

POSITION OF SECURITIES INVESTOR PROTECTION FUND (SIPF) IN OPTIMIZATION OF INVESTOR PROTECTION OF LOSSES BECAUSE ITS CORPORATE EFFECTS IN CAPITAL MARKET CONNECTED WITH CAPITAL MARKET IN INDONESIA

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<i>Article Info</i>	<i>Abstract</i>
<i>Received: 2024-10-04</i> <i>Revised: 2024-12-21</i> <i>Accepted: 2024-12-23</i> Keywords: <i>Capital Market, Investor Protection Fund, Securities Investor Protection Fund</i>	<i>Capital Market aims to support the implementation of national development in order to improve the distribution, growth and stability of the national economy towards the improvement of people's welfare. Therefore, investor protection should be protected. Investors protection is accommodated by Securities Investor Protection Fund (SIPF) as the organizer of capital protection fund in the capital market in Indonesia. This research aims to: (1) Knowing the position of the Security Investor Protection Fund (SIPF) in optimizing the protection of investors against losses due to the occurrence of crimes in the capital market; (2) Describes the settlement of investor losses due to capital market crime that can not be fulfilled by SIPF as the provider of investor protection fund in Indonesia capital market. The research method used is normative research using descriptive analytical research specification. The result of the research shows that: (1) The position of Securities Investor Protection Fund (SIPF) in optimizing investor protection against losses caused by crime in capital market is still very less; (2) Securities Investor Protection Fund (SIPF), in giving claims to investors is only Rp.100.000.000 (one hundred million rupiah) to this day and if there is a shortage of return on assets of investors, SIPF institution allows investors to sue securities companies in court, while the legal effort is divided into two, namely the civil lawsuit namely Article 1365 Civil Code and the criminal lawsuit namely Article 90 jo Article 104 Capital Market Law.</i>

1. Introduction

The role of the state in the economy and trade in the era of globalization is growing rapidly and the influence of globalization has resulted in high global market competition¹ Globalization is an inevitable issue that has continued to evolve and became increasingly prominent, especially by the late 1990s. Its impact on global economic development has become more apparent, with a noticeable rise in efforts by various companies to expand their operations and secure funding for business expansion through various means. These activities have led to a rapid increase in economic activities worldwide, including in Indonesia. The surge in global business expansion necessitates substantial funding, prompting companies to intensify their search for sources of large-scale capital. Consequently, the state needs to provide facilities to support national economic development financing. On the other hand, the capital market plays a crucial role in economic activities.² The capital market is also one of the primary economic instruments available to both issuers and supporting capital market institutions.³ This is due to the capital market's role as a platform that mobilizes long-term public funds for allocation to productive sectors.⁴

The capital market aims to support national development in order to enhance equity, growth, and stability of the national economy towards improving the welfare of the people. To achieve these objectives, the capital market plays a strategic role as a source of financing for businesses. Additionally, the capital market serves as an investment platform for the public, including small and medium investors.⁵ The development of the modern Indonesian capital market can be divided into two periods: the first period, from 1977 to 1987, and the second period, which began in 1988 and continues to the present day.⁶ The second period of capital market development is characterized as a deregulation process, meaning the formulation of binding and legally certain regulations concerning the capital market. This process continued until 1995, resulting in the enactment of the Capital Market Law, Law No. 8 of 1995. This law can be considered quite comprehensive, as it refers to internationally applicable regulations.⁷

Article 1, Section 13 of Law No. 8 of 1995 on Capital Markets explains that the capital market refers to activities related to public offerings and the trading of securities, public companies related to the securities they issue, as well as institutions and professions associated with securities. Pieter Tedu Bataona elaborates that the capital market, often referred to as the stock exchange, serves as a platform where sellers and buyers of funds meet.⁸ The sellers of funds are typically individuals or legal entities that allocate a portion of their funds (money) for

¹ Irfi Silvia Amanda, Maulana Shihabudi, Belardo Prasetya Mega Jaya, Mohammad Fasyehhudin, (2022) "Peran Pemerintah dalam Pengembangan UMKM Nasional dan Membangun Negeri di Pasar Internasional", *Yustisia Tirtayasa: Jurnal Tugas Akhir*, Vol. 2 No. 1, pp. 1-7. <http://dx.doi.org/10.51825/yta.v2i1.13641>

² Ghiffary Akmal Alija Pohan FX. Joko Priyono, and Ery Agus Priyono, "Application of Principle Full Disclosure and Legal Protection for Investor Due to Market Manipulation of Shareprices by Issuers in Capital Market," *Crepido*, Vol. 5, No. 1, pp. 104-115, Jul. 2023. <https://doi.org/10.14710/crepido.5.1.104-115>

³ Budi Untung, *Hukum Bisnis Pasar Modal*, Yogyakarta, Andi Offset, 2011, p.2.

⁴ Nikmah Mentari. (2023). "Indonesia Securities Investor Protection Fund (Indonesia SIPF): Mengawal Dana Investor Di Pasar Modal". *Jurnal Hukum Dan Etika Kesehatan* Vol 3 No 1. pp. 8-22., <https://doi.org/10.30649/jhek.v3i1.109>.

⁵ Lastuti Abubakar, *Transaksi Derivatif Di Indonesia*, Bandung, Books Terrace & Library, 2009, p.3.

⁶ M. Irsan Nasarudin. et. Al, *Aspek Hukum Pasar Modal*, Jakarta, Kencana Prenada Media Group, 2004, p. 64.

⁷ *Ibid*, p. 71.

⁸ Pieter Tedu Bataona, *Mengenal Pasar Modal*, Ende, Nusa Indah, 1994, p.11.

productive endeavors. The buyers of funds generally consist of companies that require capital or additional funds to expand their business operations and enhance productivity.⁹ To ensure the smooth functioning of this process, investors need to practice Know-Your-Risk Investment, market participants must implement good corporate governance, and the government needs to regulate through appropriate legislation.¹⁰

The government enacted Law No. 8 of 1995 on Capital Markets, which serves as a strong foundation for legal certainty for all parties involved in capital market activities.¹¹ This law was introduced based on the belief that the development of the capital market must be closely supervised. Trust is a critical element for the growth of a capital market.¹² The role of trust is vital, as evidenced during times of crisis, when the capital market continued to serve as an alternative for financing and investment. In September 1999, despite the economic crisis, the capital market recorded a transaction value of IDR 356.7 trillion, with 288 companies listed.¹³

The Indonesian capital market holds significant potential to attract investors to invest in Indonesia. Fundamentally, the flow of money and capital tends to move towards countries that offer the most promising returns (expected rate of return) with the same or lower levels of risk. To capitalize on this opportunity, the Indonesian capital market must align its investment offerings with international standards and create a conducive investment climate. The International Organization of Securities Commissions (IOSCO), the global authority on capital markets, has also issued the IOSCO Basic Principles, aimed at protecting investors, ensuring the development of efficient, fair, and transparent capital markets, and mitigating systemic risk.

These principles cover areas such as regulatory institutions, stock exchange institutions, law enforcement, regulatory cooperation, issuers and public companies, collective investment schemes, intermediary institutions, and secondary markets.¹⁴

Capital Market and Financial Institutions Supervisory Agency, as the capital market authority in Indonesia and a member of IOSCO, conducted a self-assessment in October 2003 on the implementation of IOSCO principles in the Indonesian capital market, following the methodology provided by IOSCO.¹⁵ This self-assessment aligns with the Capital Market and Financial Institutions Supervisory Agency's role as the regulatory, supervisory, and guiding authority in Indonesia's capital markets.¹⁶ As the supervisory institution, Capital Market and Financial Institutions Supervisory Agency holds the authority to conduct inspections, particularly investigations into any parties suspected of engaging in or being involved in violations of capital market laws and regulations.¹⁷

Violations in the capital market have distinct characteristics that set them apart from those in other sectors. Such violations can result in the loss of significant amounts of money within securities trading activities, with a substantial and diverse number of victims. Ultimately, large-scale and high-quality violations can undermine the credibility of the capital market. To

⁹ *Ibid.*

¹⁰ Leomar Conchada Miano. (2020). "Entrepreneur's Awareness and Risk Perception to Equity Market on Stock Investing". *International Journal of Finance and Banking Research*, Vol 6. No 2, pp. 17-27. <https://doi.org/10.11648/j.ijfbr.20200602.11>

¹¹ M. Irsan Nasarudin. et. al, *Op-Cit*, p. 71.

¹² Munir Fuady, *Pasar Modal Modern (Tinjauan Hukum)*, Bandung, Citra Aditya Bakti, 1999, p.4.

¹³ Lastuti Abubakar, *Op-Cit*, p. 5.

¹⁴ *Ibid*, p. 8-9.

¹⁵ *Ibid.*

¹⁶ Munir Fuady, *Op-Cit*, p. 117.

¹⁷ *Ibid*, p. 121.

anticipate and address this, capital market authorities must prepare legal frameworks, facilities, infrastructure, and, most importantly, human resources to tackle violations.¹⁸ Common offenses in the capital market include crimes such as embezzlement, market manipulation, and insider trading, which can be committed individually, by groups, or through direct actions, orders, or the influence of other parties.¹⁹

Investors can make investments by holding various securities, whether in the form of equity (stocks) or debt (bonds), as well as a range of derivative instruments, including rights, warrants, and options.²⁰ Investments should be made with careful consideration of both the expected returns and the associated risks. In developing the capital market, it is essential to apply the principles of transparency and investor protection. Issues of crime and violations in the capital market are assumed to arise from several factors, including the misconduct of participants, weaknesses in law enforcement, which include issues of integrity and professionalism, and regulatory deficiencies.²¹ Once the causes of crimes and violations in the capital market are understood, efforts must be made to provide protection for investors. Trust and market credibility are paramount and should be reflected in a legal system that prioritizes the interests of investors, safeguarding them from actions that could undermine their confidence.²²

In capital market investments, investors tend to be highly dependent on securities companies, as these companies are legally authorized to hold, control, transfer, and utilize investor assets in the course of transactions made in the interest of the investors.²³ There are four primary forms of regulatory activities in the capital market: prudential, protective, organizational, and structural.²⁴ The protective function is reflected in the establishment of a framework governing the relationships between market participants and their clients, as well as between small and large investors.²⁵ In cases where investors incur losses due to crimes or violations committed by securities companies, and considering the protective role of the regulator, there must be an accountable party to bear responsibility for those losses.

For example, several cases have prompted capital market supervisory bodies to establish investor protection funds. One such case is PT Sarijaya Permana Sekuritas, which caused losses to 8,700 clients amounting to IDR 240 billion. The company's president commissioner and owner misappropriated client funds by purchasing stocks through 17 fictitious new accounts. Instead of buying stocks as instructed by clients, the funds were recorded by the Indonesian Central Securities Depository as personal funds and used for private transactions. Another case involved PT Signature Capital Indonesia, which defrauded investors of IDR 110 billion by pledging certain stocks to Bank Century without clients' knowledge. The company conducted repo transactions of client stocks and warrants without permission to PT Panin Sekuritas, PT Mega Capital, and PT Orbital. Furthermore, the case of PT Optima Karya Sekuritas involved

¹⁸ M. Irsan Nasarudin. et. al, *Op-Cit*, p.261.

¹⁹ *Ibid*, p.273.

²⁰ Jusuf Anwar, *Pasar Modal Sebagai Sarana Pembiayaan Dan Investasi*, Bandung, Alumni, 2008, p. 4

²¹ M. Irsan Nasarudin, et. al., *Op-Cit*, p. 258.

²² *Ibid.*, p. 278.

²³ Resita Fauzian Hakim, *Perlindungan Aset Nasabah oleh Penyelenggara Dana Perlindungan Pemodal (Investor Protection Fund) Akibat Pailitnya Perusahaan Efek*, Universitas Brawijaya, 2014, <http://download.portalgaruda.org>, accessed on October 19, 2017.

²⁴ Jusuf Anwar, *Pasar Modal Sebagai Sarana Pembiayaan dan Investasi*, Bandung, Alumni, 2008, p. 140.

²⁵ *Ibid*.

its director embezzling investor funds estimated at IDR 1 trillion. The affected investors included AJB Bumiputera, which lost IDR 300 billion, PT Kereta Api, subsidiaries of PT Krakatau Steel, the BRI Welfare Foundation, RRI, PT Jakarta Properti, PT Asuransi Jiwa Nusantara, and the managers of Twin Hotels. These are examples of securities companies that have caused significant losses to capital market investors due to fraudulent activities.

Violations in the capital market can lead to significant losses for investors. Article 111 of the Capital Market Law states:

"Any party who suffers a loss as a result of a violation of this law and/or its implementing regulations may claim compensation, either individually or jointly with other parties who have similar claims, against the party or parties responsible for the violation."

Article 111 of the Capital Market Law essentially provides investors who incur losses due to crimes committed by securities companies the opportunity to seek compensation from these companies if such crimes occur. Additionally, the Capital Market and Financial Institutions Supervisory Agency issued Regulation No. VI.A.4, annexed to the Decree of the Chairman of the Capital Market and Financial Institutions Supervisory Agency No. KEP-715/BL/2012 concerning the Investor Protection Fund, and Regulation No. VI.A.5, annexed to the Decree of the Chairman of the Capital Market and Financial Institutions Supervisory Agency No. KEP-716/BL/2012 concerning the Operator of the Investor Protection Fund, both established on December 28, 2012. The purpose of these the Capital Market and Financial Institutions Supervisory Agency regulations was to protect investor assets. Following the transition of Capital Market and Financial Institutions Supervisory Agency's functions to the Financial Services Authority, these regulations were adopted into Financial Services Authority regulations, namely Financial Services Authority Regulation No. 49/POJK.04/2016 concerning the Investor Protection Fund and Financial Services Authority Regulation No. 50/POJK.04/2016 concerning the Operator of the Investor Protection Fund.

With the Financial Services Authority's strong commitment to fostering, regulating, and supervising the capital market to ensure it is orderly, fair, and efficient while protecting the interests of investors and the public, as outlined in Article 4 of Law No. 8 of 1995 on Capital Markets, a study team from Financial Services Authority conducted further research from 2007 to 2012. The study team recommended considering the establishment of an investor protection fund within the Indonesian capital market industry by developing adequate infrastructure, including regulations and market participant readiness.²⁶ Based on this, the Securities Investor Protection Fund was established by the Financial Services Authority as a guarantor institution in the capital market.

The Securities Investor Protection Fund is an institution established to protect investor assets in the capital market from losses caused by criminal risks posed by employees or management of securities companies, as well as risks of insolvency of these companies.²⁷ The Securities Investor Protection Fund represents a new structure within the Indonesian capital market. Within the investor protection framework, the Securities Investor Protection Fund is

²⁶ SIFP, *Sejarah Perusahaan*, <http://www.indonesiasipf.co.id/sejarah-perusahaan.sipf>, accessed on October 19, 2017.

²⁷ Gozha Primanda dan Wenny Setiawati, *Analisis Pendirian Lembaga Securities Investor Protection Fund (Dana Perlindungan Pemodal) sebagai Upaya Perlindungan terhadap Investor dalam Hukum Pasar Modal Indonesia (Studi Komparasi antara Amerika Serikat dan Singapura)*, Universitas Indonesia, 2014, www.lib.ui.ac.id, accessed on October 19, 2017.

positioned at the third tier, following the Financial Services Authority in the hierarchy of capital market institutions in Indonesia. The shareholders of this institution are IDX, KPEI, and KSEI. Not all investor assets or securities are covered by the Securities Investor Protection Fund, both in terms of type and value.

The establishment of the Securities Investor Protection Fund (hereinafter referred to as SIPF) in Indonesia was driven by strong reasons, as it represents the Financial Services Authority's commitment to protecting capital market investors. This protection is necessary due to numerous cases where securities companies themselves have caused losses to investors. Several incidents have prompted the capital market supervisory body to create an investor protection fund.²⁸ Within the structure of investor protection in the Indonesian capital market, the Securities Investor Protection Fund acts as the administrator. As previously mentioned, while SIPF shares are held by IDX, KPEI, and KSEI, it is this institution that carries out the investor protection activities in the market. It is important to note that SIPF has full authority to perform its duties without interference from other institutions. The SIPF is not an independent body within the structure of the Indonesian capital market but operates under the Financial Services Authority to safeguard investor assets through the Investor Protection Fund.²⁹

Claims submitted to the Securities Investor Protection Fund (SIPF) may not all be granted compensation, as there are specific criteria governing the types of claims eligible for reimbursement. SIPF provides coverage for lost investor assets that are, among other reasons, due to embezzlement by custodians (i.e., securities companies) and/or theft of investor assets by third parties. For an incident to be covered and for the investor protection fund to be used to provide compensation, it must meet the following conditions:³⁰

1. The incident has been processed through regulatory procedures;
2. The Financial Services Authority confirms there are indications of embezzlement and theft of investor assets; and
3. The custodian is declared unable to return the investor's assets.

A compensation fund is an effective mechanism for ensuring the protection of individual investors.³¹ The Financial Services Authority states that the compensation provided by the Securities Investor Protection Fund (SIPF) to affected investors will be at least equal to the losses suffered by the investor or up to a maximum limit set by Financial Services Authority. Initially, based on negotiations among stakeholders in the Indonesian capital market—namely Financial Services Authority, SIPF shareholders, and custodians—it was agreed that the maximum compensation provided by SIPF was IDR 25,000,000 (twenty-five million rupiah)

²⁸ *Ibid.*

²⁹ Tia Rizkya Dilbar Sumadi, Hendra Kurniawan, and Ferdinand Novando. (2023) “Perlindungan Investor Di Pasar Modal di Indonesia Melalui Disgorgement (Fund) Berdasarkan PFinancial Services Authority Nomor 65/PFinancial Services Authority.04/2020”. *Civilia: Jurnal Kajian Hukum dan Pendidikan Kewarganegaraan* Vol 2 No 3, pp. 65-75. <https://doi.org/10.572349/civilia.v3i2.387>. See also Indonesia Securities Investor Protection Fund (SIPF), *about us*, can be accessed online at <https://www.indonesiasipf.co.id/tentang-kami>

³⁰ Biro TLE Bapepam dan LK, *Ringkasan Konsep Pembentukan Dana Perlindungan Pemodal*, Jakarta, Departemen Keuangan Republik Indonesia Badan Pengawas Pasar Modal dan Lembaga, 2012, p. 1.

³¹ Shkolnyk I, Bondarenko E, Ostapenko M. (2017). “Investor Compensation Fund: An Optimal Size For Countries With Developed Stock Markets And Ukraine”. *Investment Management nad Financial Innovations*. Vol 14 No 3, pp.404-425. <https://www.proquest.com/scholarly-journals/investor-compensation-fund-optimal-size-countries/ocview/2221309645/se-2>. doi: [https://doi.org/10.21511/imfi.14\(3-2\).2017.10](https://doi.org/10.21511/imfi.14(3-2).2017.10).

per investor and IDR 50,000,000,000 (fifty billion rupiah) per custodian. However, in early 2017, the maximum compensation amount was planned to increase to IDR 150,000,000 (one hundred fifty million rupiah) per investor, while the maximum limit for custodians remained at IDR 50,000,000,000 (fifty billion rupiah).³² A problem arises in the capital market when crimes committed by securities companies affect investors, as not all investors invest only IDR 100 million; many invest amounts exceeding this nominal value.

Many have welcomed the establishment of the Securities Investor Protection Fund (SIPF) in Indonesia; however, the institution is still new and untested compared to similar guarantor institutions in the United States and other countries. Consequently, there is ongoing debate about the role of the SIPF within Indonesia's capital market and the resolution of investor losses resulting from capital market crimes. Prior to this study, there have been several related investigations addressing the capital market, particularly the Securities Investor Protection Fund (SIPF) or investor protection fund institutions. Notable among these are the research conducted by Hana Badrina in her thesis entitled "*Implementasi Indonesia securities investor protection fund sebagai lembaga perlindungan dana pemodal di Indonesia*"³³, and the research by Utami Dini Suryanita in her thesis "*Perlindungan Hukum Bagi Pemodal Dalam Pasar Modal Indonesia Oleh Penyelenggara Dana Perlindungan Pemodal*."³⁴ This study differs from the aforementioned research in its focus on analyzing the role of the Securities Investor Protection Fund (SIPF) in optimizing investor protection against losses caused by capital market crimes, and in assessing the resolution of investor losses due to capital market crimes that cannot be covered by the Securities Investor Protection Fund (SIPF) as the investor protection fund operator in Indonesia's capital market.

2. Research Method

The methodological approach used is a normative juridical analysis, focused on examining the role of the Securities Investor Protection Fund (SIPF) in optimizing investor protection against losses resulting from securities company crimes in relation to capital market law in Indonesia. The focus of normative juridical studies includes the inventory of positive law, legal principles and doctrines, legal findings in specific cases, systematic law, the level of legal synchronization, comparative law, and legal history.³⁵ This approach is conducted through library research, emphasizing secondary data, including primary legal materials, secondary legal materials, and tertiary legal materials related to Capital Market Law. Subsequently, the researcher selects, classifies, and analyzes the data.³⁶

³² SIPF, <http://www.indonesiasipf.co.id/publikasi/siaran-pers-tutup-tahun-2016.sipf>, Diakses pada tanggal 29 November 2017.

³³ Hana Badrina, *Implementasi Indonesia securities investor protection fund sebagai lembaga perlindungan dana pemodal di Indonesia*, Depok, Universitas Indonesia, 2014, <https://lib.ui.ac.id/m/detail.jsp?id=20389359&lokasi=lokal>

³⁴ Utami Dini Suryanita, *Perlindungan Hukum Bagi Pemodal Dalam Pasar Modal Indonesia Oleh Penyelenggara Dana Perlindungan Pemodal*, Tesis, Malang, Universitas Brawijaya, 2014 <https://hukum.studentjournalub.ac.id/index.php/hukum/article/view/674/661>

³⁵ Bambang Sunggono, *Metode Penelitian Hukum*, Jakarta, Raja Grafindo, 1997, p. 52.

³⁶ Belardo Prasetya Mega Jaya and Muhamad Uut Lutfi, (2021). "The Law Enforcement Towards Foreign Vessels Which Did Illegal, Unreported and Unregulated Fishing (IUU-Fishing) In Indonesia Fisheries Management Areas" *Jurnal Dinamika Hukum*, Vol 20. No1. pp. 245-255 <http://dinamikahukum.fh.unsoed.ac.id/index.php/JDH/article/view/2838>

The data used in this study is secondary data:

- a. Primary legal materials, which are binding legal sources consisting of:
 - 1) The 1945 Constitution
 - 2) Law No. 8 of 1995 on Capital Markets
 - 3) Law No. 21 of 2011 on the Financial Services Authority
- b. Secondary legal materials, which provide explanations regarding primary legal materials, such as literature, supporting books, and related legal journals on the issue raised by the researcher, namely the role of the Securities Investor Protection Fund (SIPF) in optimizing investor protection against losses due to securities company crimes in relation to Capital Market Law in Indonesia.
- c. Tertiary legal materials, which offer guidance on primary and secondary legal materials, commonly known as legal reference materials or legal references.³⁷

3. Results and Discussion

The Role of the Securities Investor Protection Fund (SIPF) in Optimizing Investor Protection Against Losses from Capital Market Crimes

The capital market plays a strategic role, making it attractive not only to those seeking funding and lenders but also to the government. The capital market serves two primary functions: first, as a means for business financing or as a platform for companies to obtain funds from investors; and second, as a mechanism for channeling investment funds.³⁸ In the era of globalization, nearly every country pays significant attention to the capital market due to its strategic importance in strengthening the economic resilience of a nation. Capital flight abroad is not solely due to the depreciation of the national currency, high inflation, or interest rates; it can also result from the lack of profitable investment alternatives within the country and/or the availability of portfolio investments in other countries offering much higher returns compared to the domestic market. Therefore, it is reasonable for the Indonesian government to be vigorously engaged in revitalizing, nurturing, and supervising the capital market to ensure a vibrant and healthy market based on principles of transparency, orderly trading, fairness, and efficiency.

The Indonesian capital market is now overseen by the Financial Services Authority, which took over from the Capital Market and Financial Institutions Supervisory Agency. Recognizing the need to establish a new institution for protecting investor funds, the Financial Services Authority has implemented measures to address investor protection. It is important to note that this protection does not aim to compensate investors for losses due to declines in stock prices on the exchange.

In addressing the critical issue of investor protection, Article 111 of the Capital Market Law provides investors the opportunity to seek compensation from securities companies for losses resulting from crimes committed by these companies. To provide certainty to investors,

³⁷ Soerjono Soekanto dan Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat*, Cetakan-9, Jakarta, Rajawali Press, 2006, p. 115.

³⁸ Mohammad Solehodin Attijani, (2020). "Penyelenggara Dana Perlindungan Pemodal Bagi Investor Dalam Transaksi Saham Pada Pasar Modal", *Media Juris*, Vol 2. No 2, pp. 157–178. <https://doi.org/10.20473/mi.v2i2.13678>

on December 28, 2012, the Capital Market and Financial Institutions Supervisory Agency established the Investor Protection Fund through Decrees No. KEP-715/BL/2012 concerning the Investor Protection Fund and No. KEP-716/BL/2012 concerning the Operator of the Investor Protection Fund. The protection offered is limited to investors who are clients of securities brokers managing their securities accounts and custodian banks. The purpose of these regulations was to safeguard investor assets. Following the transfer of the Capital Market and Financial Institutions Supervisory Agency's functions to the Financial Services Authority under Law No. 21 of 2011 concerning the Financial Services Authority, the existing the Capital Market and Financial Institutions Supervisory Agency regulations were adopted into Financial Services Authority regulations, specifically Financial Services Authority Regulation No. 49/POJK.04/2016 concerning the Investor Protection Fund and Financial Services Authority Regulation No. 50/POJK.04/2016 concerning the Operator of the Investor Protection Fund. As a result of Financial Services Authority Regulation No. 50/POJK.04/2016, the Securities Investor Protection Fund (SIPF) was established as the operator of the investor protection fund.

The Securities Investor Protection Fund (SIPF), when managed by a separate institution, operates as a limited liability company (*Perseroan Terbatas* or PT). Consequently, the Investor Protection Fund institution operates independently and is not bound to any of the Self-Regulatory Organizations (SROs). The shares of this PT are owned by SROs such as the Indonesia Stock Exchange (IDX), the Clearing and Guarantee Institution, and the Central Securities Depository. The SIPF is an independent, transparent, and accountable institution in carrying out its duties and authority. The SIPF is accountable to the Financial Services Authority and is headquartered in the capital city of the Republic of Indonesia, with the possibility of having representative offices across the country. The purpose of establishing the SIPF is to manage and oversee the investor protection fund in the Indonesian capital market. This includes investing the protection funds within the Indonesian capital market, conducting inspections and verifications, analyzing claims for payments, and undertaking other actions related to claims made by investors. The SIPF also handles the receipt of additional funds or fees related to investor protection activities in the Indonesian capital market. Additionally, it takes measures for the recovery of funds expended from the investor protection fund for claim payments based on subrogation of investor rights against parties responsible for losses, valuable asset losses, and disruptions in the Indonesian capital market transaction climate.³⁹

The Indonesia Securities Investor Protection Fund (SIPF) holds several responsibilities as the organizer of the investor protection fund. These responsibilities include representing the Investor Protection Fund both in and out of court, investing the fund in accordance with Financial Services Authority Regulation No. 49/POJK.04/2016 concerning the Investor Protection Fund, with the aim of optimally increasing the fund's value while considering investment returns and risks. The SIPF is also tasked with collecting contributions from members of the Investor Protection Fund as stipulated in Financial Services Authority Regulation No. 49/POJK.04/2016, representing the fund in efforts to recover or replace funds paid to investors by custodians that have caused the loss of investor assets, receiving and incorporating into the fund's assets, paying costs related to the execution of the fund's activities, establishing requirements, procedures, or technical guidelines regarding membership, claims handling, and investment policies of the

³⁹ Dyah Ayu Purboningtyas, and Adya Paramita Prabandari, (2019). "Perlindungan Hukum Bagi Investor Pasar Modal Indonesia Oleh Securities Investor Protection Fund," *Notarius*, vol. 12, no. 2, pp. 789-810, <https://doi.org/10.14710/nts.v12i2.29016>

Investor Protection Fund. These requirements, procedures, or technical guidelines, including any amendments, take effect upon approval by the Financial Services Authority. Additionally, the SIPF proposes to the Financial Services Authority the maximum claim amount for each investor and/or all investors in one custodian, taking into account the recommendations of the claims committee, conducts examinations, verifications, and analyses for decision-making on whether to approve or deny investor claims, appoints third parties to assist in the examination and verification of claims, requests custodians and investors to provide authorization to obtain necessary information and documents for claim verification, while maintaining confidentiality as required by applicable laws and regulations, makes payments and takes other actions related to claims that have been deemed valid for payment, and provides input to the Financial Services Authority regarding protection stages, membership, and the scope of protection based on the capabilities of the Investor Protection Fund, considering the fund's capacity and needs.

The establishment of the Securities Investor Protection Fund (SIPF) in Indonesia demonstrates that the country has entered the "take-off" stage in economic development theory. Characteristics of the take-off stage include significant societal changes such as political revolutions, rapid advancements in innovation, and the opening of new markets. These changes lead to regular innovations and an increase in capital investment. High levels of investment will boost national income beyond the rate of population growth. Consequently, per capita income will progressively increase, and one or several industrial sectors will experience rapid development. This stage also establishes a foundational political, social, and institutional framework that supports the expansion of modern sectors and harnesses the external economic potential created by the take-off activities, ensuring sustained growth.

As the organizer of the investor protection fund, SIPF has subrogation rights as stipulated in Article 1400 of the Indonesian Civil Code (*KUHPerdata*). Subrogation must be explicitly stated because it differs from debt relief. The purpose of a third party making a payment to a creditor is to replace the position of the original creditor, not to release the debtor from their obligation to pay the debt. The third party, as the new creditor, has the right to collect the debt from the debtor, and if the debtor defaults, the new creditor has the right to execute on the debtor's assets that are secured by collateral such as pledges, mortgages, and liens..

The subrogation model employed by SIPF falls under subrogation arising from an agreement, as outlined in Article 1401 of the Civil Code. This is reflected in the mechanism of claim submissions by clients to SIPF. When SIPF, as a third party, makes payments to creditors (clients/investors), replacing the position of the defaulting securities company or custodian, subrogation occurs immediately. By making the claim payment, SIPF's position relative to the securities company or custodian establishes a debtor-creditor relationship, where SIPF becomes the creditor and the securities company and/or custodian becomes the debtor. This subrogation has been previously agreed upon, with clients of securities companies or custodians registered as SIPF members being the ones eligible to receive claims.⁴⁰

The Securities Investor Protection Fund (SIPF), in terms of its role in investor protection within the Indonesian capital market, functions as the organizer of the investor protection fund, analogous to Article 1820 of the Indonesian Civil Code (*KUHPerdata*), where suretyship is an agreement in which a third party commits to fulfill the obligations of a debtor if the debtor fails

⁴⁰ Ozora Hendrawan, Ryan, Lastuti Abubakar, and Nun Harrieti. (2023). "Analisis Dana Perlindungan Pemodal (Securities Investor Protection Fund) Sebagai Sarana Perlindungan Hukum Investor Di Pasar Modal". *Jurnal Ilmiah Penegakan Hukum*, Vol 10 No 1, pp. 50-59. <https://doi.org/10.31289/jiph.v10i1.8736>.

to do so (defaults).

The optimization of investor protection provided by SIPF is perceived as insufficient. The current maximum claim amount for the investor protection fund, set at IDR 100,000,000 (one hundred million rupiah), is deemed inadequate. Compared to other Southeast Asian countries with established investor protection fund organizers, Indonesia's SIPF offers the lowest coverage. Additionally, the process for claim approval involves numerous steps, starting with verification by the Financial Services Authority. Only after Financial Services Authority issues a statement confirming the investor's loss can SIPF begin its work. Furthermore, the authority of Indonesia's SIPF is quite limited in intervening when investors are harmed by securities companies.

Resolution of Investor Losses Due to Capital Market Crimes That Cannot Be Covered by the Securities Investor Protection Fund (SIPF) as the Organizer of the Investor Protection Fund in the Indonesian Capital Market

Capital market crimes are sophisticated offenses due to the advanced nature of securities trading, which now often occurs not only through direct, conventional interactions between buyers and sellers but also via telecommunication media such as phones and the internet. Typically, capital market crimes are perpetrated by educated individuals using sophisticated modus operandi that are challenging to trace. These crimes include fraud, market manipulation, and insider trading, which can be carried out individually, by groups, or through direct commands or influence from others.

Crimes in the capital markets can result from the misconduct of market participants, low integrity and professionalism among authorities, or inadequacies in capital market regulations that fail to protect all current developments in the market. In Indonesia, sanctions for capital market crimes are limited to fines or administrative penalties rather than imprisonment, resulting in a lack of deterrent effect.⁴¹ The need for investor protection is crucial and must be regulated and implemented by the government, as numerous practices such as fraud, market manipulation, and insider trading often occur. Investor protection is essential because investors have rights in their capital market activities. This protection aligns with legal protection theory, which is vital to study as it focuses on the legal safeguards provided to the community. This theory targets those in vulnerable positions, whether economically or legally. Essentially, legal protection theory relates to the provision of services to the public. According to Salim HS, legal protection theory examines and analyzes the forms or purposes of protection, the legal subjects who are protected, and the objects of protection provided by the law to these subjects.

The theory of legal protection is considered to have a similar relevance to the protection provided to investors in the capital market, given the insufficient investor protection in Indonesia's capital market. With appropriate legal protection, investors can make well-informed decisions about their investments and take advantage of the many opportunities presented by Indonesia's economic growth.⁴² It is important to note that the investor protection referred to

⁴¹ Amran Rabani Zubaidi, Pujuh Aji Hari Setiawan, Dewi Iryani, (2023). "Perlindungan Hukum Bagi Investor Yang Mengalami Kerugian Tidak Sah Akibat Praktik Insider Trading Di Pasar", *Setara Jurnal Ilmu huku*, Vol 4, No 1, pp.1-23. <http://dx.doi.org/10.59017/setara.v4i1.397>

⁴² Yohanes Sabbat Satriawan, Firstnandiar Glica Aini Suniaprily, and Suharno Suharno. (2024). "Keamanan Dan Perlindungan Hukum Bagi Investor Saham Di Indonesia". *Hakim: Jurnal Ilmu Hukum Dan Sosial* Vol.2, No 2, pp. 350-358. <https://doi.org/10.51903/hakim.v2i2.1827>.

here is not intended to provide compensation for losses due to stock price declines on the exchange. In response to the critical issue of investor protection, Article 111 of the Capital Market Law provides investors who suffer losses due to crimes committed by securities companies with the opportunity to seek compensation from those companies. To provide certainty to investors, on December 28, 2012, the Capital Market and Financial Institutions Supervisory Agency officially established the Investor Protection Fund based on the Decree of the Chairman of the Capital Market and Financial Institutions Supervisory Agency No. KEP-715/BL/2012 concerning the Investor Protection Fund and the Decree of the Chairman of the Capital Market and Financial Institutions Supervisory Agency No. KEP-716/BL/2012 concerning the Operator of the Investor Protection Fund.

The protection provided is exclusively available to investors who are clients of securities brokers responsible for administering client securities accounts and custodial banks. The purpose of the aforementioned the Capital Market and Financial Institutions Supervisory Agency in Indonesia regulations is to protect investor assets. Following the transition of the Capital Market and Financial Institutions Supervisory Agency's functions to the Financial Services Authority under the enactment of Law No. 21 of 2011 on the Financial Services Authority, the Capital Market and Financial Institutions Supervisory Agency's regulations were adopted into Financial Services Authority regulations, specifically Financial Services Authority Regulation No. 49/POJK.04/2016 concerning the Investor Protection Fund and Financial Services Authority Regulation No. 50/POJK.04/2016 concerning the Operator of the Investor Protection Fund. Based on this, the Securities Investor Protection Fund (SIPF) was established by the Financial Services Authority as a market guarantor institution.

The Securities Investor Protection Fund (SIPF), as the organizer of the investor protection fund in Indonesia's capital market, is obligated to compensate investors for losses caused by securities company misconduct, provided that the Financial Services Authority has issued a written statement regarding the transfer of claim resolution to SIPF. Subsequently, SIPF must announce the occurrence of such events to the public through newspapers or other media, and invite affected investors to submit their claims to the Investor Protection Fund Organizer within no more than 30 (thirty) business days from the date of the announcement. SIPF is also responsible for proposing the establishment of a claims committee to the Financial Services Authority and forming a claims verification team.

If the claims committee, in its review, confirms that investor losses have indeed resulted from misconduct by a securities company or custodian, the Investor Protection Fund Organizer will compensate the investors through the account specified by the investor in the claim form. In its initial stage, Indonesia's SIPF, as the executor of the Investor Protection Fund, only provides compensation in the form of funds up to the value of the lost investor assets and/or up to a maximum limit for each investor of IDR 100,000,000 (one hundred million rupiah) per investor/client, or IDR 50,000,000,000 (fifty billion rupiah) per custodian, according to the Financial Services Authority Commissioner's Board Decree No. Kep-46/D.04/2015, effective from August 6, 2015, to the present. Compensation for the value of lost investor assets does not include losses related to future investment value estimates, as stipulated in Article 44, paragraph (4), point c of Financial Services Authority Regulation No. 50/POJK.04/2016.

The Securities Investor Protection Fund (SIPF) in Indonesia, in terms of investor protection structure, functions similarly to a guarantee arrangement as defined in Article 1820

of the Indonesian Civil Code (*KUHPerdata*). This provision describes a guarantee as an agreement where a third party commits to fulfill the obligations of the debtor if the debtor fails to meet their obligations (default). However, a problem arises because not all investors invest within the IDR 100,000,000 limit. If an investor suffers losses exceeding IDR 100,000,000, even though they receive compensation of IDR 100,000,000 from SIPF, they may still incur significant losses. According to the Head of the Corporate Secretary and Investor Protection and Legal Unit at SIPF, in such cases, SIPF will continue to assist in the recovery process and allows investors to sue the securities company in court if they wish. Currently, SIPF is working to increase the claim compensation limit to IDR 500,000,000 per investor through discussions with Financial Services Authority, in response to the rising value of the Investor Protection Fund, which amounted to IDR 157.11 billion as of February 2018.⁴³

In addressing investor losses resulting from criminal activities in the capital markets, prior to investigation by the Financial Services Authority and subsequent referral to the SIPF, non-litigation avenues are typically pursued. These non-litigation pathways are mandated by Financial Services Authority Regulation No. 1/POJK.07/2013 on consumer protection in the financial services sector and Financial Services Authority Regulation No. 1/POJK.07/2014 on alternative dispute resolution institutions in the financial services sector. In the context of capital markets, an established alternative dispute resolution institution is the Capital Market Arbitration Board, as stipulated by Financial Services Authority Regulation No. 1/POJK.07/2013 and Financial Services Authority Regulation No. 1/POJK.07/2014. The Capital Market Arbitration Board, specifically the Indonesia Capital Market Arbitration Board, was established in accordance with Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution. BAPMI serves as a body for resolving civil disputes in the capital markets through mechanisms outside of the court system and is an alternative dispute resolution institution registered with the Financial Services Authority.

In cases where the SIPF institution is unable to cover losses exceeding its claim capacity, it permits investors to pursue legal action against custodians for losses resulting from their misconduct. Legal action can be pursued in two forms: civil and criminal. Civil lawsuit pertains to claims for unlawful acts (Article 1365 of the Civil Code). This encompasses elements such as failure to fulfill obligations beyond contractual or quasi-contractual duties, which gives rise to a right to seek compensation. It includes actions or omissions that result in harm to others without a prior legal relationship, whether these actions are ordinary or accidental. It also covers the failure to meet legal obligations imposed generally on all individuals, and damages may be sought for non-compliance with these obligations. Furthermore, it addresses civil wrongs where compensation can be claimed, which are not related to breaches of contract, trust obligations, or other equity duties. Such damages arise from actions that harm the rights of others as established by law, independent of contractual relationships. Therefore, compensation can be claimed by the aggrieved party for actions or omissions that unlawfully infringe upon rights created by law.

Criminal lawsuits can also be pursued under charges such as fraud, specifically under Article 90 in conjunction with Article 104 of the Capital Market Law, which stipulates penalties of up to 10 years imprisonment or a maximum fine of 15 billion rupiah. However, in practice, it is very difficult to prosecute capital market criminals using the Capital Market Law. Typically, offenders are only prosecuted under Article 372 of the Criminal Code (*KUHPP*), which carries a

⁴³ Interview with Ririh Asih Priyahita, Head of SIPF's Indonesian Legal and Protection Corporate Secretary Unit.

maximum penalty of 4 years imprisonment or a fine of up to 900 rupiah. This discrepancy highlights the challenges in effectively addressing capital market crimes within the current legal framework and underscores the need for more robust and specific regulations.

Cases of capital market crimes in Indonesia are very challenging to prosecute and bring to court due to the weaknesses in existing regulations. For instance, Law No. 8 of 1995 on Capital Markets only provides for criminal sanctions for violations in the capital market. However, regulations from the Capital Market and Financial Institutions Supervisory Agency in Indonesia and now Financial Services Authority, have not addressed criminal sanctions but only administrative penalties. This, according to the author, significantly harms investors in the capital market and necessitates a legal reform. Mochtar Kusumaatmadja's concept of law as a tool for societal reform and development highlights that legal reforms are based on the notion that order or discipline in development or reform is both desirable and, indeed, considered essential. Law, as a regulatory tool, functions to direct human activities towards the objectives of development or reform. Therefore, updating and enhancing legal frameworks is crucial to better serve the needs of market participants and ensure effective enforcement against market crimes.

Other challenges, aside from the inadequate investor protection funds and insufficient regulations, include the limited authority of the Securities Investor Protection Fund (SIPF) in Indonesia. Unlike the Securities Investor Protection Corporation (SIPC) in the United States, which has the authority to intervene directly when investors are harmed by securities companies, including the ability to seize assets of the offending securities firms without a court order, the SIPF in Indonesia appears relatively passive. It primarily awaits decisions from the Financial Services Authority before taking action in cases of investor losses. According to the Head of the Legal, Investor Protection, and Company Secretary Unit of SIPF Indonesia, this lack of proactive authority significantly hampers the ability of SIPF to effectively handle investor claims.⁴⁴

4. Conclusion and Suggestion

Conclusion

Based on the above description, the following conclusions can be drawn:

1. The position of the Securities Investor Protection Fund (SIPF) is regulated under POJK No. 49/POJK.04/2016 and POJK No. 50/POJK.04/2016. SIPF has the authority to manage guarantee funds sourced from contributions by securities companies and custodians. These protection funds are used to cover losses related to the risk of investor asset loss due to capital market crimes. However, the function of the SIPF is not yet optimal, as its authority is still limited compared to the Securities Investor Protection Corporation (SIPC) in the United States, which has greater powers in addressing investor losses due to capital market crimes.
2. According to POJK No. 49/POJK.04/2016, compensation is capped at IDR 100,000,000 (one hundred million rupiah) per investor. If the investor's losses exceed the amount that can be claimed from SIPF, under Article 111 of the Capital Market Law, investors may seek restitution of their rights through either non-litigation or litigation channels. Non-litigation recourse can

⁴⁴ *Ibid.*

be pursued through the Indonesia Capital Market Arbitration Board institution, while litigation can involve filing a civil and/or criminal lawsuit.

Suggestion

Based on the above analysis and conclusions, the author offers the following recommendations:

1. Strengthen the Role of SIPF: The Securities Investor Protection Fund (SIPF) should be empowered with greater authority, such as the ability to directly receive and process reports of investor losses and to take action against securities companies that have harmed investors, bypassing the need for preliminary review by the Financial Services Authority. Additionally, regulations in the capital market should be updated to reinforce the position of SIPF as the primary institution responsible for investor protection in Indonesia's capital market.

2. Increase Compensation Limits: Currently, SIPF provides compensation up to IDR 100,000,000 (one hundred million rupiah) per investor or IDR 50,000,000,000 (fifty billion rupiah) per custodian, as per Financial Services Authority Commissioner Board Decision No. Kep-46/D.04/2015, effective from August 6, 2015, to the present. This amount is considered insufficient, despite plans to raise the compensation limit to IDR 500,000,000 per investor. This adjustment is still under discussion and may take 3-4 years to implement, pending Financial Services Authority approval. The author believes this increase should be realized promptly, given that the capital market is a key investment venue for the public. Furthermore, the Capital Market Law should be updated to effectively address capital market crimes and to grant SIPF additional powers for investor protection.

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