

ABSTRACT

**Key Word : Prudent banking principle and sound banking principle
lead to good banking system**

Study on prudent banking and sound banking principles in Banking Law and its implementing regulations is to perceive the implementation of the two principles in Banking Law. Normative law research method was applied to study the implementation of a principle in rule of law.

The research result points out the prudent banking principle is a wise attitude of bank in carrying out its function i.e. based on the demeanor of seriousness, accuracy, precision, by taking into consideration all consequences or risks which might arise in the future from any activity it performs. While Sound banking principle is a condition inside a banking whereby its meet the standard of banking norms, in the sense that it is free from economic and managerial disease or disorder which can jeopardize its life existence.

Their implementations in Banking Law can be observed from various aspects regulated in the said Law i.e. the aspects of loans, banking business, capital, standard of soundness, ownership, profesional management, openness of bank's balance sheet, merger and consolidation, and leadership-supervision by Banking of Indonesia. It is visible that the implementation of prudent banking and sound banking principles in Banking Law provides sufficient normative guidelines to wards sound banking system, except in the aspect of banking business in connection with fund collection.