



Financial Services Authority Is Responsible For Monitoring Illegal Investments In Indonesia

Jonathan Agung Silalahi

University of HKBP Nommensen

Roida Nababan*

University of HKBP Nommensen

Samuel Situmorang

University of HKBP Nommensen

***Correspondence :** Roida Nababan

roidanababan@uhn.ac.id

Received: 30-11-2024

Accepted: 30-12-2024

Published: 31-01-2025

Copyright © 2025 by author(s) and Scientific Research Publishing Inc.

This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

Abstract

The purpose of this research is to understand how the public perceives illegal investments and how the supervision and protection by the Financial Services Authority towards illegal investments impact. As shown by the establishment, the efforts of the Financial Services Authority to supervise and prevent illegal investments have encouraged investment in Indonesia. The Investment Alert Task Force and other preventive and repressive measures, because there are still illegal investment companies or illegal investment activities that manage to evade supervision, this does not mean that the Financial Services Authority officials have fully succeeded. The activities of the Financial Services Authority have not yet been fully implemented in society. The Financial Services Authority still lacks efforts to educate the public. The Financial Services Authority still lacks efforts to educate the public through socialization. The Financial Services Authority also formed an investment alert task force to monitor investments, especially those that are unclear, such as illegal investments. The sanctions imposed on illegal investment perpetrators are also very lenient.

Keywords

Financial Services Authority, Investment , Finance

Introduction

The trend of globalizing the financial system, as well as the rapid expansion of information technology, has fueled the rise of a dynamic and sophisticated money industry. The amount of company entities that promote public investment without official license from regulatory authorities is one of the many issues created by the financial industry's complexity. According to Nurhada, this constitutes a violation of the law by financial service actors when collecting funds.

Rahmadi, Pranangtyas, and mahmuda make it clear that, while the company has an official license as an ordinary trade company, it is actually an investment company that raises cash. Their acts are deemed a breach of investing ethics since they violate moral norms based on human rights and environmental protection (Mounira, 2019).

In this scenario, the Financial Services Authority (FSA) transitioned from Bank Indonesia an independent and integrated Financial Service Authority (FSA). The OJK is in charge of regulating and supervising financial services operations in the fields of insurance, capital markets, financial institutions, and others (Methia Winati Muchda, 2014). One the goals of establishing the Financial Services Authority is to satisfy the needs and defend the interests of the community, which includes regulating illicit investment to protect the needs and interest of all individuals, especially the Indonesian people (Fidhayanti, 2020). Based on the foregoing, the author intends to explore the Financial Services Authority's role in safeguarding the public and over seeing illicit investments. Unlawful investment and the effectiveness of OJK protection for victims of unlawful investments. In recent years, illicit investments in Indonesia has become more common, bringing significant harm to the society. The significant number of incidents of illicit investment claiming high profits without a clear legal foundation highlights the need for greater financial sector monitoring. These illicit investment not only affect individuals, but they also jeopardize national economic stability by creating distrust in the banking industry (Yuan, 2024).

The Financial Services Authority (OJK), as the entity in charge of regulating and monitoring Indonesia's financial services industry, bears a significant amount of responsibility for safeguarding the public from illicit investments. Established under Law No. 21/2011, the OJK is responsible for maintaining the stability of the financial system and ensuring that all activity within it follow rules (Kalenyuk, 2024). In this respect, OJK plays a vital role in discovering, blocking, and clamping down on unlawful investing operations, which frequently target person who do not comprehend financial dangers. The unlawful investing approach is becoming more common as technology advances and internet platforms arise. This complicates monitoring and necessitates OJK's ongoing innovation in supervision and community education techniques. As a result, the function of OJK is critical not just in monitoring but also in promoting financial literacy to keep individuals from becoming caught in illicit investments. Because the general public knows little about finance and illegal investments are becoming more common, the level of financial literacy and inclusion among Indonesians remains low in comparison to the level of financial inclusion, according to data from the OJK National Survey of Financial Literacy and Inclusion (SNLIK).

This mismatch enables unscrupulous parties to propose investments with high rewards but no visible hazards. Unfortunately, many people lack an understanding of healthy and secure investing processes illegal investments frequently lack formal approval from the OJK or other authorized entities . This is also known as a "bulging investment" (Dascalescu, 2022).

Methods

It is used by the author to find answer to the problems posed. Since this research is written in the field of law, it falls under the category of desk research, also known as normative legal research, they are organized in patterns, categories, and descriptions. Thus, a qualitative method was used to elaborate on the issue (Amjad, 2022).

Results and Discussions

The Role of The Financial Services Authority In Identifying and Cracking Down on Illegal Investments

They set up the oversight and regulation framework for all financial services industry operations. The Financial Services Authority performs the following duties:

1. Regulation and oversight of banks and other financial entities:
 - a. Licenses for bank creation, branch openings, articles of organization, work plans, management and human resource ownership, bank mergers, acquisitions, and licenses revocations.
 - b. Banking operations in the service industry include funding sources and fund distribution.
 - c. Oversight and control of medical facilities and services (Finance, 2013).
2. It is necessary for the Financial Services Authority to carry out surveillance, monitoring, and even detection. Establish priorities and assess the aspects of each policy's execution that pertain to public safety and oversight (Nalin Kishor Richard Damania, 2007). Law No. 12/2011 of the Republic of Indonesia outlines the Financial Services Authority's regulatory and supervisory duties:
 - a. Financial services in the banking industry
 - b. Financial services in the stock market
 - c. Financial services in financing institutions, insurance, pension funds, and other financial services organizations (Indonesia, 2011).

The Financial Services Authority's Difficulties In Enforcing The Law On Illegal Investment

A unit of officers handling against unlawful acts in the field of investment management, known as the "investment alert task force," was established by the government oversee and prevent the founders of investment companies, particularly those that make illegal investment (Remeikienė, 2023). This unit was created in accordance with June 20, 2007, Decree of the chairman of BAPEPAM-LK No. Kep-208/BL/2007, which was last extended on March 19, 2012, by the Decree of the chairman of BAPEPAM-LK No. Kep-124/BL/2012.

The following agencies work together as this officer unit:

- a. Regulators: Financial Services Authority, BI, Bappebti, Ministry of trade, and Investment Coordinating Board, Ministry of Cooperatives, and SMEs;
- b. Law Enforcement: Attorney General's Office, Police of the Republic of Indonesia;
- c. Supporters: Ministry of Communication and Information, PPATK.

Officer's primary responsibilities include:

- a. Listing instances of illicit investments;
- b. Examining investigations that are already underway;
- c. Preventing or halting the proliferation of cases involving unlawful investments;
- d. Playing a significant part in public education and socialization;
- e. Improving case handling cooperation with relevant authorities;
- f. Investigating situations involving illicit investments.

In this instance, the government is working to maintain the rule of law and resolve any issues that may come from conflicting interests. In essence, maintaining justice must be the foundation of all government acts. The application of oppressive law will occur if this approach proves ineffective. Articles 28, 29, and 30 of Law No. 21/2011 govern the Financial Services Authority's preventative and punitive activities. The banking, capital markets, and non-bank financial sectors are all governed by the Financial Services Authority. It guarantees that the financial services sector complies with regulations and safeguards the public's and customers' interests, particularly those pertaining to money. They take these actions to guarantee a stable and quickly changing financial system, a healthy financial sector, and financial services operations that are fair, transparent, responsible, and orderly. In addition to overseeing and regulating Indonesia's financial industry, the Financial Services Authority is also in charge of protecting the public and consumers and fostering the development of top-notch human capital, particularly in the financial industry, which has the potential to advance the country (Lai, 2022).

The financial services authority safeguards the public and financial customers by implementing both preventative and punitive actions. Helping the public and consumers make wise financial decisions is the goal of preventative action. Become more knowledgeable about the financial items they hold or may acquire in the future (Shekokar, 2023). In addition to overseeing and regulating Indonesia's financial industry, the Financial Services Authority is also in charge of protecting the public and consumers and fostering the development of top-notch human capital, particularly in the financial industry, which has the potential to advance the country. The financial services authority safeguards the public and financial customers by implementing both preventative and punitive actions. Helping the public and consumers make wise financial decisions is the goal of preventative action. Become more knowledgeable about the financial items they hold or may acquire in the future (Zhou, 2024).

Conclusion

Socialization is one way that the Financial Services Authority may get insight into the society, however they have not done so yet. Those who make unlawful investments are also not impacted or deterred by the little or nonexistent penalties imposed on them. Regulation and supervision are the functions of the Financial Services Authority. As a result of the numerous duties assigned to them, many financial services institutions are not under the Financial Services Authority's jurisdiction (Stashchuk, 2024). To monitor investments, the Financial Services Authority also set up an investment alert officer unit. Particularly those that are ambiguous or lack a formal Financial Services Authority authorization, such illicit investments. The public must agree that illicit investment is a breach of positive laws like banking and sharia law, which will undoubtedly have a detrimental effect on society. This is particularly true in Indonesia, where several instances of unlawful investment have resulted in numerous victims suffering harm.

References

- Ali, H. (2004). *Asuransi dalam Perspektif Hukum Islam* (Jakarta: Prenada Media, 2004), 110.
- Amjad, R. M. (2022). Non-linear impact of globalization on financial crimes: a case of developing economies. *Journal of Money Laundering Control*, 25(2), 358–375. <https://doi.org/10.1108/JMLC-03-2021-0023>
- Anas, E., Mounira, B. A. (2009). "Ethical Investment and the Social Responsibilities of the Islamic Banks", *Jurnal International Business Research*, 2 (2), (2009):123.
- Dascalescu, F. (2022). Practical Considerations on the Notion of ' Advantage ' and the Application of Market Economy Operator Test in the Context of Financial Instruments. *World Competition*, 45(3), 387–412. <https://doi.org/10.54648/woco2022016>
- Fidhayanti, D. (2020). Urgency Of Shadow Banking Regulation For Financial Technology Loan Loan Service Based In Indonesia. *Jurnal IUS Kajian Hukum Dan Keadilan*, 8(2), 381–404. <https://doi.org/10.29303/ius.v8i2.722>
- Kalenyuk, I. (2024). Financial Innovations In The Smart City Ecosystem. *Financial and Credit Activity: Problems of Theory and Practice*, 1(54), 102–113. <https://doi.org/10.55643/fcaptp.1.54.2024.4287>
- Kishor, N., Damania, R. (2007). "Crime And Justice In The Garden Of Eden: Improving Governance And Reducing Corruption In The Forestry Sector", *Journal The World Bank*, 1 (1), (2007): 91–116.
- Lai, J. T. (2022). Digital financial inclusion and illegal fundraising in China. *Applied Economics*, 54(48), 5575–5590. <https://doi.org/10.1080/00036846.2022.2047601>
- Manan, A. (2009). *Aspek Hukum dalam Penyelenggaraan Investasi di Pasar Modal Syariah Indonesia* (Jakarta: Kencana Prenada Media Group, 2009), 191-192.

- Muchda, M. W., Bachtiar, M. & Dasrol, "Pengalihan Tugas Pengaturan dan Pengawasan Perbankan dari Bank Indonesia ke Otoritas Jasa Keuangan Berdasarkan Undang-Undang Nomor 21 Tahun 2011 Tentang Otoritas Jasa Keuangan", *Jurnal Ekonomi*, 22 (2), (2014): 81.
- Nurhuda, D. (2017). "Tindak Pidana Penghimpunan Dana Masyarakat secara Ilegal Melalui Koperasi Usaha bersama Profit Barokah Dihubungkan dengan Undang-undang Nomor 10 tahun 1998 tentang Perbankan", *Thesis* (Bandung: akultas Hukum Unpas, 2017), 2-3.
- Rahmadani, F., Prananingtyas, P. Mahmudah, S. (2016). "Perlindungan Hukum Terhadap Investor Oleh Otoritas Jasa Keuangan Dalam Hal Terjadi Investasi Ilegal (Kasus PT. Golden Traders Indonesia Syariah)", *Diponegoro Law Review*, 5, (2016), 2.
- Remeikienė, R. (2023). Effects on the Soundness of Financial-Banking Institutions and on the Business Development. *Contributions to Finance and Accounting*, 235–269. https://doi.org/10.1007/978-3-031-34082-6_10
- Shekokar, N. M. (2023). Analysis of Intelligent Techniques for Financial Fraud Detection. *Intelligent Approaches to Cyber Security*, 85–99. <https://doi.org/10.1201/9781003408307-8>
- Stashchuk, O. (2024). Cryptoeconomics: Financial Market Security Aspects and Implications for Managerial Accounting. *Economic Affairs (New Delhi)*, 69(2), 989–1004. <https://doi.org/10.46852/0424-2513.3.2024.24>
- Otoritas Jasa Keuangan, *Salinan Peraturan Otoritas Jasa Keuangan No. 1/PJOK.07/2013 tentang Perlindungan Konsumen Sektor Jasa Keuangan*, (2013).
- Presiden Republik Indonesia, *Undang-Undang Republik Indonesia Nomor 21 Tahun 2011 tentang Otoritas Jasa Keuangan*, (2011), 7.
- Usmani, M. T. (2019). "Principles of Shari'ah Governing Islamic Investment Funds", *Journal Accountancy*, (2019): 1–9
- Yuan, G. X. (2024). The Framework of Feature Extraction for Financial Fraud Behavior and Applications. *Artificial Intelligence for Risk Mitigation in the Financial Industry*, 229–260. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b&scp=85199835980&origin=inward>
- Zhou, Z. Q. (2024). A Comprehensive Multi-Dimensional Risk Monitoring Model for Illegal Financial Activities. *Journal of Risk Analysis and Crisis Response*, 14(4), 472–488. <https://doi.org/10.54560/jracr.v14i4.558>