

Criticism of Contemporary Islamic Monetary Policy and Operations: Indonesia Case Study

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ABSTRACT

Bank Indonesia (BI) as the central bank in Indonesia has a role to maintain the stability of the rupiah (IDR) value. One of the BI's activities is sharia monetary operations (OMS). The OMS relates to the absorption and injection of liquidity with Islamic banking as a participant. Therefore, it is necessary to see whether this OMS is under sharia principles. The OMS instruments analyzed are SBIS, SukBI, PasBI, SBSN, financing facilities, and FASBIS transactions. This article uses desk research and content analysis of relevant data and information. This article finds that SukBI transactions and SBSN transactions are fully under sharia principles. SBIS, PasBI, financing facility and FASBIS transactions are not fully following sharia principles because the contract (aqad) used is not under the substance of the transaction. It is recommended to change the contract (aqad) or adjust the substance of the transaction with the aqad being made

INTRODUCTION

Bank Indonesia (BI) has the goal of achieving and maintaining stability in the value of the rupiah (Pemerintah Republik Indonesia, 2004). The rupiah (IDR) value stability is reflected in developments in the inflation rate. Thus, to achieve its objectives, BI implements monetary policy in a sustainable, consistent, transparent manner, and must take into account the government's general policies in the economic sector. Monetary policies implemented by BI are (1) open market operations on the money market for both IDR and foreign currencies, (2) setting discount rates, (3) setting minimum reserve requirements, and (4) credit or financing arrangements (Pemerintah Republik Indonesia, 2004). This control method can be implemented based on conventional banking concepts and sharia principles. This article discusses monetary policy in the form of open market operations in the IDR money market only with sharia principles. Open market operations on the IDR money market aim to maintain the inflation rate, and on the foreign exchange market aim to maintain the IDR exchange rate .

Monetary Policy in Indonesia

In general, there are 4 monetary policies implemented by BI, namely (1) open market operations, (2) setting discount rates, (3) setting minimum statutory reserves, and (4) arranging credit or financing. This policy can be implemented based on sharia principles. Open Market Operation (OPT) policy is a transaction activity on the money market and/or foreign exchange market conducted by BI with other banks and/or parties. Monetary operations are carried out conventionally and based on sharia principles. The determination of the discount rate policy is the determination of a certain interest rate imposed by BI in open market operations in the framework of credit from BI as well as in the implementation of the lender of last resort function. The minimum statutory reserve policy determines the number of current assets that must be reserved by each bank, the amount of which is a percentage of its immediate (current) liabilities. If deemed necessary, BI can exercise monetary control by increasing or decreasing the minimum statutory reserves that must be held by each bank. Credit or financing arrangement policy is the determination of growth in lending or financing by banking institutions relating to monetary control. This article only discusses sharia monetary operations which consist of open market operations and the provision of standing facilities based on sharia principles.

OPT Syariah

Based on BI Regulation (PBI) Number 16/12/PBI/2014 concerning Sharia Monetary Operations (OPS), it is explained that Sharia OPT activities are carried out by issuing Bank Indonesia Sharia Certificates (SBIS), buying and selling of securities in IDR that complies with sharia principles which include Sharia State Securities (SBSN), and other securities with high quality and liquid, sharia term deposits in foreign currency, and other transactions both in the IDR money market and in the foreign exchange market (G. B. Indonesia, 2014). Based on BI's website, sharia OPT also includes the issuance of BI sukuk . The BI website explains that the IDR OPT is based on sharia principles with instruments for issuing SBIS, issuing SukBI (BI Sukuk), Reverse Repo OPT Syariah, Repo OPT Syariah, PaSBI, and selling/buying SBSN outright. OPT for Foreign exchange with sharia principles uses the BI Syariah Deposit Facility (FASBIS) instrument.

Sharia OPT can be carried out every working day. The mechanism for implementation of Sharia OPT can be by auction and non-auction. Buying and selling of securities in IDR can be done by:

1. Outright buying
2. Outright selling
3. Repurchase agreement/repo
4. Reverse repo

Placement of sharia term deposits in foreign currencies uses a ju'alah aqad. BI provides rewards for this term deposit. Because this article only limits monetary operations in IDR, this article does not discuss sharia term deposits in foreign currencies. Thus, OMS by BI can be summarized as follows:

1. The securities issued are SBIS and BI Sukuk.
2. The securities traded are SBIS, BI Sukuk, and SBSN.
3. The trading mechanism can buy and sell. For selling, the mechanism is outright selling and repurchasing agreement/repo. For purchases, the mechanism is outright buying and reverse repo.
4. Term placement of funds.

Reverse Repo is a securities purchase transaction by an OPT Participant from BI with the obligation to resell the securities by the OPT Participant to BI, according to an agreed price and term. A repurchase agreement (Repo) is a securities sale transaction by OPT participants to BI with an obligation to buy back the securities by OPT participants from BI, at an agreed price and term.

Issuance of SBIS

Bank Indonesia Sharia Certificates (SBIS) are securities based on short-term sharia principles, denominated in IDR issued by BI. BI provides compensation for the issuance of SBIS. The aqad in issuing SBIS is a ju'alah aqad. Based on the fatwa of the National Sharia Council-Indonesian Ulema Council, SBIS can also be issued using mudharabah, musyarakah, wadiah, qardh, and wakalah aqads.

The purpose of issuing SBIS is to absorb liquidity in the banking system. SBIS cannot be traded by buyers in the secondary market. BI provides compensation to SBIS buyers when the SBIS matures, or before maturity if BI is unable to fulfill SBIS repo obligations. SBIS can be pledged as collateral to BI. The issuance mechanism is by auction. BI does not use collateral in issuing SBIS. The multiple of the nominal offer is IDR 100 million, and the minimum nominal offer is IDR 1 billion. SBIS tenor is between 1 month and 12 months. The results of the SBIS auction do not always have a winner. Examples of SBIS auction results are shown in Figure 1 and Figure 2.

PENGUMUMAN
HASIL LELANG SERTIFIKAT BANK INDONESIA SYARIAH (SBIS)

Pemenang lelang SBIS ditetapkan sbb:

Tanggal Lelang	5 Februari 2021		
Piranti	SBIS		
Jangka Waktu	6 bulan (182 hari)	9 bulan (273 hari)	12 bulan (364 hari)
Tanggal Setelmen	5 Februari 2021		
Tanggal Jatuh Waktu	6 Agustus 2021	5 November 2021	4 Februari 2022
Nominal Penawaran (Rp miliar)	555,00	745,00	130,00
Tingkat Imbalan (%)	3,59435	3,62333	3,64788
Nominal Pemenang (Rp miliar)	555,00	745,00	130,00
Total Pemenang (Rp miliar)	1.430,00		

Jakarta, 5 Februari 2021
Grup Operasi Moneter
Departemen Pengelolaan Moneter

Figure 1. SBIS Auction Results with Winners

PENGUMUMAN
HASIL LELANG SERTIFIKAT BANK INDONESIA SYARIAH (SBIS)

Pemenang lelang SBIS ditetapkan sbb:

Tanggal Lelang	5 Maret 2021		
Piranti	SBIS		
Jangka Waktu	6 bulan (182 hari)	9 bulan (273 hari)	12 bulan (364 hari)
Tanggal Setelmen	5 Maret 2021		
Tanggal Jatuh Waktu	3 September 2021	3 Desember 2021	4 Maret 2022
Nominal Penawaran (Rp miliar)	615,00	TIDAK ADA PENAWARAN YANG MASUK	TIDAK ADA PENAWARAN YANG MASUK
Tingkat Imbalan (%)	3,34338	-	-
Nominal Pemenang (Rp miliar)	615,00	TIDAK ADA PENAWARAN YANG MASUK	TIDAK ADA PENAWARAN YANG MASUK
Total Pemenang (Rp miliar)	615,00		

Jakarta, 5 Maret 2021
Grup Operasi Moneter
Departemen Pengelolaan Moneter

Figure 2. SBIS Auction Results with and Without Winners

Based on Figure 1 and Figure 2, the reward or compensation for the SBIS is in the form of a percentage. With this fixed fee, it is estimated that the interest system on SBIS will still apply. Banks that buy SBIS can submit SBIS repo to BI. Repo is carried out with the qard principle and followed by a rahn aqad. For repo transactions, BI determines and charges SBIS repo fees.

Issuance of BI Sukuk

BI Sukuk is Sukuk issued by BI based on sharia principles. BI Sukuk is often abbreviated as SukBI. At the time of the first issuance, the sale is through auction, and the bidders who are allowed to participate are BUS, UUS and intermediary institutions that have OM (Monetary Operation) permits. In the secondary market, SukBI transactions are followed by BUS, UUS, and Conventional Commercial Banks. Sales of SukBI by BI with contracts and main characteristics include:

1. Al-Musyarakah Al-Muntahiyah bi al-tamlik aqad, namely a syirkah or partnership contract scheme between 2 (two) or more parties followed by the purchase of a portion or hishshah by 1 (one) party from another party at the time of contract or maturity.
2. Using underlying assets in the form of SBSN and/or global sukuk owned by BI
3. Tradables:
 - a. can be traded on the secondary market (interbank)
 - b. can be pledged as collateral to BI

The purpose of issuing SukBI is to absorb liquidity in the banking system. The multiple of the nominal offer is IDR 100 million, and the minimum nominal offer is IDR 1 billion. SukBI tenors range from 1 day to 12 months. The results of the SukBI auction are shown in Figure 3.

HASIL LELANG SUKUK BANK INDONESIA (SUKBI)				
Pemenang lelang SukBI ditetapkan sbb:				
Tanggal Lelang	16 September 2022			
Jangka Waktu	7 Hari	14 Hari	28 Hari	3 Bulan (91 Hari)
Tanggal Setelmen	16 September 2022			
Tanggal Jatuh Waktu	23 September 2022	30 September 2022	14 Oktober 2022	16 Desember 2022
Nominal Penawaran (Rp miliar)	4.994,00	3.045,00	1.000,00	495,00
Indikasi Tingkat Imbalan(%)	3,75000	3,86203	3,92513	4,09000
Nisbah Bagi Hasil (%)	58	56	55	57
Nominal Pemenang (Rp miliar)	4.994,00	3.045,00	1.000,00	495,00
Total Pemenang (Rp miliar)	9.534,00			
Jakarta, 16 September 2022				
Grup Operasi Moneter				
Departemen Pengelolaan Moneter				

Figure 3. BI Sukuk Auction Results

Figure 3 explains that the yield for sukuk holders is based on the profit-sharing ratio. There is no distribution of rewards based on interest rates.

PasBI Transactions

PaSBI transactions are the provision of funds based on sharia principles from BI to participants in sharia open market operations for liquidity management with collateral in the form of securities that comply with sharia principles. Securities that can be used as collateral are SBIS, SukBI, and SBSN. The PasBI transaction aqad is wakalah bi al-ististmar. The purpose of PasBI transactions is liquidity injection. The PasBI transaction mechanism uses the auction method, the multiple of the nominal bid is IDR 100 million, and the minimum nominal bid is IDR 1 billion, with tenors ranging from 1 week to 12 months. Participants who are allowed to take part in the auction for PasBI transactions are BUS, UUS, and intermediary institutions that have an OM permit.

The results of the PasBI auction do not always have a winner. An example of PasBI auction results is shown in Figure 4 and Figure 5.

PENGUMUMAN HASIL LELANG PASBI	
Pemenang lelang PASBI ditetapkan sbb:	
Tanggal Transaksi	30 Agustus 2022
Jangka Waktu	7 Hari
Tanggal Setelmen	30 Agustus 2022 <i>(sameday settlement)</i>
Tanggal Jatuh Waktu	6 September 2022
Underlying Assets	SBIS/SBSN/SUKBI
Nominal Penawaran (Rp Miliar)	100,00
Rate yang dimenangkan (%)	4,00
Nominal Pemenang (Rp Miliar)	100,00

Jakarta, 30 Agustus 2022
Grup Operasi Moneter
Departemen Pengelolaan Moneter

Figure 4. The Results of the PasBI Auction with Winners

Figure 4 explains that the results of the PaSBI auction are rewarded in the form of 4% interest.

PENGUMUMAN HASIL LELANG PASBI						
Pemenang lelang PASBI ditetapkan sbb:						
Tanggal Transaksi	9 September 2022					
Jangka Waktu	7 Hari	14 Hari	28 Hari	6 Bulan (182 Hari)	9 Bulan (273 Hari)	12 Bulan (364 Hari)
Tanggal Setelmen	9 September 2022 (<i>sameday settlement</i>)					
Tanggal Jatuh Waktu	16 September 2022	23 September 2022	7 Oktober 2022	10 Maret 2023	9 Juni 2023	8 September 2023
Underlying Assets	SBIS/SBSN/SUKBI					
Nominal Penawaran (Rp Miliar)	TIDAK ADA PENAWARAN YANG MASUK					
Nominal Pemenang (Rp Miliar)	TIDAK ADA PENAWARAN YANG MASUK					
Rate Penawaran (%)	-	-	-	-	-	-
RRT Penawaran (%)	-	-	-	-	-	-
RRT Pemenang (%)	-	-	-	-	-	-
Rate yang dimenangkan (%)	-	-	-	-	-	-
Total Pemenang (Rp Miliar)	TIDAK ADA PENAWARAN YANG MASUK					
Jakarta, 9 September 2022 Grup Operasi Moneter Departemen Pengelolaan Moneter						

Figure 5. Results of the PasBI Auction without Winners

SBSN Transactions

Sharia State Securities (SBSN), commonly referred to as State Sukuk, are State securities issued based on sharia principles, as evidence of the share of participation in SBSN assets both in IDR and foreign currency. Project-based State Sharia Securities, also known as SBSN, are a source of funding through the issuance of SBSN to finance certain activities carried out by State Ministries/Institutions. BI acts as an auction agent when SBSN is sold (M. K. R. Indonesia, 2020). BI can buy SBSN for itself without going through an auction. The sale of SBSN by BI is carried out using an auction, and the term is short. The SBSN auction procedure is regulated by BI.

Standing Facilities Syariah

Standing facilities are facilities provided by BI to BUS and UUS in the framework of OMS. Standing facilities are carried out by providing deposit facilities and financing facilities. The facility in the form of a deposit with sharia principles is called the Bank Indonesia Sharia Deposit Facility (FASBIS). Financing facilities based on sharia principles are carried out in the form of repo of securities in IDR. These standing facilities are carried out by BI on every working day with a non-auction mechanism.

Standing facility with sharia principles has a term of 1 day for financing facilities, and 1 to 14 days for FASBIS. Whereas conventional standing facilities have a term of 1 working day, both for lending and deposit facilities (G. B. Indonesia, 2016).

Financing Facility

This facility is intended for liquidity injection. The frequency is regular and the transaction time is from 16.00 to 18.00 West Indonesia Time (GMT+7). The minimum nominal offering is 1 unit of securities. The compensation given refers to the Lending facility interest rate set by BI. The collateral used is securities in the form of SBIS, SukBI, and SBSN. The mechanism is carried out using a non-

auction. Participants are only BUS and UUS. The aqad used is Qard followed by Rahn, and Al ba'i accompanied by wa'd.

FASBIS

This facility aims to absorb liquidity. The frequency is regular and the transaction time is from 16.00 to 17.30 (GMT+7). The minimum nominal bid is IDR 1 billion. The compensation given refers to the deposit facility interest rate. No collateral is used. The mechanism is carried out through a non-auction. Participants are only BUS and UUS. The aqad used is Ju'alah.

LITERATURE REVIEW

By implementing this monetary policy, monetary can be controlled. One of the strategies used for monetary control is sharia monetary operations (OMS). In OMS, BI does open market operations and provision of standing facilities based on sharia principles (G. B. Indonesia, 2008). Sharia open market operations (OPT) are money market transaction activities based on sharia principles carried out by BI with banks and other parties in the context of OMS. The definition of a bank in this article is an Islamic commercial bank (BUS) and an Islamic business unit (UUS). Sharia standing facilities are facilities provided by BI to Banks in the framework of OMS

Sharia OPT aims to regulate liquidity by absorbing and injecting money into circulation. The instruments used are SBIS, SukBI, Sharia Reverse Repo OPT, Sharia OPT Repo, PaSBI, and SBSN. Sharia OPT can be followed by BUS, UUS, and Intermediary Institutions with certain conditions. Standing facilities are activities for providing funds and placing IDR from and by BI to BUS and UUS. The sharia OPT technique still exists by printing new money and absorbing money from banks. Fees from standing facilities refer to interest rates for loans and deposits set by BI. Some of the contracts used are based on one sharia contract (aqad) and several combined sharia contracts (aqads). Therefore, it is necessary to study further whether the OMS policies implemented by BI are fully following sharia principles or not.

This article explains that the issuance of SukBI and SBSN transactions is based on sharia principles. The issuance of SBIS using a ju'alah aqad is still not fully based on sharia principles. The substance of the issuance of SBIS is borrowing money, using a ju'alah aqad, and it is unclear what services are performed based on the aqad. PasBI transactions that use wakalah bi al-istitsmar aqad are in substance debts and receivables because it is not clear what work will be carried out based on the aqad. The financing facility transaction is in substance under sharia principles, but the rewards provided are still guided by the interest rate determined by BI. FASBIS transactions that use a ju'alah aqad can have multiple interpretations. The flow of money from Islamic banking to BI and rewards from BI to Islamic banking cannot yet explain what services are performed. In substance, FASBIS is similar to money lending transactions.

METHODOLOGY

This study uses the desk research method, which is research based on existing material in reports, documents, websites, survey results, and others that can be used for research purposes. Data and information related to sharia monetary operations conducted by BI are obtained from the website of BI, laws, BI regulations, and other relevant matters. Data and information related to sharia transactions are obtained from the fatwas of the National Sharia Council of the Indonesia Ulema Council (DSN MUI), websites, and other relevant matters.

The data and information obtained were analyzed using content analysis. The analysis content aims to get an overview of how the transactions conducted by BI, the contracts or aqads entered into, and their conformity with sharia principles. Analysis of the available data and information is positioned within the interpretivist paradigm, in which researchers subjectively provide an understanding of the existing reality (Bornman & Ramutumbu, 2019). The author of this article subjectively analyzes existing data and information to understand how Islamic monetary operations transactions are carried out by BI and their relationship with sharia principles.

RESULT AND DISCUSSION

Issuance of SBIS

Fatwa of the National Sharia Council (DSN MUI) No. 62/DSN-MUI/XII/2007 explains that a Ju'alah aqad may be made to fulfill services provided (DSN-MUI, 2007):

- a. The Ja'il party (the party who promises to provide compensation) must have the legal capacity and authority (muthlaq al-tasharruf) to enter into a aqad
- b. The object of Ju'alah (mahal al-'aqd/maj'ul 'alaih) must be a work that is not prohibited by sharia, and does not cause prohibited consequences;
- c. The results of the work (natijah) as intended must be clear and known to the parties at the time of bidding;
- d. Ju'alah's reward (reward/'iwadh//ju'l) must be determined by Ja'il and known by the parties at the time of the offer; and
- e. There should be no conditions for compensation to be given in advance (before the implementation of the Ju'alah object).

The word of Allah which is considered by DSN MUI in allowing ju'alah transactions is found in the Qur'an Surah Yusuf verse 72 which means:

The callers said: "We lost the king's cup; and whoever can return it, will get food (the weight of) a camel's load, and I guarantee it."

This Qur'an Surah Yusuf explains that you will be rewarded if you perform services. The services provided are clear. There are service benefits for reward givers

The hadith of the Prophet Muhammad SAW narrated by Muslim from Abu Hurairah is used as consideration for DSN MUI, which means:

"Whoever removes from a Muslim a difficulty in the world, Allah will remove the difficulties from him on the Day of Judgment; and Allah always helps His servant as long as he (likes) to help his brother "(Narrated by Muslim from Abu Hurairah)

This hadith explains that there are services provided for the benefit of certain parties. So, it must be clear who benefits from the services provided.

The purpose of issuing SBIS is to absorb liquidity and be useful for many people, not only for the benefit of BI. By looking at the purpose of issuing SBIS, there is no violation of sharia principles.

Issuance of SBIS is the giving of several assets, in this case, money, from the bank to BI to achieve BI's goal of controlling liquidity. After the agreed maturity date, BI will return the bank's money plus compensation. This transaction is similar to loan money. There is no information on the use of money received by BI from the Bank. There is no information on whether the giving of a sum of money from the Bank to BI constitutes the provision of services or not. There is no information on whether the services performed by the Bank are for the benefit of BI so that the Bank receives compensation from BI.

Philip Kotler argues that services are actions or performances offered by one party to another. Services are in principle intangible and there is no transfer of any kind of ownership. Based on the SBIS issuance criteria, it can be concluded that the SBIS issuance transaction does not meet the service delivery criteria. The issuance of SBIS is closer to borrowing money with a guarantee of recognition by BI of the ability to pay.

Based on Figure 1 and Figure 2, it can be seen that there is a predetermined reward. The determination of compensation at the beginning is under the principle of a *ju'alah* transaction. However, what remains a question is the amount of reward based on the amount of money used to obtain SBIS. If it is assumed that the purchase of SBIS is a service, this means that the amount of compensation is based on the amount of money to get the SBIS and how long the SBIS is due. The greater the money issued and the longer the maturity, the greater the reward (in IDR). So, rewards are not based on the quality of service, but on how much money and how long the service is provided. The criteria for giving compensation are based on how much money is given and how long the service is provided, there is no prohibition in sharia principles.

The return as a percentage of the value of SBIS issued still raises questions. Is the amount of the percentage given related to the prevailing interest rate in the money market or not? If the amount of compensation on SBIS is not based on the services provided, then it is necessary to review the basis for determining the compensation. If the SBIS rewards still use the reference rate for money loans, then these rewards will still be affected by conventional banking. It is better if the compensation for SBIS is based on the services provided by the bank to BI.

Based on the existing facts and conditions, the issuance of SBIS has not fully implemented sharia principles. With the *ju'alah aqad* for the issuance of SBIS, it is uncertain what services the Bank will provide to BI, because in the application what is provided by the bank is money (assets). For this transfer of money, the bank gets a reward from BI. Even though the *aqad* is *ju'alah*, in reality, the SBIS issuance transaction is similar to loan money.

For the SBIS issuance transaction to be following sharia principles, it needs to consider 2 things, namely maintaining the ju'alah aqad, or changing the aqad. If it still maintains the ju'alah aqad, it is necessary to determine what services or activities the bank must perform so that the transaction is clear. If it still wants this transaction in substance to be a transfer of assets (money), then the type of aqad is changed, for example to a Qardh aqad.

Issuance of SukBI

BI Sukuk (SukBI) are issued by BI using SBSN or other international sukuk as the underlying asset. The aqad used in the issuance of SukBI is Al-Musyarakah Al-Muntakiyah bi al-tamlik, which is a syirkah or partnership contract scheme between 2 (two) or more parties followed by the purchase of a portion or hishshah by 1 (one) party from another party at the time of the contract or maturity time. For example, BI has a SBSN worth IDR 100. Then BI issues SukBI with the underlying the SBSN of IDR 100. The SukBI issued is at most 99% of the value of the SBSN, which is IDR 99. When BI issues a SukBI of IDR 10, the maturity cannot be longer than the maturity of the SBSN which is the underlying asset. The Al-Musyarakah Al-Muntakiyah bi al-tamlik aqad for the issuance of the SukBI complies with sharia principles and the DSN MUI fatwa (DSN-MUI, 2019a).

The rewards given by BI to the SukBI holders come from the rewards received by BI from the SBSN which are used as collateral. In this SukBI issuance transaction, there is no printing of new money. The SBSN which is used as collateral is based on real economic activities carried out by the government.

Sales of SukBi issuance are based on the auction and the evidence is shown in Figure 3. Figure 3 explains that the distribution of rewards to SukBI holders is based on a profit and loss ratio (nisbah). This SukBI reward does not use interest and also does not take into account the interest rate for money loans that apply in the money market.

The characteristics and process of issuing SukBI are following sharia principles. Therefore, the monetary operations carried out by BI by issuing SukBI can achieve the objective of controlling liquidity. In addition, this BI Suk helps in efforts to improve the people's economy.

PasBI

The PasBI transaction (aqad) is wakalah bi al-ististmar. The purpose of PasBI transactions is liquidity injection. Wakalah bi al - Istitsmar is a wakalah aqad to invest and develop Muwakkil's capital either with compensation (Wakalah bi al-Ujrah) or without compensation (Wakalah bi ghairi al-Ujrah) (DSN-MUI, 2019b).

The PasBI transaction is the channelling of money from BI to the Bank and then the Bank submits collateral in the form of SBIS, SukBI, and SBSN. If using a Wakalah bi al-Istitsmar aqad, then there is a statement or instruction from BI to the Bank regarding the use of the money. DSN MUI No. 126/DSN-MUI/VII/2019 explains that "if the representative manages (Wakil) to get investment returns exceeding a certain profit target..." This means that there is an agreement that the money is used for investment and each representative (Wakil) and Muwakkil know the form of the investment. In PasBI transactions, no information was obtained regarding any provisions whereby the Bank invests

money obtained from PasBI transactions. There is also no information on how the Bank will use the money. It is estimated that there is freedom for the Bank to make investments and there is no obligation to report to BI on these investment activities. Without an agreement regarding the type and form of investment made by the representative, it is necessary to study further whether this PasBI transaction is still a *Wakalah bi al-Istitsmar aqad* or a lending and borrowing *aqad*.

Figure 4 explains that there are rewards received by BI for channelling funds through this PasBI. This reward is set by a percentage, which is 4%. Based on DSN MUI Number 126, PasBI transactions include *Wakalah bi Al-Ujrah aqad* transactions, because this *aqad* is *Wakalah bi al-Istitsmar* with *Ujrah* (reward), which is 4% (DSN-MUI, 2017). Determination of the fee with a percentage and carried out at the beginning is following the MUI Fatwa Number 113 of 2017 concerning the *Wakalah Bi Al-Ujrah aqad*.

Based on the DSN MUI Fatwa Number 113 of 2017, the object of the *Wakalah* must be in the form of a particular job or action and must be known by the representative (*wakil*) and *muwakkil*. Based on Figure 4, there is no explanation regarding what work BI must do with the funds that distribute to the Bank. Because BI receives the reward, BI should certainly do the work or job. There is no further information regarding the work and/or investment that must be carried out by BI before participating in the PasBI transaction. For transparency, the type of work to carried out by BI should be stated in the announcement of the winner of the PasBI auction.

If the transfer of money from BI is considered to be the provision of services by BI to the Bank, it is necessary to further study whether the transfer of assets (money) is the same as the rendering of services. According to Philip Kotler, giving money is not the same as giving services. If transferring money from BI to a bank is deemed to be investing, then based on the *Wakalah Bi Al-Ujrah aqad*, it is necessary to explain who made the investment, BI or the bank. The party investing (representative or *wakil*) should be rewarded. Because BI receives the reward, BI should be the one investing. Based on the facts, the substance of PasBI is similar to lending and borrowing money.

This PasBI transaction can fully comply with sharia principles with the suggestions for *aqads* are:

1. If the flow of money is from BI to the Bank and the flow of collateral is from the Bank to BI, it is recommended that the *aqad* is changed to *al musyarakah*. The substance of this transaction is participation in the assets that are pledged as collateral. The return received by BI is the return on the assets that are pledged as collateral.
2. If the transaction is based on the transfer of assets as collateral, it is suggested that the *aqad* is a sale and purchase *aqad* with repo terms. The return received by BI is the return on the assets that are pledged as collateral.

SBSN Transactions

BI acts as an agent and buyer of SBSN issued by the government. This SBSN is issued based on sharia principles. As long as this SBSN complies with the provisions in the DSN Fatwa No. 69 of 2008 concerning State Sharia Securities (DSN-MUI, 2008), the monetary operations carried out by BI by selling and buying SBSN are following sharia principles.

Standing Facilities

Financing Facility

When BI provides financing to the Bank, the aqads used are Qard and Rahn. A Qard aqad is a lending and borrowing of funds without compensation with the obligation of the borrower to return the loan principal at once or in instalments within a certain period. The ar-Rahn aqad is a loan agreement by holding the asset as collateral for the loan. The lender receives the asset from the borrower and has the right to hold the asset until all of the borrower's debts are paid off. In this OPM, BI as a lender has the right to hold bank assets. Assets held by BI are SBIS, SukBI, and SBSN owned by the Bank

Based on the BI website, the compensation given by the Bank to BI for this financing facility refers to the loan interest rate set by BI. It is assumed that the Bank is aware of this compensation before the occurrence of this financing facility. If this Qard aqad has a reward for the financing transaction, there is a difference between the character of the Qard aqad and the reality. It is necessary to study further why there are still rewards in advance for the Qard aqad for this financing facility.

SBIS, SBSN, and SukBI which are held by BI and used as collateral in this financing facility, can be transacted with Repo transactions. BI can sell SBIS, SBSN, and SukBI. Repo transactions for SBSN and SukBI use the Al ba'i aqad accompanied by wa'd. Akad Al ba'i is a buying and selling transaction. Aqad Wa'd is a promise. In the SBSN repo transaction, this means that after BI sells the SBSN and SukBI which it has kept from Qard transactions with the Bank, then BI can sell the SBSN and SukBI to the Bank, but within a certain time, BI must buy back the SBSN and SukBI. In simple terms, BI sells collateral and then buys it back before the maturity date of its debts.

The SBSN and SukBI in BI come from the rahn aqad. It means that SBSN and SukBI are pawn assets. Can BI use these pawn assets? The Hanafi and Hanbali madhab scholars believe that BI should not take advantage of the SBSN and SukBI. The repo transactions carried out by BI include transactions that utilize the pawn assets, not sell, because there is a promise to buy back. Meanwhile, the Maliki and Syafii madhab scholars said that BI may use the pawn assets, such as the SBSN and SukBI. As long as there are no objections from the Bank that originally owned the SBSN and SukBI for the repo transaction, OPM conducted by BI with this repo transaction is permitted.

Qardh transactions with rewards set in advance are still not fully under sharia principles. To comply with sharia principles as a whole, the aqad used is pawn (rahn) only. Banks pawn SBSN and SukBI to BI. Banks provide compensation to BI because BI keeps and maintains SBSN and SukBI until the Bank pays off the pawn. If BI continues to use the Qardh aqad in this financing

facility, it is recommended that BI does not receive any compensation that set-in-advance from the Bank.

FASBIS

When BI withdraws money from the bank, the aqad used is ju'alah. A ju'alah aqad is an agreement between the first parties that promises certain rewards to the second party for the implementation of a task or service performed by the second party for the benefit of the first party. In FASBIS transactions, BI is the one who pays the fee. Thus, it can be interpreted that BI acts as the first party. In general, FASBIS transactions can be interpreted into 2 transactions, namely:

1. BI uses the money for the benefit of the bank, or
2. Banks provide services to BI in the form of money that can be used by BI

If this aqad refers to the first transaction, it means that the Bank should provide compensation to BI. However, in its application, BI provides rewards to the bank. The amount of this reward refers to the deposit facility interest rate set by BI. If this aqad refers to the second transaction, then in substance this transaction is a loan and borrowing money. The provision of money from the Bank to BI cannot be mentioned as the provision of services or services, because in substance this transaction is in the form of transferring assets. The party giving compensation is BI to the Bank (fact). Because there are still several interpretations, the FASBIS transaction using the ju'alah aqad still needs to be studied further.

Determination of compensation on FASBIS transactions refers to the interest rate determined by BI. If the substance of the FASBIS transaction is like lending and borrowing based on the second transaction (Bank provides services to BI), then the compensation provided is not following sharia principles. If this reward is given based on the first transaction (BI uses the money for the benefit of the bank), then this reward can be in following sharia principles with the assumption that the bank is giving the reward to BI. The use of the BI interest rate as a reference can be done as long as both parties understand and are willing to this provision.

This FASBIS transaction is not fully under sharia principles. Therefore, it is suggested that the aqad be changed, from ju'alah to qard. In this Qard aqad, there is no promise of giving compensation, but BI should give compensation when it is returned by referring to BI's interest rate.

CONCLUSION AND RECOMENDATION

Sharia Monetary Operations (OMS) conducted by Bank Indonesia consist of 2, namely Open Market Operations (OPT) and Standing Facility. OPT uses SBIS, SukBI, PasBI, SBSN, Reverse Repo OPT instruments, and Repo OPT instruments. The Standing Facility transaction consists of 2 transactions, namely the Financing Facility and FASBIS.

SBIS issuance transactions are not fully based on sharia principles. The issuance of SBIS uses a ju'alah aqad, but it transferred an asset (money), not a service. To comply with sharia principles, it is recommended that the issuance of SBIS use a Qard aqad, or continue to use a ju'alah aqad provided that BI performs certain activities.

PasBI transactions are not fully based on sharia principles. PasBI transactions use the Wakalah Bi Al-Ujrah aqad which requires BI to perform certain jobs. There is no explanation of what BI should do from this PasBI transaction. To comply with sharia principles, it is recommended that PasBI transactions use a musyarakah aqad or a sale and purchase aqad with a repo.

SukBI issuance transactions and SBSN trading are following sharia principles. Meanwhile, financing transactions and FASBIS are not fully under sharia principles. For financing transactions, it is recommended to use the Rahn aqad and FASBIS to use the Qard aqad.

FURTHER STUDY

This research still has limitations so it is necessary to carry out further research related to the topic of Criticism of Contemporary Islamic Monetary Policy and Operations in order to perfect this research and increase insight for readers.

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