owned investment entity that operates as a private corporation but is subject to a strict system of governance and public oversight. Temasek is professionally managed and is considered a strategic instrument of the Singapore government for economic diversification and long-term value creation for the country. (Tan, C. H., 2016) This model distinguishes Singapore from Indonesia, where entities such as SOEs or Sovereign Wealth Funds (such as INA) still face challenges in terms of governance, transparency, and investment independence from political intervention. (Warburton, E. 2020)

The comparison between the OJK and MAS, as well as Temasek's position in Singapore's financial ecosystem, provides important insights into the different regulatory approaches between the two countries. If Indonesia relies on a function-sharing approach between the OJK and BI, Singapore chooses to concentrate its authority on the MAS. In terms of effectiveness, Singapore is considered more adaptive to global dynamics through a more compact and flexible regulatory system. This study is important in the context of evaluating the effectiveness of supervision, increasing national economic resilience, and strengthening the integrity of the financial sector as a foundation for long-term growth. (Dewi, M. K., & Ramli, M. R. 2021)

In light of the foregoing issues, this study seeks to explore the legal foundations and regulatory frameworks that underpin the existence and operations of Danantara Indonesia and Temasek Holdings Singapore. The formulation of the problem is directed toward two main questions: first, what are the legal bases of both sovereign investment entities; and second, what are the fundamental differences in their supervisory approaches. These questions are essential to provide a comprehensive understanding of how each country positions its sovereign investment authority within its legal and institutional architecture.

Accordingly, the objectives of this research are twofold: to identify and analyze the legal framework governing Danantara and Temasek, and to compare the fundamental differences in their supervisory, governance, and accountability mechanisms. By addressing these aims, the study aspires not only to highlight the distinctive approaches of Indonesia and Singapore but also to offer insights for strengthening Indonesia's supervisory and governance framework. Ultimately, this comparison is expected to contribute to the development of a more effective model for the management of state investments in Indonesia.

METHODS

This research uses a normative juridical approach method carried out using a statute approach and conceptual approach (Anak Agung Gede Ananta Wijaya Sahadewa, & Ni Made Jaya Senastri. 2024) which is relevant to the topic of supervision of financial institutions and state investment management. Normative legal research is basically carried out by analyzing primary, secondary, and tertiary legal materials to find the right legal arguments in answering research problems. (Peter Mahmud Marzuki, 2021)

This research also uses the comparative legal research method, which is a research methodology carried out by comparing one legal system with another, namely the activity of comparing the positive legal system of one country with another, in this case the comparison of laws between Indonesia and Singapore. (Rumiartha, I. N. P. B.. et al., 2022)

The primary legal materials in this study include applicable laws and regulations, including the 1945 Constitution of the Republic of Indonesia, Law Number 21 of 2011 concerning the Financial Services Authority, Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, as well as the Monetary Authority of Singapore Act 1970 and the Minister for Finance (Incorporation) Act in Singapore.

Secondary legal materials include legal literature, books, and articles from cutting-edge scientific journals that discuss financial sector supervision, risk-based supervision, governance of state investment institutions, and comparative constitutional law in Indonesia and Singapore. (Mutiara K. Dewi and Muhammad R. Ramli, 2021)

The analysis technique used is qualitative analysis with a legal interpretation method (interpretation) which includes grammatical, systematic, and teleological interpretation to understand the meaning and purpose of the legal norms that are the object of study. (Yeoh, P., 2020) This interpretation is complemented by a comparative approach to see the similarities and differences in the supervisory systems of financial institutions in Indonesia and Singapore, especially the role of OJK and MAS, as well as Danantara and Temasek.

Through this approach, it is hoped that comprehensive conclusions can be drawn regarding the most effective supervisory models to improve the integrity and stability of the national financial system.

RESULTS AND DISCUSSION

1. Legal Framework and Supervisory Institutions in Indonesia

Supervision of financial institutions in Indonesia has a strong constitutional foundation, as reflected in Article 33 paragraph (4) of the 1945 Constitution of the Republic of Indonesia (1945 Constitution of the Republic of Indonesia). The article states that, "The national economy is organized based on economic democracy with the principles of togetherness, efficiency, justice, sustainability, environmental insight, independence and by maintaining the balance of progress and national economic unity." This provision is the philosophical basis for the state in regulating and supervising the financial system to ensure stability, equity, and protection of the public as consumers of the financial services sector. (Asshiddiqie, J. 2006).

In a positive legal framework, the supervision of financial institutions is carried out by two main authorities, namely Bank Indonesia (BI) and the Financial Services Authority (OJK). Bank Indonesia, through Law No. 23 of 1999 (as amended by Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector/PPSK Law), is tasked with maintaining the stability of the rupiah value and has a role in macroprudential supervision, namely the supervision of the entire financial system to prevent systemic risks. Meanwhile, microprudential supervision and direct regulation of financial service actors are carried out by the OJK, which was established based on Law No. 21 of 2011. OJK is tasked with regulating and supervising the banking sector, capital markets, and non-bank financial institutions in an integrated and independent manner. (Huda, 2023)(Siregar, 2022)

Technically, the OJK issues various OJK Regulations (POJK) and OJK Circular Letters (SEOJK) as legal instruments to regulate governance, transparency, risk mitigation, and consumer protection in the financial services sector. For example, POJK No. 17/POJK.03/2023 regulates the implementation of governance for commercial banks, while POJK No. 1/POJK.07/2013 regulates consumer protection in the financial services sector. In addition, the OJK also carries out the functions of financial education, direct examination, and enforcement of violations through administrative sanctions and criminal recommendations to law enforcement officials. (Dewi, 2013)

The presence of the OJK and its coordination with Bank Indonesia and the Deposit Insurance Corporation (LPS) is manifested in the Financial System Stability Committee (KSSK) which was formed through the PPSK Law. The KSSK functions as a strategic forum tasked with maintaining the stability of the financial system as a whole, including in dealing with the financial crisis. (Lubis, A. & Fadillah, R. 2024)

2. Supervisory Model in Singapore and the Strategic Role of Temasek Holdings

Singapore adheres to an integrated financial supervision model, where all regulatory and supervisory functions of the financial services sector are consolidated in a single institution, the Monetary Authority of Singapore (MAS). MAS was established under the Monetary Authority of Singapore Act (1970) and acts as the central bank as well as the regulator of the financial sector. Its main functions include the formulation and implementation of monetary policy, payment system regulation, supervision of banking institutions, capital markets, insurance, and other non-bank financial institutions. In addition, MAS also plays a strategic role in the development of Singapore's financial services sector through financial innovation initiatives and the management of the country's foreign exchange reserves. (Yeoh, 2017) (Monetary Authority of Singapore, 2023)

One of the strengths of Singapore's financial system is the efficiency of supervision resulting from this integrative model. By not fragmenting the supervisory function, MAS can take policies that are responsive and consistent to market dynamics, while preventing regulatory arbitrage between sectors. The model also strengthens coordination between microprudential and macroprudential supervisory functions, thereby providing systemic support for national financial stability. (Arner, D. W., Barberis, J. N., & Buckley, R. P. 2016).

In the country's financial institutional structure, Singapore has Temasek Holdings, which is a government-owned sovereign wealth fund (SWF), but is a private corporate entity subject to Singapore's corporate law. Temasek is wholly owned by the Minister for Finance Inc., which is the legal entity that represents the Ministry of Finance of Singapore as a state shareholder. (Temasek Holdings, 2023). Despite its status as a private company, Temasek applies the principles of transparency and high public accountability. This is evidenced by the issuance of open annual reports, independent audits, and general oversight by parliament and the public, especially regarding its investment mandates that concern the interests of the state. (Tan, C. H., 2016)

The uniqueness of Temasek lies in its ability to manage state assets professionally with market principles, yet still within a strong governance framework. Temasek's strategic role is not only limited to the management of investment portfolios, but also as an economic development agent that supports the growth of national companies and the global expansion of Singaporean business entities. In this context, supervision of Temasek is not sectoral regulatory like in ordinary financial institutions, but based on governance and public trust that is institutionalized through clean and efficient bureaucratic laws and traditions. (Low, 2006) (Warburton, E., 2020)

The model of state investment supervision and management such as that run by MAS and Temasek in Singapore is often used as a reference in the financial reforms of various developing countries, including Indonesia. This model shows how institutional integration, corporate governance, and public transparency can create a financial system that is stable, competitive, and adaptive to global change.

3. Fundamental Differences in Supervisory Approaches

The fundamental differences between the supervisory systems of financial institutions and state investment entities in Indonesia and Singapore are evident in the institutional approaches used by each country. In Indonesia, the approach to supervision by the Financial Services Authority (OJK) is generally reactive and compliance-based. This model emphasizes on meeting pre-established rules and tends to respond to issues after a breach occurs. This approach often leads to a slow response to market risk dynamics and weakness in early crisis prevention. (Astariyani, 2020) (Dewi, 2013)

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In contrast, Singapore applies a risk-based supervision approach adopted by the Monetary Authority of Singapore (MAS). In this model, supervision is directed at the identification and mitigation of potential systemic and institutional risks proactively and preventively. MAS conducts periodic risk assessments and establishes more intensive supervision of institutions deemed to have a higher risk to financial system stability. This approach allows for faster intervention and more adaptive policy-making to market changes. (Yeoh, 2017)

In addition to the aspect of approach, structural differences are also seen in the separation and integration of institutional functions. In Indonesia, the functions between regulators (OJK and BI) and state investment managers (such as the Indonesia Investment Authority or INA/Danantara) are institutionally separated. The INA, although within the framework of a sovereign wealth fund, has full separation from financial regulators, and still faces challenges in terms of transparency, governance, and strategic synergy with fiscal and monetary policies. (Arburton, E. 2020). Meanwhile, Singapore is developing a professional synergistic model between regulators (MAS) and state investors (Temasek Holdings). Although Temasek operates as a private entity, MAS and Temasek are both in the strategic orbit of state policy. However, the dividing line between institutional and professional is maintained through strong corporate governance principles, independent audits, and disclosure of financial statements. (Tan, C. H., 2016). This allows for strategic coordination in the management of state assets, while avoiding conflicts of interest or political intervention that could weaken the effectiveness of supervision.

Models such as Temasek show how a state-owned investment entity can have corporate flexibility and operational independence, but remain accountable to the public through the legal and governance framework embedded in the state's administrative system. On the other hand, Danantara as a new investment institution in Indonesia still needs to strengthen the legal and supervisory foundations that ensure public accountability and long-term effectiveness. (Low, 2006)

4. Implications for Financial System Stability

Aspect	Temasek Holdings	Danantara Indonesia
Legal Basis	Minister for Finance (Incorporation) Act, Companies Act	State-Owned Enterprises Law, Limited Liability Company Law, Omnibus Law on Job Creation
Legal Status	State-owned private company	Subsidiary of a State-Owned Enterprise
Supervision	The President as guardian of fiscal reserves	Ministry of SOEs and internal audit mechanisms of SOEs
Transparency	Obliged to publish an annual *Temasek Review*	No equivalent mandatory publication requirement
Age & Experience	Established in 1974, with extensive global experience	Established in 2022, still in the early stages of operation

Strong and adaptive supervision allows the financial system to function optimally. The Singapore model shows that regulatory consistency, policy integration, and good governance can create investor confidence. Meanwhile, Indonesia faces challenges in inter-agency coordination and supervisory capacity, especially in dealing with the complexity of modern financial instruments. (World Bank, 2021)

Discussion

The findings demonstrate that the Indonesian financial supervisory framework rests on a solid constitutional and statutory foundation, with clear distribution of responsibilities between Bank Indonesia (BI) and the Financial Services Authority (OJK). However, the separation of macroprudential and microprudential functions, combined with the institutional independence of Danantara as a sovereign investment entity, often creates fragmented oversight. This separation may result in coordination gaps, especially when facing systemic risks that require rapid and integrated responses. Although the establishment of the Financial System Stability Committee (KSSK) has enhanced inter-agency collaboration, the Indonesian model still operates largely under a compliance-based supervision paradigm, which limits its capacity for preventive and risk-oriented intervention.

In contrast, Singapore applies an integrated and risk-based supervisory model under the Monetary Authority of Singapore (MAS), coupled with the professional governance of Temasek Holdings. This synergy demonstrates how a state can simultaneously manage financial regulation and sovereign investments in a coherent and strategic manner. The MAS structure allows for consistent policy application, reducing regulatory arbitrage and enabling early intervention against systemic threats. Temasek, although structured as a private corporate entity, reinforces this model by ensuring transparency and accountability through annual reports, independent audits, and parliamentary oversight. This combination of regulatory integration and strong corporate governance has enabled Singapore to build a resilient financial system with high levels of investor confidence and global competitiveness.

The comparative analysis highlights that the key difference lies not only in institutional structure but also in the underlying supervisory philosophy. Indonesia's fragmented and compliance-based system contrasts sharply with Singapore's integrated and risk-based approach. The implications for financial stability are significant: Singapore benefits from efficiency, coherence, and credibility in financial governance, while Indonesia continues to face challenges in inter-institutional coordination, transparency, and adaptive supervisory mechanisms. For Indonesia, strengthening Danantara's governance framework, implementing risk-based supervision consistently, and enhancing public accountability are critical steps toward building a more stable and globally competitive financial system.

CONCLUSION

A comparison of the supervisory systems of financial institutions in Indonesia and Singapore shows fundamental differences in institutional approaches and structures. Indonesia still adheres to a reactive and compliance-based model, with a strict separation between regulators (OJK and BI) and state investment entities such as Danantara. Instead, Singapore implements an integrated risk-based supervision model through MAS, as well as creating professional synergies with Temasek Holdings without neglecting independence and accountability.

The Temasek model shows that strong governance and transparency can improve the effectiveness of supervision and management of state wealth. Meanwhile, Danantara still needs to strengthen the foundation of public governance and accountability in order to be able to respond to global challenges in an adaptive and strategic manner.

Suggestion

The Indonesian government needs to strengthen its approach to financial sector supervision by adopting the principle of risk-based supervision consistently and comprehensively, both at the macroprudential and microprudential levels. In addition, OJK and Bank Indonesia need to increase coordination capacity and speed of response to systemic risk dynamics through a more integrated and efficient institutional framework. This step can boost market confidence, improve the stability of the national financial system, and avoid regulatory overlap that has been hindering the effectiveness of supervision.

In the context of Danantara (INA), it is important to build institutional governance that prioritizes professionalism, transparency, and accountability, with reference to best practices such as those implemented by Temasek in Singapore. For this reason, it is necessary to strengthen the legal framework, regular independent audits, and open public reporting obligations. Strategic synergy with supervisory institutions such as the OJK and the Ministry of Finance must also be maintained, without sacrificing operational independence. Thus, Danantara can develop into a credible state investment entity and be able to support national development in a sustainable manner.

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