

## **Legal Protection for Capital Market Investors If The Obligation To Pay Interest And Principal On Bonds Is Not Fulfilled**

**Yoyo Arifardhani<sup>1</sup>, Stella Sadeva Selian<sup>2</sup>**

[yoyo.arifardhani@univpancasila.ac.id](mailto:yoyo.arifardhani@univpancasila.ac.id), [stellaselian@gmail.com](mailto:stellaselian@gmail.com)

<sup>1</sup>Lecturer at the Faculty of Law, Pancasila University, Jakarta

<sup>2</sup>Master Student of the Faculty of Law, Pancasila University, Jakarta

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### **Abstract**

*The Indonesian capital market is growing rapidly and plays a role in national development. Important principles include managing value-added activities, system development, and placing reliable personnel to create Good Corporate Governance (GCG). According to Law no. 8 of 1995, the capital market includes public offerings, securities trading and securities-related public companies. The capital market trades capital and debt instruments. Bonds are long-term debt securities with the risk of the company's inability to fulfill its obligations. This research reviews legal protection for capital market investors in handling bond payment obligations. The aim of this research is to determine the role of legal protection from the Capital Market Regulator in imposing sanctions on public companies that are negligent in fulfilling their obligation to pay interest and/or principal on bonds, and to find out how to ensure investors are safe in purchasing bonds. The research results show that capital market regulators such as the Trustee, OJK, and BEI have a crucial role in supervising and protecting bond holders from pre-registration to post-issuance. Actions include trusteeship contracts, sanctions, and suspension of bond issuers. And in-depth knowledge of bonds and the factors that influence their security will help investors in choosing bonds that suit the investor's risk profile and investment objectives.*

## I. Introduction

According to Law Number 8 of 1995, the Capital Market is an activity related to public offerings and securities trading, public companies related to the securities they issue, as well as institutions and professions related to securities. So it can be concluded that the capital market is a business sector that trades securities such as shares, share certificates and bonds. Securities trading is usually carried out by companies if there is a need for capital to increase activities within the company. The capital market is a place for buying and selling capital or funds.<sup>1</sup> The capital market is also known in English as Stock Exchange, Securities Exchange, or Stock Market. The definition of the capital market itself can also be divided into three scopes, namely, the capital market is a need for an organized financial system, including commercial banks and all intermediaries in the financial sector, as well as securities, long-term and short-term, primary and indirect ones. Capital markets are all organized markets and institutions that trade credit documents (usually with maturities of more than one year) including shares, bonds, mortgages and savings and time deposits. The capital market is an organized market place that trades shares and bonds using the services of brokers, commissioners and underwriters.

In general, the capital market can be described as a market that buys and sells funds or medium and long term financial instruments with a term of more than one year that can be traded, whether debt securities or what are usually called bonds, shares, mutual funds, derivative instruments or instruments. other.<sup>2</sup> And because of this, in simple terms there are restrictions regarding objects traded on the capital market, namely only limited to equity and debt securities. In transactions in the capital market, in general the owner of funds or what can be called the user of funds hands over a certain amount of funds, to which the recipient of the funds hands over proof of ownership in the form of securities.<sup>3</sup>

The capital market as a place for collecting funds from the community or public emphasizes the existence of 'trust' based on this trust, therefore it is very important to maintain harmonization in activities in the capital market. The capital market is also a financial instrument that has an important role in supporting a country's economic growth. The capital market has a term derived from the translation of the word capital market, which means a place or system for meeting capital funding needs for a company, and is a place where people buy and sell (market) newly issued securities.<sup>4</sup>

In simple terms, the processes that occur in the capital market are certainly not much different from the general concept of a market, namely a means that brings together the activities of buyers and sellers. In the capital market, those who are brought together are fund owners (suppliers of funds) with the use of funds (users of funds) for medium-

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<sup>1</sup> Sumantoro, *Introduction to the Indonesian Capital Market* (Jakarta: Ghalia Indonesia, 1990).

<sup>2</sup> Indonesian Stock Exchange, "Getting to Know the Capital Market," *Indonesian Stock Exchange*, last modified 2024, accessed March 23, 2024, <https://www.idx.co.id/Home/Information/ForInvestor/IntroToCapitalMarket/tabid/167/language/id-ID/Default.aspx>.

<sup>3</sup> M. Irsan Nasarudin, *Legal Aspects of the Indonesian Capital Market* (Jakarta: Kencana Prenada Media Group, 2007), p.10.

<sup>4</sup> A. Abdurrachman, *Encyclopedia of Financial Economics and Trade* (Jakarta: Pradnya Paramita, 1991), 169.

term and long-term investment purposes.<sup>5</sup>

The existence of the capital market is not only a source of financing, but also a means for people to get the opportunity to obtain and improve their welfare. The Indonesian capital market has developed rapidly, but the development of the capital market in the future must be carried out with hard work from all capital market players.<sup>6</sup> The capital market has a role in national development as a source of financing for the business world and a place for investment for the wider community.<sup>7</sup>

In general, there are several principles that are needed by the Indonesian capital market to expand the global market:<sup>8</sup>

1. Managing value-added activities along competitive lines.
2. Develop and operate system units in each regional, national or international activity.
3. Realizing the right man in the right place with reliable, credible and professional specifications who are responsible for developing the entity in the international arena.<sup>9</sup>

Companies in Indonesia to face the globalization of the world economy so that they have business competitiveness require the capital market as a function that can encourage the creation of Good Corporate Governance (GCG). The capital market can also turn a potential economy into a real economy by using funds both from within the country and from abroad which can ultimately create jobs so that it can increase sustainable national economic growth which then leads to people's welfare.<sup>10</sup>

Considering that the capital market is a source of financing in a company and as a place of investment for investors, and has a strategic role in supporting national development, capital market activities need to be supervised so that the capital market can run well. According to Article 1 number 13 of Law Number 8 of 1995 concerning Capital Markets (hereinafter abbreviated as UUPM) provides limitations or definitions of capital markets, which are activities related to public offerings and trading of securities, public companies related to securities issued, as well as institutions and professions related to securities. The public is given the opportunity to own and enjoy the profits obtained by the company if the company's shares are sold on the capital market.<sup>11</sup> The Indonesian capital market trades securities in the form of capital and debt instruments, derivative instruments such as replacement letters or temporary proof of securities, proof of profit and letters of guarantee, rights to order or buy shares or bonds, warrants and options.<sup>12</sup>

Debt securities or bonds are one of the securities listed on the Indonesian Stock Exchange. Bonds can be described as transferable medium to long term debt securities,

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<sup>5</sup> M. Irsan Nasarudin, Indra Surya, and Arman Nefi, *Legal Aspects of the Indonesian Capital Market* (Jakarta: Kencana, 2010), p.1.

<sup>6</sup> Ibid., p.27.

<sup>7</sup> Christine S. T. Kansil, *Principles of Capital Market Law* (Jakarta: Pustaka Harapan, 2004), p.7.

<sup>8</sup> Satria Nur Maharani, "Encouraging Efficient Capital Markets with Global Competitiveness," *Modernization* 2, no. 1 (2006): p.39.

<sup>9</sup> Ibid.

<sup>10</sup> Law No. 25, *Law on Investment* (Jakarta: Central government, 2007).

<sup>11</sup> Ana Rokhmatussa'dyah and Suratman, *Investment Law and Capital Markets* (Jakarta: Sinar Grafika, 2015), p.165.

<sup>12</sup> M.Irsan Nasarudin and Indra Surya, *Legal Aspects of the Indonesian Capital Market* (Jakarta: Kencana, 2004), p.182.

which contain a promise from the issuing party to pay compensation in the form of interest within a certain period and pay off the principal at a certain time. It has been determined by the party purchasing the bond that the bond can be issued by the company or the State. Bonds are different from shares because in general they must provide a certain amount of interest or coupons to investors periodically, except for the type of bond called zero coupon bonds. If the coupon that must be paid to investors is of low value, the company will be more profitable, but conversely, if the coupon that must be paid to investors is of high value, the company may experience a loss.

In this context, bonds are one of the main instruments used by companies to obtain long-term funding. Even though bonds provide significant benefits in supporting business activities, the risks associated with a company's inability to fulfill its obligation to pay interest and/or principal bonds are a serious challenge that can be detrimental to bondholders, investors and the stability of the capital market as a whole. Capital market participants in practice use bonds to issue bear debt securities which are widely offered to the public.<sup>13</sup> Bonds are experiencing very rapid development due to the increasingly tight development of credit lending at banks.<sup>14</sup>

However, people who invest through bonds in the capital market also have risks because the issuer or company that issues the bonds could fail to pay its obligations to bond holders. Defaults that can occur are failure to pay the loan principal in bonds, failure to pay the interest/coupons, or failure to pay the loan principal and interest. In this case, the author takes the case example of the Sustainable Public Offering of Sustainable Debt Securities IV Waskita Karya Phase I 2020 ("Waskita Bonds") PT Waskita Karya (Persero) Tbk ("Waskita") whose effective date is July 29 2020 with the Waskita Bond Interest payment schedule as recorded in the table below:

| Bunga Ke- | Tanggal Pembayaran Bunga Obligasi Berkelanjutan IV Tahap I Tahun 2020 |
|-----------|-----------------------------------------------------------------------|
| 1         | 6 November 2020                                                       |
| 2         | 6 Februari 2021                                                       |
| 3         | 6 Mei 2021                                                            |
| 4         | 6 Agustus 2021                                                        |
| 5         | 6 November 2021                                                       |
| 6         | 6 Februari 2022                                                       |
| 7         | 6 Mei 2022                                                            |
| 8         | 6 Agustus 2022                                                        |
| 9         | 6 November 2022                                                       |
| 10        | 6 Februari 2023                                                       |
| 11        | 6 Mei 2023                                                            |
| 12        | 6 Agustus 2023                                                        |

The bond interest and loan principal on the Waskita Bonds must be repaid by Waskita on August 6 2023, but in reality, until September 2023, Waskita has not paid its obligations and held a General Meeting of Bond Shareholders ("RUPO"). However, after holding several RUPOs, Waskita was unable to make a valid decision because the quorum for attendance at the RUPOs was not reached. Based on the problems above,

<sup>13</sup> Gunawan Widjaja and Jono, *Bond Issuance and the Role and Responsibilities of Trustees in the Capital Market* (Jakarta: Kencana, 2006), p.2.

<sup>14</sup> Sawidji Widiatmojo, *Quick Way to Start Investing in Stocks* (Jakarta: Elex Media Komputindo, 2008), p.55.

the author is interested in conducting research with the title "Legal Protection for Capital Market Investors in the Event of Failure to Fulfill Obligations for Payment of Interest and/or Bond Principal"

### **Research Problems**

Based on the background that the author has outlined above, the formulation of the problem that will be raised in this research is as follows:

1. What is the legal protection for bond holding investors?
2. How can investors identify safe criteria for buying bonds in the Indonesian capital market?

### **Research purposes**

In accordance with the problem formulation specified above, the objectives of this research are as follows;

1. To find out how capital market regulations in Indonesia regulate the obligation to pay interest and/or principal on bonds.
2. To identify safe criteria for buying bonds on the Indonesian capital market.

## **II.Literature Review**

### **Legal Protection Theory**

According to Setiono, legal protection is an action or effort to protect society from arbitrary actions by authorities that are not in accordance with the rules of law, to create order and tranquility. Meanwhile, according to Muchsin, legal protection is an activity to protect individuals by harmonizing the relationship between values or rules which are manifested in attitudes and actions in creating order in social interactions between fellow humans.<sup>15</sup> Legal protection is a combination of two concepts, namely protection and law. Protection is defined as actions or efforts to protect or defend, while law refers to regulations or norms that are officially considered to be coercive as a result of being passed by officials. The hope is that the state will be present to provide legal protection for various aspects of many people's lives. Furthermore, there are two types of legal protection, including preventive legal protection and repressive legal protection.<sup>16</sup> Preventive legal protection means actions that attempt to avoid undesirable events, by encouraging the state to be vigilant when determining steps in each situation faced. Meanwhile, repressive legal protection is an action that attempts to end the conflict that is occurring.

### **Legal Certainty Theory**

Certainty according to the Big Indonesian Dictionary means that in the case of a condition that is certain and the law should also be certain. When a statutory regulation is formulated and ratified by the government, it is certain that the public must follow the

<sup>15</sup> Asri Wijayanti, *Post-Reformation Employment Law* (Jakarta: Sinar Grafika, 2009), p.10.

<sup>16</sup> Hukum Online, "Legal Protection," *Hukum Online*, last modified 2023, accessed April 28, 2024, <https://www.hukumonline.com/berita/a/perlindungan-hukum-lt61a8a59ce8062>.

statutory regulation and use it as a guide. When we talk about certainty, it means something that no one can change.<sup>17</sup> Because basically something that is bound to happen or has happened cannot be changed or avoided by anyone.

Professor of Law at Diponegoro University, Satjipto Rahardjo, explained that legal certainty is *sicherheit des rechts selbts* which means certainty about a law itself.<sup>18</sup> That a law has a definite nature and cannot be changed by anyone. Meanwhile, according to Gustav Radbruch, his view regarding legal certainty is that the law has values that serve as guidelines and the basis for upholding legal certainty, namely usefulness (*zweckmassigkeit*), certainty (*rechtsicherheit*) and legal justice (*gerechtigkeit*).<sup>19</sup>

That legal certainty is related to juridical matters, while legal justice is related to the philosophy of justice which emphasizes the equal rights of all people and the benefits of law are related to use value. When carrying out their daily activities, especially trading activities, the public is treated with legal certainty so that the public can feel protected. Legal certainty is justifiable protection against arbitrary actions carried out by a person or group of people. It is appropriate that legal certainty in a legal product be a guide for society in creating public order.

Basically, in a legal state that prioritizes the principle of legal certainty, it is guided by legal justice and obedience in the state and complies with all legal products where this needs to be maintained in order to achieve order and regularity in the state. Based on the explanation and explanation above, legal certainty implies that there is clarity and must not give rise to multiple interpretations or various meanings in a law and must not be contradictory between regulations.

### **Parties in the Capital Market**

The capital market is a market that plays an important role in the country's economy, so there are many parties involved in the Indonesian capital market, including:

**a. The Capital Market Supervisory Agency (Bapepam) which is based on Law of the Republic of Indonesia Number 21 of 2011 has been replaced by the Financial Services Authority (OJK).**

In this case, the OJK has the authority to formulate implementing regulations in the capital market sector, implement capital market crisis management protocols, determine accounting provisions in the capital market sector, formulate standards, norms, criteria guidelines and procedures in the capital market sector, implement law enforcement in the market sector. capital, providing guidance and supervision to parties who obtain business permits, approval, registration from the OJK and other parties operating in the capital markets sector, as well as providing written orders, appointing and/or determining the use of statutory managers for financial services parties/institutions carrying out activities in the Capital Market sector in

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<sup>17</sup> Bernard L. Tanya, *Legal Theory: Human Order Strategy Across Space & Generations* (Yogyakarta: Genta Publishing, 2013), p.117.

<sup>18</sup> Achmad Ali, *Revealing Legal Theory and Judicial Prudence; Including Interpretation of Laws (Legisprudence)* (Jakarta: Kencana, 2010), p.292.

<sup>19</sup> Satjipto Rahardjo, *Legal Science* (Bandung: Citra Aditya Bakti, 2012), p.19.

order to prevent and reduce losses to consumers, society and the financial services sector.<sup>20</sup>

**b. Company**

This institution has the aim of obtaining funds in the capital market through a public offering (Initial Public Offering) of ownership rights or shares, in this case the company is referred to as the issuer. The issuer itself is a company that sells securities (securities) or carries out emissions on the stock exchange as one of the capital market players. Issuers in the capital market consist of public companies, both government and private institutions.

**c. Self-Regulatory Organizations(SRO)**

*Self-Regulatory Organizations* is an organization that has the authority to make its own regulations for its business activities, including:

**stock Exchange**

Stock Exchange is a party that organizes and provides systems and/or facilities to bring together securities buying and selling offers from parties who wish to trade these securities. The stock exchange was established to organize and provide Securities trading systems and/or facilities. With the existence of a good system and/or facilities, Stock Exchange Members can make offers to buy and sell securities regularly, fairly and efficiently. Currently, the function of the Stock Exchange in Indonesia is carried out by PT Bursa Efek Indonesia (PT BEI).<sup>21</sup>

**Clearing and Guarantee Institution (LKP)**

The Clearing and Guarantee Institution is a party that provides clearing and guarantee services for the settlement of Exchange Transactions, namely a process of determining the rights and obligations of Clearing Members (Securities Companies) resulting from Securities Transactions carried out on the Stock Exchange. Currently, the function of the Clearing and Guarantee Institution is carried out by PT. Indonesian Securities Clearing and Guarantee (PT.KPEI).<sup>22</sup>

**Depository and Settlement Institution (LPP)**

Depository and Settlement Institutions are parties that carry out central Custodian activities for Custodian banks, Securities Companies and other parties. Every exchange transaction must be completed by the parties carrying out the exchange transaction because it is a transaction that is interrelated from time to time, therefore, clearing institutions and guarantors are obliged to guarantee the completion of exchange transactions by realizing the fulfillment of the rights and obligations of each member of the stock exchange carrying out stock exchange

<sup>20</sup> Financial Services Authority, "Concerning Capital Markets," *Financial Services Authority*, last modified 2023, accessed March 23, 2024, <https://ojk.go.id/id/kanal/pasar-modal/tentang-pasar-modal/Pages/Tugas.aspx>.

<sup>21</sup> Financial Services Authority, "Stock Exchange," *Financial Services Authority*, last modified 2024, accessed March 23, 2024, <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/270>.

<sup>22</sup> Financial Services Authority, "Clearing and Guarantee Institution," *Financial Services Authority*, last modified 2023, accessed March 23, 2024, <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/271>.



transactions. Currently the function of a depository and settlement institution is carried out by PT. Indonesian Central Securities Depository (PT. KSEI).<sup>23</sup>

**d. Securities Company**

Securities Companies are companies that have activities with the following details:

1. Underwriters are companies that contract with issuers to conduct public offerings with or without the obligation to purchase the remaining unsold securities.
2. Securities Brokers are companies that trade securities for their own interests or the interests of their clients.
3. Investment Managers are parties whose business activities are managing securities portfolios for customers or managing collective investment portfolios for a group of customers, except for insurance companies, pension funds and banks which carry out their own business activities based on applicable laws.

**e. Capital Market Supporting Institutions**

Capital Market Supporting Institutions are supporting institutions that participate in supporting the operation of the Capital Market and have the task and function of providing services to employees and the general public, including:

1. Custodian Bank is a bank that has received approval from the Financial Services Authority to act as a party that provides custody services for Securities and other assets related to Securities as well as other services, including receiving dividends, interest and other rights, completing Securities transactions, and representing holders. the customer's account. Requirements and procedures for granting approval to commercial banks as Custodians are regulated in government regulations.<sup>24</sup>
2. Securities Administration Bureau is a company that can carry out business activities based on contracts with issuers for recording securities ownership and distribution of rights relating to securities as a Securities Administration Bureau and has received permission from the Financial Services Authority.<sup>25</sup>
3. Trustee is a party who represents the interests of holders of debt securities or sukuk to carry out prosecutions both inside and outside the court, relating to the interests of holders of debt securities or sukuk without a special power of attorney. Trustee activities are carried out by Commercial Banks and other parties who determined by government regulations to be able to carry out business activities as a Trustee, Commercial Bank or Other Party must first be registered

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<sup>23</sup> Financial Services Authority, "Depository and Settlement Institution," *Financial Services Authority*, last modified 2023, accessed March 23, 2024, <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/272>.

<sup>24</sup> Financial Services Authority, "Custodian Bank," *Financial Services Authority*, last modified 2024, accessed March 23, 2024, <https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-Profesi-Penunjang.aspx>.

<sup>25</sup> Financial Services Authority, "Securities Administration Bureau," *Financial Services Authority*, last modified 2024, accessed March 23, 2024, <https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-Profesi-Penunjang.aspx>.

modified 2024, accessed March 23, 2024, [https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-](https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-Profesi-Penunjang.aspx)

[Profesi-Penunjang.aspx](https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-Profesi-Penunjang.aspx).



with the Financial Services Authority, while the requirements and procedures for registering a Trustee are further regulated by government regulations.<sup>26</sup>

4. Securities Rating is an Investment Advisory Company in the form of a Limited Liability Company which carries out rating activities in providing ratings. In carrying out its activities, Securities Rating Companies must first obtain a business permit from the Financial Services Authority. Securities Rating Companies are required to carry out rating activities independently, free from the influence of parties who use the services of Securities Rating Companies, be objective, and be accountable in assigning ratings. Securities Rating Companies can carry out ratings on rating objects as follows:
  - a. Debt securities, sukuk, asset-backed securities or other securities that can be rated;
  - b. Parties as entities (company rating), including Mutual Funds and Real Estate Investment Funds in the form of Collective Investment Contracts.

In carrying out its business, securities rating companies are required to be domiciled and carry out operational activities in Indonesia, apart from that they are also required to have rating procedures and methodologies that are accountable, systematic, and have gone through testing stages and are implemented consistently and transparently. Furthermore, securities rating companies that carry out ratings at the request of certain parties are required to enter into a rating agreement with the party in question.<sup>27</sup>

#### **f. Capital Market Supporting Profession**

1. An accountant is the party in charge of compiling, guiding, supervising, inspecting and improving the bookkeeping and administration of a company or government agency.
2. Legal Consultants are legal experts who provide legal opinions to other parties in the form of consultations, and are registered with the Financial Services Authority.
3. An appraiser is a party who provides an assessment of company assets and is registered with the Financial Services Authority.
4. A notary is a public official who has the authority to make authentic deeds and is registered with the Financial Services Authority.
5. Investors invest their capital in companies that issue securities. In the Indonesian capital market, investors consist of local investors and foreign investors.

### **Types of Capital Market Instruments**

#### **Share**

Shares are known to be one of the most well-known investment instruments, because shares can provide quite high investment profits. Shares are identical to the capital participation of a certain person/party in a company or limited liability company. There are

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<sup>26</sup> Financial Services Authority, "Trustee," *Financial Services Authority*, last modified 2024, accessed March 23, 2024, <https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-Profesi-Penunjang.aspx>.

<sup>27</sup> Financial Services Authority, "Securities Rating," *Financial Services Authority*, last modified 2023, accessed March 23, 2024, <https://ojk.go.id/id/kanal/pasar-modal/Pages/Lembaga-dan-Profesi-Penunjang.aspx>.

juridical characteristics of shareholders, namely:<sup>28</sup>

- a. *Limited Risk* that is, shareholders are only responsible for the amount of funds deposited into the company.
- b. *Ultimate Control* namely shareholders, will collectively determine the direction and goals of the company.
- c. *Residual Claims* namely as the last party to receive a share of the company's business results and remaining assets in the company's liquidation process, after creditors.

Shares themselves can also be interpreted as a sign of individual or business entity capital participation in a company or limited liability company, by including this capital, the party making the capital participation has the right or claim to the company's income, company assets, and has the right to attend the General Meeting of Shareholders. Shares or commonly abbreviated as GMS. Those who own shares have the following benefits:

1. Receiving Dividends, Dividends are part of the profits of a company or limited liability company that are distributed to shareholders, the amount of dividends to be distributed is proposed by the Directors of the Company or Limited Liability Company and approved at the General Meeting of Shareholders (GMS).
2. *Capital Gains, capital gains* is a profit when investors sell shares at a price higher than the purchase price. Shares are liquid assets so they are easy to buy and sell via the stock exchange.

In general, there are two types of shares that are often circulated, namely ordinary shares or preferred shares.<sup>29</sup>

### **Ordinary Shares**

In ordinary shares, shareholders are generally given priority rights when the company concerned issues new shares. Apart from that, shareholders are also given voting rights for the election of the Board of Directors and Board of Commissioners. More or less, the characteristics of ordinary shares are as follows:

1. Shareholders have voting rights to elect directors and board of commissioners;
2. Priority rights when the company issues new shares;
3. Liability is limited to the amount given.

### **Preferred Stock**

Preferred shares are another type of share that is often found in the investment world. This is because preferred shares provide more choices to their holders with the following characteristics:

1. Having various levels or options;
2. Claims on assets and income have a higher priority than ordinary shares in the aspect of distributing dividends or profits;
3. *Dividend* can be accumulative, which means that if it has not been given in the previous period, it will be given in the next period;

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<sup>28</sup> All About Blog, "Understanding and Types of Shares," *All About Blog*, last modified 2021, accessed March 30, 2024, <https://dominique122.blogspot.com/>.

<sup>29</sup> Scientific, "Stocks: Explanation, Types and Examples," *Scientific*, last modified 2021, accessed March 30, 2024, <https://saintif.com/>.



4. can be exchanged for ordinary shares if there is an agreement between the investor and the company concerned.

There are several risks that investors will experience if they own shares, including:

1. Not getting dividends, this is because the company's performance has decreased. Generally, companies distribute dividends when the company shows good performance, but conversely, if performance is declining or makes a loss, the company cannot distribute dividends.
2. *Capital Loss*, This happens if you sell the shares you own at a lower price than the price you bought them at.
3. Liquidation Risk, if the Issuer or Public Company goes bankrupt or is liquidated, the shareholders have the final claim to the company's assets after all of the Issuer's obligations have been paid. The worst possibility is that if there are no remaining assets, shareholders will not get anything.

## Bond

The word bond comes from the Dutch language, namely *Obligatie* or *Obligaat* or *verplichting*, which can be interpreted as an obligation that cannot be abandoned or a debt instrument with fixed interest for the holder.<sup>30</sup> So it can be interpreted that a bond is a promise to pay back a certain amount of money along with predetermined interest on a certain date.<sup>31</sup> The position of bond holders can also be interpreted as creditors and bond issuers as debtors. There are several elements that can be found in bonds, namely:<sup>32</sup>

1. Bonds are evidence of debt from the issuer, where debt can be interpreted narrowly as an obligation arising from a money lending agreement. This means that bonds are proof of rights for bond holders, which is also proof of acknowledgment of debt from the bond issuer;
2. Bonds contain promises from the issuer, consisting of principal promises and additional promises. The main promise that must be contained in a bond is a promise to repay the principal of the bond loan at maturity and additional promises, namely promises based on an agreement between the parties issuing the bond and the bond holder;
3. Bond term.

In contrast to shares which give ownership rights to the holder, bonds are actually loans given by investors to a company or government. Bonds are long-term debt securities issued by companies or governments with a certain nominal value and maturity period.<sup>33</sup> Generally, bonds are issued by companies or the government with a coupon or interest rate that is greater than deposit interest. As long as the bond has not matured, the coupon will continue to be paid in accordance with the agreement between the bond holder and

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<sup>30</sup> Widjaja and Jono, *Bond Issuance and the Role and Responsibilities of Trustees in the Capital Market*, p.47.

<sup>31</sup> Janet Low, *Understanding Capital Markets* (Jakarta: Swadaya Publishing, 1998), p.21.

<sup>32</sup> A. Setiadi, *Bonds in Indonesian Legal Perspective* (Jakarta: Citra Aditya Bakti, 1996), p.23.

<sup>33</sup> Financial Services Authority, "Bonds," *Financial Services Authority*, last modified 2023, accessed March 23, 2024, <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/245>.

the bond giver. In general, there are several types of bonds:<sup>34</sup>

1. Government Bonds, namely bonds in the form of Government Debt Instruments issued by the Government of the Republic of Indonesia. The government issues bonds with fixed coupons (FR-Fixed Rate series), bonds with variable coupons (VR - Variable Rate series) and bonds with Sharia principles/Government Sukuk.
2. Corporate Bonds, namely bonds in the form of debt securities issued by Indonesian Corporations, both BUMN and other corporations. Just like government bonds, corporate bonds are divided into bonds with fixed coupons, bonds with variable coupons and bonds with sharia principles. There are Corporate Bonds that have been rated or those that are not rated.
3. Retail Bonds, issued by the Government which are sold to individuals or individuals through selling agents appointed by the Government. Usually there are several types, namely ORI or Retail Sukuk.

Apart from the general types of bonds above, there are also several types of bonds on the Indonesian Stock Exchange, including:

1. Corporate Bonds which are bonds issued by national private companies including BUMN and BUMD;
2. Government Debt Instruments (SUN) or securities issued by the government in accordance with Law no. 24/2002;
3. Corporate Sukuk which is a fixed income instrument issued based on Sharia principles in accordance with the provisions of Bapepam and LK Np. IX.A.13 concerning Sharia Securities;
4. State Sharia Securities (SBSN) which are securities issued by the government based on Islamic Sharia in accordance with Law no. 19/2008 concerning State Sharia Securities (SBSN);
5. Asset-Backed Securities (EBA) which are debt securities issued with underlying assets as the basis for the issuance.

All of the bond instruments above can be transacted and/or reported on trading via the Indonesian Stock Exchange. Government bonds are usually considered safer because the government has the authority to charge taxes and print money.<sup>35</sup> According to Zaki Baridwan, various types of obligations include:<sup>36</sup>

1. Judging from the maturity time, there are two types of bonds, namely ordinary bonds and series bonds. Ordinary bonds are bonds that mature at the same time, while serial bonds are bonds that mature sequentially within certain periods.
2. Judging from the collateral, there are two types of bonds, namely guaranteed bonds and unsecured bonds. This guarantee can be in the form of assets owned by the company. Guaranteed bonds mean providing guarantees to investors that if the company cannot pay its debts, investors can claim these guarantees. The guarantee provided can be of several levels, the first level guarantee means having a first claim, the second level guarantee means the claim to the guarantee is after the bond with

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<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Jusmani, "Calculation of Investment in Bonds," *Wahana Ekonomika Media Journal* 8, no. 1 (2011): p.41.



the first guarantee, the guarantee can be given in the form of company securities that it owns.

3. Bonds guaranteed by other parties are called guaranteed bonds, for example a parent company guarantees the bonds of its subsidiaries.
4. Bonds that can be exchanged for shares are called exchangeable bonds, this exchange depends on the wishes of the bond holder.
5. Judging from the form of bonds, they can be divided into two types, namely name bonds and coupon bonds. Interest can only be collected from bonds in the name of registered persons.

Coupon bonds are bonds that are free and not in the name. Types of bonds are based on certain criteria, namely:

### **Based on transfer of ownership**

If viewed from the transfer of ownership, bonds are divided into:

1. Bonds in the name or registered bond, there is the name and address of the bond owner on the bond certificate; so that if there is a transfer due to this bond, it is necessary to make a transfer agreement deed in the form of a cessie deed. The name and address of the bond owner are also recorded by the issuer to make it easier to send bond interest payments.<sup>37</sup> The transfer of new bonds can have legal consequences for the bond issuer, so if the bond holder wants to transfer their bonds, they need to obtain written approval and be acknowledged first by the bond issuer.<sup>38</sup>
2. Bearer bond, a bond that does not include the owner's name on the bond certificate, so that the person carrying the bond is considered the bond owner. This situation allows anyone to hold the bond certificate to obtain repayment of the bond principal or to collect the bond interest. . This bond certificate usually only contains the nominal value, interest rate and repayment date.
3. Bonds based on the issuing party
  - a. Corporate Bonds: Corporate bonds are bonds issued by a company as a legal entity. These bonds are usually issued for long periods of time, these bonds are also included in foreign bond company bonds issued by foreign legal entities in a country using the local currency.<sup>39</sup>
  - b. Government bonds (Government bonds), issued by the central government of a country, these bonds are usually not collateralized by certain assets, but in terms of security, they are among the highest quality bonds because the issuer is the government of a country.
  - c. Regional government bonds (municipal bonds), bonds issued by regional governments or state governments.
4. Bonds based on how interest is determined and paid
  - a. Fixed rate bonds provide fixed interest over the term of the bond.

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<sup>37</sup> Nasarudin, *Legal Aspects of the Indonesian Capital Market*, p.183.

<sup>38</sup> Setiadi, *Bonds in Indonesian Legal Perspective*.

<sup>39</sup> Nasarudin, *Legal Aspects of the Indonesian Capital Market*, p.183.



- b. Floating rate bonds, where the interest rate is given on a floating or variable basis
- c. Zero coupon bonds, bonds offered at a certain discount from the initial price at the time of issuance.
- 5. Bonds are based on collateral
  - a. Secured bonds, bonds with collateral in the form of company assets to guarantee repayment of the loan principal and interest.
  - b. Guaranteed bonds are bonds guaranteed by a third party as debt guarantor, to guarantee repayment of the principal and interest.
  - c. Bonds are in the form of mortgage bonds, guaranteed by the assets of the bond issuing company with immovable property or assets.
  - d. Unsecured bonds, bonds issued without any collateral in the form of collateral.
- 6. Bonds based on the period of issuance.

Based on the period of issuance, bonds can be divided into three, namely long-term bonds with a maturity of more than five years, medium-term bonds with a maturity of between two to five years and short-term bonds with a maturity of up to one year. Apart from that, there are also bonds which have no obligation to repay the debt unless the company is liquidated.<sup>40</sup>

## Mutual funds

Law no. 8 of 1995 article 1 paragraph 27 concerning Capital Markets states that mutual funds are a forum used to collect funds from the investing public to then be invested in securities portfolios by investment managers.<sup>41</sup> Mutual funds are a forum for collecting public funds which are managed by a legal entity called an Investment Manager, to then be invested in securities such as shares, bonds and money market instruments.<sup>42</sup> Mutual funds in legal form are in the form of a company or in the form of a collective investment contract. Apart from that, mutual funds can also be categorized into two, namely open mutual funds and closed mutual funds.<sup>43</sup> The advantages of buying mutual funds include:<sup>44</sup>

- 1. Managed by experts, managed by investment managers who have experience in the world of capital markets. Investment managers have the ability to maximize investment returns through in-depth analysis of economic and market conditions, selecting investment strategies and selecting appropriate assets.
- 2. Affordable investment, because the initial funds are cheap, it is possible for anyone to invest.
- 3. Minimal risk, with the large amount of funds in mutual funds, access to investment diversification is greater. By diversifying your investments, the risks you face will be smaller.

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<sup>40</sup> Ibid.

<sup>41</sup> Naili Rahmawati and Sharia, *Investment Management* (Mataram: Sanabil Press, 2015), p.80.

<sup>42</sup> Financial Services Authority, "Mutual Funds," *Financial Services Authority*, last modified 2024, accessed March 30, 2024, <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/245>.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.



4. Maintaining liquidity, investors can cash back their investments on every trading day, so that investors are given the freedom to manage their investments according to their needs.
5. Transparency, all information from mutual funds is always transparent, investors can find out where their mutual funds are invested and investment managers are obliged to inform investors of the risks faced and the costs charged to investors.

Apart from profits, there are also risks when buying mutual funds. Investors should read and understand the prospectus and performance reports of these mutual funds, and get to know the company that issues the mutual funds well. The risks of owning mutual funds include:<sup>45</sup>

- a. Risk of reduction in unit value, securities managed by Investment Managers in mutual funds may also experience a decline in investment value, which is influenced by developments in the money market and capital market.
- b. Liquidation risk, investors cannot sell their investments at any time according to their wishes because the sale must be made on the Exchange which depends on existing demand and supply, this is specifically for closed-end mutual funds.
- c. Management mismanagement, if the investment manager is less/unsuccessful in managing the securities portfolio, then the Net Asset Value (NAV) per unit of the mutual fund will also decrease in value.

### **III. Methodology**

#### **Nature or Type of Research**

A form of scientific activity, which is based on certain methods, systematics and thinking, which aims to study one or several particular legal phenomena, by analyzing them. Apart from that, an in-depth examination of a legal factor is also carried out to then try to find a solution to the problems that arise in the phenomenon in question.

Another definition, according to Soerjono Soekanto, is a means or way of managing thoughts using certain procedures to then be expressed in a scientific work.<sup>46</sup> The nature or type of research is a scientific way to obtain or collect data for a specific purpose. Among them are:

1. In order to gain new discoveries and knowledge
2. To prove the truth of existing fields of science
3. In order to develop existing knowledge.<sup>47</sup>

This research is analytical descriptive research, namely a form of research that aims to describe the applicable laws and regulations, linked to legal theories and the practice of implementing positive law, which will later be linked to the problems studied in this scientific work. This type of research is normative juridical research, which according to Soerjono Soekanto, normative juridical research is legal research carried out by examining library materials or secondary data as basic material for research by

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<sup>45</sup> Ibid.

<sup>46</sup> Soerjono Soekanto, *Introduction to Legal Research* (Jakarta: UI Press, 1986), p.42.

<sup>47</sup> Ibid.



conducting searches on regulations relating to the problem being researched.

### **Research Approach**

The approach that will be used in this research will be adjusted to the type of research that the author will undertake. Namely, the approach used includes a statutory approach and a case approach. This approach is also known as the bibliographic approach, namely by studying books, statutory regulations and other documents related to this research. The approach in writing this research is a legislative approach which attempts to explain the laws, especially those that regulate bonds in the capital market, to clarify the issues related to the problem in this research.

### **Data collection technique**

Based on the type and form of the data required in this research is secondary data obtained through literature study. However, to complete or support secondary data analysis, interviews with several informants and related parties are still needed as far as within the limits of Normative research methods, library data can be classified into 2 (two) legal materials, namely:

- a. Primary legal materials, namely using legal materials consisting of laws and regulations related to the research theme, namely:
  1. The 1945 Constitution of the Republic of Indonesia.
  2. Law No. 8 of 1995 concerning Capital Markets.
  3. POJK Number 36/POJK.04/2014 concerning Continuous Public Offering of Debt Securities and/or Sukuk.
  4. POJK Number 9/POJK.04.2017 concerning Form and Content of Prospectus and Abridged Prospectus for the Context of a Public Offering of Debt Securities.
  5. POJK Number 30/POJK.04/2015 concerning Report on the Realization of Use of Funds from Public Offerings.
  6. POJK Number 31/POJK.04./2015 concerning Disclosure of Material Information or Facts by Issuers or Public Companies.
- b. Secondary legal materials, namely legal materials that provide an explanation of primary legal materials, consist of:
  1. Books about the capital market, bonds in the capital market and books about legal protection for bond holders in the capital market.
  2. Articles and Information Disclosure from Issuers related to bonds in the capital market.
  3. Law journal regarding capital market bonds.

Apart from the 2 (two) categories of library data, there are also tertiary legal materials, where these legal materials are legal materials obtained from the internet.

### **Data Presentation Techniques**

The research uses a data presentation method with qualitative descriptive analysis, which is one method for describing, explaining, outlining and illustrating data. Researchers use this method so that the presentation of data carried out by



researchers can be easily understood.

### **Data Analysis Techniques**

The technique that will be used by researchers in this research is to use qualitative descriptive analysis. Qualitative data analysis means that the data obtained is arranged systematically in the form of descriptions and explanations to describe the research results so that they are easy to understand so that other people can understand them.<sup>48</sup> Or in other words, the data in this research is not in the form of numbers but verbal words. In this research, analysis is based on the literature data that is analyzed is the role of capital market regulations in dealing with non-fulfillment of obligations to pay interest and/or principal on bonds, and how legal protection is for bond holding investors.

## **A. Results and Discussion**

### **Legal Protection for Bond Holding Investors**

The legal protection that can be provided to protect bond holding investors if the obligation to pay interest and/or bond principal is not fulfilled can be divided into 2 (two) legal protections that can be implemented, namely preventive legal protection and repressive legal protection. Preventive protection or efforts taken to prevent non-fulfillment of obligations from bond givers to bond holders include:

1. Before issuing bonds by an issuer or open company, it is a good idea for prospective bond holders to pay attention to the ratings of the bonds issued by credit ratings such as Pefindo, Fitch, Moody's and S&P which assess the issuer's credit risk. Credit ratings help prospective bondholders assess the level of risk and determine whether the bond is a safe investment.
2. The Financial Services Authority also has an important role in protecting potential bond holders, including:
  - a. The Financial Services Authority can carry out educational programs to increase public financial literacy, including understanding bond investment and its risks.
  - b. The Financial Services Authority also issued Financial Services Authority Regulation Number 29/POJK.04/2016 concerning Debt Securities and/or Sukuk which regulates the criteria and requirements that issuers must fulfill when issuing bonds. Issuers must fulfill the requirements contained in this POJK to be able to obtain an effective statement by the Financial Services Authority.
  - c. The Financial Services Authority also collaborates with credit rating agencies to assess the credit risk of issuers that will issue bonds. This credit rating can help identify potential risks of default.
  - d. When issuing bonds, the issuer will upload or send the required documents provided by the Financial Services Authority and the Financial Services Authority will review these documents. The Financial Services Authority will look at the Legal Due Diligence made by a Legal Consultant registered with the Financial Services Authority, the Underwriter Agreement between the issuer and securities, the Trusteeship

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<sup>48</sup> Peter Mahmud Marzuki, *Legal Research* (Jakarta: Kencana Prenada Media Group, 2009), p.93.



Agreement between the issuer and the trustee. And the Financial Services Authority will analyze three aspects before issuing an effective statement, legal aspects, accounting aspects and openness aspects.

3. The Trustee as the representative of bond holders also has a role in preventive protection, for example, the Trustee is obliged to make a trusteeship contract in every issuance of debt securities and/or sukuk. Before signing a trusteeship contract for debt securities and/or sukuk and you must carry out due diligence on the issuer before signing the trusteeship contract, by reviewing the issuer, at least:
  - a. Field review or inspection of issuers and/or funded projects;
  - b. Number and type of debt securities and/or sukuk issued;
  - c. Financial capability before issuance and during the life of debt securities and/or sukuk;
  - d. Financial risks and other risks that have an impact on the issuer's business continuity;
  - e. Conflict of interest and potential conflict of interest between the trustee and the issuer;
  - f. The results of the assessment of the guarantee issued by an appraiser registered with the financial services authority, if using a guarantee;
  - g. Rating results carried out by securities rating companies that have obtained permission from the financial services authority;
  - h. Other material matters that have an impact on the issuer's financial ability, either directly or indirectly, to fulfill the issuer's obligations to holders of debt securities and/or sukuk; And
  - i. The assets used as the basis for issuing securities are debt and/or sukuk.

Apart from that, the trustee can also determine the contents of the trustee agreement which aims to prevent problems or disputes from occurring. The role of the trustee is regulated in the provisions of capital market activities.<sup>49</sup>

4. Issuers are also required to publish a prospectus containing complete information about the bonds being offered, including the risks that investors may face. Issuers are also required to disclose information in the form of reports on the use of funds every 6 months, provide financial reports, and disclose other information if there are material things experienced by the issuer.

Then, repressive protection that can be carried out by regulators in the capital market includes:

1. In accordance with Financial Services Authority Regulation No.36/POJK.04/2014 concerning Continuous Public Offerings of Debt Securities and/or Sukuk, sanctions that can be imposed by the OJK on issuers or public companies that violate include:<sup>50</sup>
  - a. Reprimand, OJK can give a written warning to issuers who do not fulfill their obligation to pay interest or bond principal;
  - b. warnings are given to urge issuers to immediately fulfill payment obligations and improve financial conditions;
  - c. OJK can also impose administrative fines on issuers who violate regulations regarding bond payments. The amount of the fine is determined based on the level of violation and the impact on bondholders;

<sup>49</sup> Muhammad Djumhana, *Banking Law in Indonesia* (Bandung: Citra Aditya Bakti, 2012), p.375.

<sup>50</sup> Financial Services Authority Regulation No. 36, *POJK.04/2016* (Jakarta: Central Government, 2016).

- d. Temporary suspension of the issuer's business activities until the issuer fulfills its bond payment obligations;
- e. Restrictions on issuer activities in the capital market, including prohibitions on the issuance of new bonds or other securities;
- f. As a final action, the OJK can revoke an issuer's business license as a securities issuer if the issuer is proven unable or unwilling to fulfill its obligations within the specified time period.

Apart from the things mentioned above, OJK also encourages the use of alternative dispute resolution mechanisms such as arbitration and mediation through Alternative Dispute Resolution Institutions (LAPS). This provides a way for bondholders to obtain justice quickly and efficiently. OJK can also ask the Indonesian Stock Exchange to impose delisting on Issuers or Public Companies in accordance with the provisions of applicable laws and regulations.

- 2. After a violation has occurred by the Company related to not fulfilling its obligation to pay interest and/or principal, the first action that can be taken by the trustee is to make efforts so that the Company can pay its obligations to bondholders as soon as possible, according to Peggy J. Naile, in the case If the issuer experiences default or default, the trustee is responsible for:
  - a. Arrange the disbursement of reserve funds or sinking funds (if any) to pay bond holders;
  - b. Map matters that have the potential to give rise to conflicts of interest;
  - c. Notifying bondholders;
  - d. Identify and protect collateral (if the bond is issued with collateral).

The trustee, in carrying out his duties and functions to protect bond holders, can ask the Company to conduct a RUPO if he thinks there are things that endanger the interests of bond holders and the trustee in terms of representing bond holders will not be asked to compensate bond holders for losses in the event of default. on the interest and/or principal of the bonds, if the trustee has carried out his duties as professionally and optimally as possible.

- 3. Apart from the trustee or OJK, the Indonesian Stock Exchange also has an important role in protecting securities holders. The Indonesian Stock Exchange can impose securities suspension and revocation of securities, as explained in Exchange regulation No.Kep-00077/BEI/05-2023 concerning Regulation Number IL concerning Securities Suspension dated 31 May 2023, stated in Article III.1.5 of the Indonesian Stock Exchange can grant suspension if there is doubt regarding the continuity of business (going concern) of the Listed Company. According to the author's interview with Mr. Falent as part of the Indonesian Stock Exchange, in the event that a public company or issuer fails to pay, the exchange can consider suspending it on a going concern basis. Before the Indonesian Stock Exchange carries out a suspension, what the Indonesian Stock Exchange usually does is request an explanation from the Issuer or Public Company and ask for a plan to restore the condition of the issuer or public company, if there is no way out the Indonesian Stock Exchange will suspend the Issuer or Public Company. .



Then it is also explained in the Indonesian Stock Exchange Regulation No. Kep-00054/BEI/05-2024 concerning Regulation Number IN concerning Cancellation of Listing (Delisting) and Relisting (Relisting) dated 6 May 2024, that the EEK Exchange can delist debt securities and sukuk if:

- a. Experiencing conditions, or events, which have a significant negative impact on the business continuity of the Issuer or Public Company, either financially or legally or on the continuity of status and cannot show adequate indications of recovery;
- b. A period of 6 (six) months has passed since the Indonesian Stock Exchange announced the condition of inability to fulfill obligations (default) on Debt Securities and/or Sukuk; and/or
- c. Public Companies or Issuers do not fulfill the requirements required by stock exchange listing regulations.

OJK can also ask the Indonesian Stock Exchange to impose delisting on Issuers or Public Companies in accordance with the provisions of applicable laws and regulations.

### **Investors Can Identify Safe Criteria for Buying Bonds on the Indonesian Capital Market.**

Investors can identify safe criteria for buying bonds in the Indonesian capital market by paying attention to various factors that influence the security and potential profits from investing in these bonds. Here are some criteria to consider:

#### **1. Bond Credit Rating**

Credit Rating: Check the credit rating provided by rating agencies such as PEFINDO, Fitch, Moody's, or Standard & Poor's (S&P). A higher rating indicates a lower risk of default.

Importance of Credit Ratings: Credit ratings provide an overview of the issuer's financial health and ability to meet its obligation to pay interest and principal on bonds.

#### **2. Issuer Financial Performance**

Financial Reports: Examine the issuer's financial reports thoroughly, including the balance sheet, profit and loss statement, and cash flow statement.

Financial Ratios: Uses financial ratios such as the debt to equity ratio, interest coverage ratio, and liquidity ratio to assess the issuer's financial health.

Financial Consistency: Look at the history of the issuer's financial performance in recent years to assess financial consistency and stability.

#### **3. Macroeconomic Conditions**

Interest Rates: Take interest rates into account because higher interest rates can affect a bond's price and its attractiveness.

Inflation: Assess the impact of inflation on the investment value of bonds and the issuer's ability to maintain real returns.

Economic and Political Stability: Pay attention to stable economic and political conditions as an indicator of a safer investment environment.



#### **4. Types and Structure of Bonds**

**Government Bonds or Corporate Bonds:** Government bonds are usually considered safer than corporate bonds because they are backed by the government.

**Secured or Unsecured Bonds:** Bonds secured by certain assets are usually safer than unsecured bonds.

Prospective bondholders can also look at the payment structure on offer:

**Fixed Coupon or Floating Coupon:** Fixed coupon bonds provide certainty in interest payments, while floating coupons can adjust to changes in market interest rates.

**Maturity:** Short-term bonds tend to have lower risk than long-term bonds because they are less affected by changes in interest rates and economic conditions.

#### **5. Prospectus and Terms of Trusteeship**

**Prospectus Details:** Check the bond prospectus to get complete information about the terms and conditions, risks faced, and the issuer's performance.

**Trusteeship Provisions:** Assess the trusteeship agreement which regulates the issuer's rights and obligations as well as the rights of bondholders. This agreement must contain adequate protection provisions for investors.

#### **6. Regulatory Policies and Protection**

**OJK Regulations:** Ensure that the bonds to be purchased comply with all regulations set by the OJK, including issuance and reporting requirements.

**Legal Protection:** Ensure that there are adequate legal protection mechanisms, such as sanctions for issuers who fail to fulfill payment obligations.

#### **7. Risk Analysis**

**Default Risk:** Consider the risk of default based on the issuer's credit profile and financial condition disclosed in the financial statements and credit rating.

**Price Volatility:** Assess the potential volatility of bond prices which is influenced by changes in interest rates, inflation and general economic conditions. By considering the criteria above, investors can make wiser investment decisions and reduce the risks associated with purchasing bonds in the Indonesian capital market. In-depth knowledge of bonds and the factors that influence their safety will help investors in selecting bonds that suit the investor's risk profile and investment objectives.

### **B. Conclusion**

1. There are several regulators in the capital market who have an important role in supervising and maintaining the bond process from the pre-registration stage, registration statement, bond issuance to post-bond issuance. Among them is the Trustee who has a very important role, such as making a trusteeship contract which contains matters that can protect bond holders, apart from that, if there is a violation committed by the bond issuer in terms of not paying its obligations then what the trustee can do is make efforts so that the bond issuer can pay its obligations to bond



holders as soon as possible and the trustee can submit a RUPO to protect bond holders. Apart from the trustee, there is a financial services authority that can protect bond holders if there is a violation. The protection that can be provided by the financial services authority includes written warning sanctions to the revocation of business licenses, apart from that the financial services authority can file bankruptcy for the bond issuer if there are 2 (two) ) bondholders who apply. Apart from the financial services authority, the Indonesian Stock Exchange also has an important role in protecting bond holders. The Indonesian Stock Exchange can suspend bond issuers and even implement delisting.

2. Investors or prospective bond buyers who want to buy bonds must analyze and further examine the bonds issued by the issuer. Investors must pay attention to the ratings of bonds issued by credit ratings, pay attention to the issuer's financial statements, the type and structure of bonds issued by the issuer, understand the contents of the prospectus issued by the issuer and understand the risks associated with bonds issued by the issuer. By considering these criteria, investors can make wiser investment decisions and reduce the risks associated with purchasing bonds in the Indonesian capital market. In-depth knowledge of bonds and the factors that influence their security will help investors in choosing bonds that suit the investor's risk profile and investment objectives.

### **Suggestion**

1. There needs to be more education that can be provided by a team of capital market regulators to the wider community regarding fund raising and investment management activities, socialization in raising public funds and investment management which aims to inform and remind the public to be more careful in choosing bonds and managing investments. Apart from that, there is also a need for regulations that can be issued by the financial services authority as a supervisor in the capital market regarding clearer sanctions against bond providers if there is a failure to pay interest and/or principal on the bonds.
2. Investors or prospective bond buyers, if they want to buy bonds, should analyze and further examine the bonds issued by the issuer. Apart from that, investors can also take part in seminars held by the Financial Services Authority or the Indonesian Stock Exchange to be able to choose safe bonds.

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