

## Contextualizing Consumer Data Protection within the Operational Principles of Banking: A Legal Inquiry

Ampuan Situmeang<sup>1</sup>, Hari Sutra Disemadi<sup>2</sup>, Irvan Ricardo Marsudi<sup>3</sup>






<sup>1</sup> Faculty of Law, Universitas Internasional Batam, Indonesia, [2051073.irvan@uib.edu](mailto:2051073.irvan@uib.edu)

<sup>2</sup> Faculty of Law, Universitas Internasional Batam, Indonesia

<sup>3</sup> Faculty of Law, Universitas Internasional Batam, Indonesia

### ABSTRACT

*This research aims to analyze the regulatory framework for the implementation of operational principles in banking as an effort to protect consumer data in Indonesia. The research method employed is normative legal research with a legislative approach to analyze banking regulations. This study involves the analysis of secondary data. The results indicate that the regulation of the implementation of operational principles in Indonesian banking has provided legal certainty in the protection of consumer data. Banks in Indonesia are mandated to maintain the confidentiality of consumer data, enhance trust, and manage risks with caution. The research also identifies several challenges and shortcomings that need further consideration to strengthen consumer data protection. The implementation of operational principles in banking, such as the Principles of Trust, Confidentiality, Prudence, and Know Your Customer (KYC) Principles, constitutes critical steps in safeguarding consumer banking data in the digital era.*

<b>Keywords</b>	<i>Data Protection; Operational Banking Principles; Normative Analysis</i>
<b>Cite This Paper</b>	Situmeang, A., Disemadi, H. S., & Marsudi, I. R. (2024). Contextualizing Consumer Data Protection within the Operational Principles of Banking: A Legal Inquiry. <i>Legal Spirit</i> , 8(2).
<b>Manuscript History:</b> <u>Received:</u> 2024-01-25  <u>Accepted:</u> 2024-07-17  <u>Corresponding Author:</u> Ampuan Situmeang, <a href="mailto:2051073.irvan@uib.edu">2051073.irvan@uib.edu</a>	 Legal Spirit is Licensed under a Creative Commons Attribution-ShareAlike 4.0 International License <b>Indexed:</b>     <b>Layout Version:</b> V8.2024

## INTRODUCTION

Consumer protection in banking is a crucial issue that serves as the primary focus within the scope of this research. In the era of technological advancements and digital transformation, banking has engaged consumers more intimately through online services and transactions. However, the positive impact of these innovations also brings significant risks related to the security of consumer data and privacy (Tarigan & Paulus, 2019; Abubakar & Handayani, 2022). Therefore, this research aims to explore the legal foundations of consumer data protection within the context of the operational principles of banking. Consumer data protection in the banking sector plays a central role in ensuring the security and privacy of customers' personal information. With the advancement of information technology and the adoption of digital banking services, the volume of data generated and

processed by banking institutions is increasing (Ayunda & Rusdianto, 2021). Solid data protection policies and practices become crucial to safeguard customers from potential risks of data leaks or misuse of their personal information (Sinaga, Jusuf, Kornelius, & Tarina, 2023). The success of a banking institution in maintaining the integrity and confidentiality of consumer data not only builds trust but also ensures compliance with relevant data protection regulations and laws. The importance of consumer data protection in the banking sector is also reflected in its impact on the overall stability of the financial system. Financial losses and reputational damage resulting from data breaches can endanger not only individual customers but the entire financial ecosystem.

Operational principles in banking not only encompass the security aspects of electronic transactions but also include transparency of information and protection of consumer data. Compliance with these principles by banks plays a key role in maintaining the integrity and consumer trust in banking institutions. Therefore, this research will conduct an in-depth analysis of the legal framework governing operational principles in banking, with a specific focus on consumer data protection as a central point. Previous research related to consumer data protection in banking has been extensive, such as the study by Rahmi Ayunda and Rusdianto (2021), which examined consumer data protection in banking in the utilization of Artificial Intelligence (Ayunda & Rusdianto, 2021). Emma Sandi (2019) explored the oversight role of the Financial Services Authority (OJK) in protecting consumer data (Sandi, 2019). Additionally, the research by Vicky Katiandagho, Diana Darmayanti Putong, and Isye Junita Melo (2023) examined how the Personal Data Protection Law strengthens banking regulations in maintaining the confidentiality of consumer data (Katiandagho, Putong & Melo, 2023). In contrast to previous studies, this research will delve deeper into analyzing the legal framework governing operational principles in banking with a focus on the protection of consumer data. It is expected that this research will contribute positively to the understanding and implementation of consumer protection in modern banking practices. The results of this research are anticipated to provide relevant policy recommendations to enhance consumer protection in the current operational dynamics of banking.

## **METHOD**

This research employs the normative legal research method. The normative legal research method is an investigative approach conducted to analyze legal norms stipulated in statutory regulations, legal documents, or other legal sources. The aim of this method is to comprehend, interpret, and systematically evaluate legal norms. In the legal context, the term “normative” refers to the applicable legal norms or rules. The normative legal research method involves the analysis of legal texts to discover legal principles, causal relationships, or other normative aspects. This approach is not strictly confined to statutory regulations but may also encompass court decisions, international legal documents, and other legal sources. Moreover, the method may involve comparing legal norms to understand developments or changes in the law. The data utilized consists of secondary data obtained through a literature review. The secondary data comprises Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (Banking Law) and Law Number 21 of 2008 concerning Islamic Banking (Islamic Banking Law). Subsequently, the data is qualitatively analyzed through legal interpretation to derive accurate conclusions.

## **RESULTS AND DISCUSSIONS**

### **The Operational Principles of Banking Regulation in Indonesia**

The legal relationship between the parties involved in this national banking industry is grounded in principles that regulate interactions within the banking sector. These principles serve as guidelines for all parties engaged in banking activities and contribute to the establishment of a sound and prudent banking system. In the management of the banking sector, particularly in the legal interaction between banking institutions and individuals who

deposit funds, there exists a theoretical framework that provides a crucial foundation for the dynamics of these relationships. This perspective, as articulated by Nindyo Pramono, refers to four fundamental principles that form the main pillars in banking governance, namely the Fiduciary Principle, Confidential Principle, Prudential Principle, and Know Your Customer Principle (Pramono, 2006).

The Fiduciary Principle, within the realm of banking, establishes the primary foundation for the collection and management of public funds based on trust. Customers place their trust by entrusting their funds to the bank, expecting that these funds will be managed with safety and integrity (Christian, Nasution, Suhaidi & Siregar, 2016). The bank, in its role as a trustee, has the responsibility to ensure that these funds can be accessed by customers at any time according to their requests. Beyond a mere creditor-debtor relationship, the legal relationship between the bank and the customer should be defined as a relationship of trust or fiduciary relation. This trust principle is an unshakable foundation in managing the banking industry, where the bank has a primary obligation to safeguard customer trust and ensure transparent and reliable fund management. Therefore, to maintain this level of trust, banks must adhere to regulations and policies governing the confidentiality of customer information (Yasin, 2019).

Normatively, the concept of fiduciary relations can be interpreted and found in the Explanation of Article 29 of Law Number 7 of 1992, which was subsequently perfected by Law Number 10 of 1998 (Banking Law). This explanation clearly states that a bank, as an institution managing public funds, operates on the basis of trust. The bank is obligated to consistently maintain its financial health and preserve the level of public trust in it. These principles emphasize the importance of careful management of public funds, as well as the preservation of the integrity and security of these funds in order to maintain the trust that forms the foundation of banking activities. Article 29 of the Banking Law explains, "Banks primarily operate with public funds deposited in the bank on the basis of trust; every bank needs to continually maintain its health and preserve the trust of the public in it." In practice, the principle of trust creates the foundation for a stable and sustainable relationship between the bank and its customers. Bank customers, by depositing their funds in the bank, expect that the bank will carefully manage and safeguard those funds and fulfill their obligations in good faith. On the other hand, banks are also committed to providing professional and transparent services to their customers, ensuring that customers feel confident and satisfied with the banking services provided. This principle of trust is a crucial foundation in maintaining the stability and sustainability of the banking industry. Furthermore, Article 29 paragraph (4) of Banking Law provides a strong legal basis for protecting the interests of customers and maintaining trust in the banking industry. In the event of issues or disputes between the bank and its customers, this principle of trust can also be used as a guide in resolving such conflicts, referring to the bank's obligation as a trustee for the funds entrusted by customers.

The Principle of Confidentiality (Confidential Principle, Confidential Relation). The principle of bank secrecy constitutes an unshakeable foundation in the structure of the banking industry, and the integrity of a country's financial system heavily relies on the preservation of this principle. Inconsistencies in implementing the confidentiality principle of banks can shock the stability of the entire financial system (Azizah, Putri & Tarina, 2023). If information regarding the identities or assets, as well as the deposit accounts of clients, such as current accounts, can be easily accessed by parties without legitimate interests or leaked to unauthorized entities, the consequence is a significant reduction in client privacy. Clients may feel insecure about the security of their assets deposited in a particular bank, potentially prompting them to transfer their assets to alternative investments or storage institutions perceived as providing greater security and confidentiality (Simbolon, 2023). The subsequent impacts of such a situation could potentially threaten the national economy and banking system as a whole. Public trust in banking institutions will be shaken and may

even trigger a surge in withdrawals, negatively impacting the banking industry and the national economy at large. The principle of bank secrecy is not only a moral foundation but also functions as a crucial legal protection mechanism for clients. Clients have the right to adequate legal protection guaranteeing the trust they place in the bank to manage their funds. This refers to the idea that information and data held by banks are not entirely confidential or strictly private. This implies that there are situations in which, in accordance with applicable laws and regulations, banks may disclose or share certain information with specific parties without violating the confidentiality or privacy of their customers (Siwi, 2021).

The principle of bank confidentiality is detailed in Law No. 10 of 1998, specifically in Articles 40 to 47 A. Article 40 of the Banking Law states, "Banks are obligated to maintain the confidentiality of information regarding depositors and their deposits, except as stipulated in Articles 41, 41 A, 42, 43, 44, and 44A." Article 40 mandates that banks have the obligation to safeguard the confidentiality of all information related to their depositors and their deposits. However, this principle is not absolute and is subject to specific exceptions. The obligation to maintain confidentiality can be waived in certain situations specified in the law.

Mohammad Djumhana, in his book titled "Hukum Perbankan di Indonesia" (Banking Law in Indonesia), outlines two important theories regarding bank secrecy. The first is the absolute theory of bank secrecy, where banks are obligated to maintain the confidentiality of customer information under all circumstances, both in normal and extraordinary situations. This means that banks must keep customer data confidential without exception, and it is an unwavering commitment. Meanwhile, the relative theory of bank secrecy allows banks to disclose customer secrets in certain urgent situations, such as national interests. In this context, national interests or emergency interests can be reasons for banks to disclose information previously considered confidential. Thus, the relative theory of bank secrecy provides flexibility for banks to violate customer confidentiality in situations deemed important for the continuity of the country or society. The explanation of these two theories serves as a crucial foundation in understanding the practice of bank confidentiality in Indonesia (Djumhana, 2000).

The principle of bank confidentiality reflects the importance of preserving the confidentiality of information related to transactions and the relationship between banks and depositors. This principle binds both parties, banks and depositors, not to disclose or provide confidential information to third parties without permission or a strong legal obligation. Therefore, the principle of bank confidentiality aims to protect the privacy and interests of both parties in the banking world. The regulation of bank confidentiality is stipulated in Articles 40 to 47 A of the Banking Law. According to Article 40, banks are obliged to maintain the confidentiality of information regarding depositors and their deposits. However, this obligation of confidentiality is not without exceptions. The obligation of confidentiality is exempted in cases such as tax matters, the settlement of bank debts transferred to the Badan Urusan Piutang dan Lelang/Panitia Urusan Piutang Negara (UPLN/PUPN), for the interests of criminal court proceedings, in civil cases between banks and depositors, and in the context of exchanging information between banks.

The Prudential Principle (Confidential Relation) constitutes a fundamental foundation in the operational aspects of banking, emphasizing the importance of caution and prudence in fund management (Arista, 2023). This principle aims to ensure that banks consistently maintain a strong financial condition, conducting their operations in accordance with the regulations and legal standards applicable to the banking sector (Abubakar & Handayani, 2017). There are key articles that govern this Prudential Principle, one of which is Article 2 in Law No. 10 of 1998, serving as a primary pillar for overseeing the actions and decisions of banks. Article 2 of the Banking Law states, "Indonesian banking in its activities is based on

economic democracy by using the prudential principle.” The Prudential Principle obliges banks to conduct their banking activities with a high level of prudence, carefully considering every step they take in the process of fund collection and distribution to the public (Sihotang, 2021). The primary focus of this principle is to protect the interests of customers and safeguard their assets. This implies that banks must consistently strive to prevent or mitigate unnecessary risks in their operations. When the Prudential Principle is implemented, banks ensure that every decision they make is thoroughly considered and that their actions align with the prevailing legal provisions (Mulyati, 2018). This is crucial for maintaining the stability of the banking system and protecting society from potential risks that could cause harm.

**Table 1.** Principle of Prudence Regulation

No.	Banking Law	Shariah Banking Law	Explanation
1	Article 2:  The Indonesian banking sector, in its business endeavors, operates on the foundation of economic democracy by adhering to the principle of prudence.	Article 2:  Islamic banking, in conducting its business activities, operates based on Sharia principles, economic democracy, and the principle of prudence.	Based on the aforementioned articles, the principle of prudence constitutes an integral part of banking regulations aimed at ensuring the stability and integrity of the banking system.
2	Article 8:  Banks are obligated to possess confidence based on the 5 C's analysis of credit prior to extending credit or financing.	Article 23:  Banks are obliged to possess confidence in the willingness and ability of prospective customers to fulfill all of their obligations based on the 5 C's analysis of facility recipients.	In both aforementioned articles, the principle of prudence serves as a crucial foundation in the credit/financing decision-making process aimed at minimizing potential risks.
3	Article 29 paragraph (2):  Banks are obligated to maintain the health of the bank in accordance with regulations on capital adequacy, asset quality, management quality, liquidity, profitability, solvency, and other aspects related to the bank's operations. Furthermore, they are required to conduct business activities in accordance with the principle of prudence.	Article 35:  In the realm of Islamic banking, Shariah-compliant financial institutions or Shariah Business Units (SBUs) are obligated to adhere to the principle of prudence.	In both of these articles, the principle of prudence is a fundamental obligation that mandates conventional banks and Islamic banks to uphold the integrity of their financial affairs and protect the interests of customers and shareholders by operating with caution and wisdom in all aspects of their business operations.
4	Article 29 paragraph (3):  In extending credit or financing based on Sharia principles and engaging in other business activities, a bank is obligated to employ methods that do not harm the bank and the interests of customers who entrust their funds to the bank.	Article 36:  The Sharia Bank/Islamic Banking Unit (IBU) is obliged to adopt methods that do not prejudice the interests of the Sharia Bank/IBU and the depositors who entrust their funds.	Considering the safeguarding of the interests of customers who have entrusted their funds to the bank, these two articles characterize the significance of implementing the principle of prudence in banking operations, even though this principle is not explicitly stated in the articles.
5	Article 29 paragraph (4):  In the interest of the bank's clients, it is mandatory to furnish information regarding	Article 39:  Islamic banks and Islamic financial institutions are obligated to elucidate to their	In both of these articles, there are implications that banks, whether conventional or Islamic, are obligated to consider the principle of

the potential emergence of loss risks associated with customer transactions conducted through the bank.

clients regarding the potential risks of losses associated with customer transactions conducted through Islamic banks and/or Islamic financial institutions.

prudence in providing information to customers regarding the potential risks associated with banking transactions. This aligns with the general principles of banking law to uphold security and caution in banking activities, even though these principles are not explicitly stated in these articles.

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**Source:** Analysis of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (Banking Law) and Law Number 21 of 2008 concerning Islamic Banking (Islamic Banking Law).

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The aforementioned regulatory principle of prudence aims to provide fundamental legal certainty regarding the banking responsibilities in carrying out its activities. This principle requires banks to act with caution, diligence, and a high level of vigilance in managing customer funds and conducting banking transactions. The existence of the prudence principle creates a clear and orderly framework for financial institutions, expecting them to avoid unnecessary risks, protect customer interests, and minimize the possibility of significant financial losses. Therefore, the prudence principle is a crucial foundation in banking regulations to maintain the stability and integrity of the financial system, providing confidence to stakeholders regarding safe, fair, and legally certain banking practices. The Know Your Customer (KYC) Principle serves as a cornerstone in banking practices, aiming to ensure that banks have a profound understanding of their customers' identities and activities (Rozali, 2011). This principle is specifically regulated in Bank Indonesia Regulation No. 3/10/PBI/2001 concerning the Implementation of Know Your Customer Principles, as subsequently amended by Bank Indonesia Regulation No. 3/23/PBI/2001 and Bank Indonesia Regulation No. 5/21/PBI/2003. For Rural Credit Banks, Bank Indonesia has issued separate provisions through Bank Indonesia Regulation No. 5/23/PBI/2003 regarding the Implementation of Know Your Customer Principles for Rural Credit Banks. The application of this principle allows banks to achieve several crucial objectives.

Firstly, the primary goal of the KYC principle is to enhance the role of financial institutions in supporting healthy financial practices. By understanding customer profiles thoroughly, banks can formulate policies and procedures to maintain their financial stability and health. This involves continuous monitoring of customer activities and taking necessary actions to reduce financial risks. Secondly, the application of the KYC principle aims to prevent financial institutions from becoming venues for criminal activities and illegal transactions. By carefully identifying customers, banks can avoid the use of bank accounts for money laundering, fraud, or other illegal activities that could damage the reputation of the financial institution. This also aids in monitoring suspicious transactions and reporting them to the relevant authorities. Thirdly, this principle involves safeguarding the reputation of financial institutions. In a competitive and risk-prone business environment, maintaining a positive image is crucial. By implementing the KYC principle, banks can ensure that they engage only in legitimate transactions and avoid involvement in illegal practices that could tarnish their reputation. The KYC principle emphasizes the importance of careful customer identification and understanding by banks. This is not only a security measure but also an effort to mitigate financial risks, uphold the integrity of financial institutions, and support healthy financial practices. Therefore, this principle stands as one of the primary pillars in the responsible operation of banks.

Through the application of the customer due diligence principle, banks are expected to conduct early identification of transactions that may raise suspicion. This is aimed at reducing the potential risks that could disrupt the smooth operation of the bank, including operational risk, legal risk, concentration risk, and reputational risk. The customer due diligence principle implies not only a basic understanding of customers but also requires banks to have a deeper understanding of the characteristics and transaction profiles carried out by customers through banking services. In this context, identification is not limited to customer identity data but also encompasses more comprehensive information about how customers interact with the bank. The implementation of the customer due diligence principle is a crucial step in preventing the misuse of the banking system for money laundering activities, whether conducted directly or indirectly by criminals. Therefore, banks have an obligation to diligently adhere to this principle, enabling them to effectively identify suspicious financial transactions. Thus, this principle plays a central role in maintaining the integrity and security of the banking system and contributes to efforts to prevent criminal activities within it.

### **Normative Analysis of Efforts to Protect Consumer Data through the Implementation of Operational Principles in Banking**

Personal data protection refers to a set of measures and policies implemented to safeguard the personal information of individuals from misuse, unauthorized access, or unlawful processing (Sudirman, Disemadi, & Aninda, 2023). This involves actions designed to ensure that personal data, such as names, addresses, phone numbers, and other information that can identify individuals, is collected, stored, and processed in good faith and in accordance with the law (Afnesia & Ayunda, 2021). Personal data protection encompasses principles such as transparency, limitations on data collection, clear purposes for data collection, and data security (Shandy & Sari, 2023; Disemadi, & Budi, 2023). In many jurisdictions, there are specific regulations and laws governing personal data protection with the aim of safeguarding individual privacy, preventing identity theft, and ensuring that companies and organizations are responsible for the personal information they manage (Alhumaira, & Renaldy, 2023). In the digital era, personal data protection is increasingly becoming a primary concern with the advancement of information technology and the growth of digital services (Disemadi, 2021).

The protection of consumer banking personal data has become increasingly crucial in this digital era due to the expanding use of information technology and society's reliance on online banking services (Abubakar & Handayani, 2022). Firstly, with the widespread adoption of digital technology in banking transactions, personal information such as account numbers, transaction history, and identity data become vulnerable to cyber attacks and criminal activities. Ensuring the security of consumer personal data becomes a primary focus to prevent potential identity theft, fraud, and other illegal activities that may harm customers. The urgency of personal data protection is also linked to compliance with privacy regulations (Kusuma & Rahmani, 2022). Many countries have implemented data protection laws to regulate the use and storage of personal information (Villa & Tan, 2022). Banks are obliged to comply with these regulations to protect the privacy rights of customers, and privacy breaches can result in legal sanctions and serious reputational consequences for banking institutions (Sinaga, Jusuf, Kornelius, & Tarina, 2023).

The opportunities and risks posed by technological innovations such as artificial intelligence (AI) and big data analytics make the protection of consumer personal data key to maintaining customer trust. When consumers feel that their personal data is secure, they are more likely to be comfortable using digital banking services. Customer trust is a critical factor in promoting the growth of the digital banking sector and building long-term relationships between banks and customers. Therefore, the urgency of personal data

protection in the digital era is not only an ethical obligation but also a strategic necessity to sustain operational continuity and customer trust in the ever-transforming banking world.

Consumer protection in Indonesia is governed by Law Number 8 of 1999 concerning Consumer Protection. This law aims to provide legal protection for consumers engaging in the buying and selling of goods and/or services (Nurdin, 2018). Within the Consumer Protection Law, the rights and obligations of consumers are delineated, as well as the responsibilities of producers, distributors, and sellers regarding the goods and services they offer. Additionally, the law encompasses aspects of consumer dispute resolution, product safety standards, and the information that must be provided to consumers (Palilati, 2017). With the existence of the Consumer Protection Law, it is hoped that consumers can assert their rights more confidently and avoid business practices that are detrimental to them or that exploit consumers (Hutauruk, Sudirman, Disemadi, & Tan, 2023).

The protection of personal banking consumer data in the digital era in Indonesia is regulated by Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE Law), and more specifically by Government Regulation Number 71 of 2019 concerning the Implementation of Electronic Systems and Transactions (GR 71/2019). Furthermore, Indonesia also has Law Number 19 of 2016 concerning Amendments to Law Number 11 of 2008 concerning Electronic Information and Transactions (the amended ITE Law). However, for a more comprehensive aspect of personal data protection, Indonesia has also enacted Law Number 27 of 2022 concerning Personal Data Protection (PDP Law), which stipulates that individuals, including those engaged in business or e-commerce activities, can be categorized as controllers of personal data. Thus, they are legally responsible for the processing of the personal data they organize and must comply with the provisions outlined in the PDP Law. This means that the PDP Law emphasizes the obligation to protect personal data, and its articles state prohibitions against anyone obtaining, managing, or using personal data without permission (Fikri & Rusdiana, 2023).

Referring to the definition presented in Article 1 paragraph 1 of the PDP Law, Personal Data is accurately described as information related to an individual that can be identified specifically or potentially, either independently or in connection with other information, encompassing various processing methods, whether electronic or non-electronic. Meanwhile, the concept of personal data protection, as stated in Article 1 paragraph 2, is a holistic and systematic effort aimed at maintaining the integrity, confidentiality, and availability of Personal Data collected within the framework of Personal Data processing. Beyond mere protection, this is a manifestation of a deep commitment to the constitutional rights inherent in individuals as subjects of Personal Data (Disemadi, Sudirman, Girsang & Aninda, 2023). The implementation of operational banking principles such as the Principle of Trust, Principle of Confidentiality, Principle of Prudence, and Customer Due Diligence Principle are crucial steps in the effort to protect the personal data of banking consumers.

**Fiduciary Principle.** This principle emphasizes that banks have an obligation to act in good faith and honesty towards customers (Putera, 2020; Anggianti & Suardana, 2019). Banks are considered entrusted parties responsible for safeguarding the interests of customers; hence, they must operate with high integrity, prioritizing customer interests over personal or banking institution interests (Christian, Nasution, Suhaidi, & Siregar, 2016). Normatively, the concept of fiduciary relations in the banking context can be interpreted as a close relationship of trust between the bank and its customers. This can be found in the explanation of Article 29 of Law Number 7 of 1992, subsequently perfected by Law Number 10 of 1998 (Banking Law).

In the context of the protection of consumer banking personal data, the concept of fiduciary relations becomes crucial. Banks are not only responsible for the financial security of customers but also for the confidentiality of customers' personal information. Banks are



obliged to consistently maintain their financial health and preserve the level of public trust in them. This includes the protection of customers' personal data, such as identities, transaction histories, and other financial information. Thus, efforts to protect the personal data of consumer banking are not only a legal obligation but also an expression of the fiduciary principle underlying the relationship of trust between the bank and its customers. Through compliance with fiduciary principles, banks not only ensure the financial security of customers but also provide protection for consumer personal data as an integral part of their fiduciary responsibilities. Therefore, public trust in the banking institution can be maintained, and customers can feel confident that their personal data is managed with full integrity and caution.

**Confidential Principle.** The principle requires that customer information be stored and processed confidentially (Zatika, 2020). Banks must maintain the confidentiality of customers' personal data to prevent unauthorized access. This includes protection of information such as account balances, transaction history, and customer identities (Purwaningsih, Hipan & Ogotan, 2021). The bank confidentiality principle, detailed in the Banking Law, stipulates that banks have a responsibility to safeguard the confidentiality of information related to depositors and their deposits. Article 40 of the Banking Law emphasizes this obligation, providing a strong legal basis for protecting customer privacy. However, this confidentiality principle is not absolute, and there are specific exceptions regulated by the law. In the effort to protect the personal data of banking consumers, it is important to understand that exceptions to the confidentiality principle must align with legal provisions that maintain a balance between the privacy rights of customers and the legal obligations of banking institutions. The disclosure of information in the context of tax interests, debt settlement, or legal matters should be done in good faith and with attention to data protection principles. In the context of interbank information exchange, confidentiality may be relaxed, but this must be done while adhering to data security standards and applicable regulations. Therefore, safeguarding the personal data of banking consumers requires not only compliance with confidentiality principles but also careful implementation in the context of exceptions regulated by the law to maintain balance and integrity in customer privacy protection.

**Principle of Caution (*Prudential Principle, Confidential Relation*).** This principle mandates that banks must operate with prudence and minimize financial risks (Abubakar, & Handayani, 2017; Hakim & Oktaria, 2018). Banks need to conduct a careful risk assessment and manage assets wisely to safeguard their security and operational sustainability (Mulyati & Dwiputri, 2018). Article 2 of the Banking Law asserts that Indonesian banking acts based on economic democracy using the principle of prudence. This prudential principle plays a central role in regulating banking activities, mandating banks to conduct their operations with a high level of prudence. The emphasis is on the need for banks to operate cautiously in the process of mobilizing and channeling funds to the public. The primary focus of the prudential principle is to protect the interests of customers and secure their assets (Isnaini, & Wanda, 2017). This implies that banks must continuously mitigate risks that may arise in their operational activities, thereby preventing or reducing potential losses. In the context of consumer banking data protection, the implementation of the prudential principle has a significant positive impact. As institutions managing customers' personal information, banks must ensure that every step they take in data management is executed with high prudence (Isnaini & Wanda, 2017; Tektona, & Risma, 2020). This includes safeguarding data security, preventing cyber threats, and complying with applicable data protection regulations. By adhering to the prudential principle in managing consumer personal data, banks can guarantee that customer information remains secure, the risk of data theft is minimal, and the implemented policies align with privacy protection principles. Therefore, the prudential principle not only serves as the foundation for the stability of the banking system but is also

an integral part of efforts to protect consumer banking personal data in the face of challenges in the digital era.

**Know Your Customer Principle.** The principle demands that banks must identify and comprehend their customers' profiles thoroughly (Rozali, 2011; Saraha, 2018). This includes identity verification, transaction purposes, and an understanding of customer financial activities (Novitiyaningsih, & Nasution, 2019). This principle not only aids in preventing money laundering activities but also ensures that banking services are tailored to the needs and risks of the customers (Setiawan, 2018; Metekohy & Nurhayati, 2016). The Know Your Customer (KYC) principle serves as the foundational basis in banking practices to ensure that banks possess a profound understanding of their customers' identities and activities. This is specifically regulated by the Bank Indonesia Regulation No. 3/10/PBI/2001 on the Implementation of Know Your Customer Principles, which subsequently underwent amendments with Bank Indonesia Regulation No. 3/23/PBI/2001 and Bank Indonesia Regulation No. 5/21/PBI/2003. There are also specific provisions adjusted for People's Credit Banks, governed by Bank Indonesia Regulation No. 5/23/PBI/2003. This principle provides a basis for banks to collect necessary information about their customers, including identities, transaction purposes, and risk profiles, enabling them to conduct their operational activities more effectively and securely.

With the implementation of the Know Your Customer principle, banks can achieve several crucial objectives. Firstly, the primary goal of this principle is to enhance the role of financial institutions in supporting sound financial practices. By comprehensively understanding customers, banks can minimize risks related to fraud, money laundering, and other illicit financial activities. Moreover, this principle supports transparency in bank operations, ensuring that every transaction is conducted in good faith and in accordance with applicable legal provisions. Through careful identification and understanding of customers, banks can maintain public trust in the banking sector and design services that better suit customer needs. Therefore, the Know Your Customer principle is not only a banking obligation to comply with regulations but also an effective strategy in safeguarding the personal data of banking consumers and ensuring integrity and security in financial services. The implementation of these principles is not only an ethical obligation but also an integral part of personal data protection policies. By adhering to these principles, banks can create a secure and trustworthy environment for their customers, safeguard the integrity of personal data, and build strong trust between the bank and its customers.

## **CONCLUSION**

The application of operational principles in banking, such as the Principles of Trust, Confidentiality, Prudence, and Know Your Customer (KYC) Principle, constitutes critical measures in the effort to protect consumer data. The Principle of Trust asserts that banks have an obligation to act with high integrity towards their customers, while the Principle of Confidentiality demands that customers' personal information be stored and processed confidentially. The Prudence Principle emphasizes a high level of discretion in carrying out banking activities to prevent unnecessary risks. Meanwhile, the Know Your Customer Principle ensures that the bank has a profound understanding of its customers. All these principles, applied in accordance with applicable regulations, not only safeguard the interests of customers and maintain their financial security but also form a robust foundation for the protection of consumers' personal data. By ensuring compliance with these principles, banks create a secure, trustworthy, and effective environment in managing customers' personal information, reinforcing public trust in banking services, and ensuring that consumer data remains protected in the continually evolving digital era.

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