

How effective is legal protection in Indonesia in handling investment fraud cases compared to other countries?

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Abstract: *Legal protection for investors is crucial in preventing the negative impact of rampant investment fraud, especially in the digital era that facilitates access to information. The ever-growing phenomenon of investment fraud shows the importance of evaluating the effectiveness of existing legal frameworks. This study aims to analyze the effectiveness of legal protection in Indonesia in dealing with investment fraud cases, with a normative juridical approach that examines relevant regulations in Indonesia and compares them with other countries such as the United States and India. This method is used to understand the weaknesses and challenges in the implementation of existing laws. The results of the study show that although Indonesia has a comprehensive legal framework, such as Law Number 8 of 1995 on the Capital Market and the Electronic Information and Transaction Law (UU ITE), challenges in law enforcement and public education are still significant obstacles. Unlike the US and India, which implement strict sanctions and have strict supervision, legal protection in Indonesia still needs reforms to increase the deterrent effect for actors and strengthen public trust in the investment system.*

Keywords: *Investment Fraud, Legal Protection, Legal Comparison.*

INTRODUCTION

The rise of investment fraud cases in Indonesia is a serious concern for the public and authorities, especially with the increasing use of the internet which now reaches 215.63 million users, or 78.19% of the total population, based on data from the Indonesian Internet Service Providers Association (APJII) for the 2022–2023 period.¹ The development of information technology and easy access to digital platforms has changed people's behavior patterns to become increasingly dependent on digital services, including in the financial services sector. On the other hand, the inequality between the level of financial literacy and financial inclusion in Indonesia triggers vulnerability; In 2022, although financial inclusion has reached 85.10%, the literacy rate has only reached 49.68%.² This condition makes some people, especially those who are less experienced in the world of investment, easily entangled in fraudulent schemes that promise high returns in a short time. With sophisticated modus operandi, such as aggressive marketing through social media and the use of fake testimonials, criminals are increasingly free to target less literate communities.

¹ Indonesia Baik, “Pengguna Internet di Indonesia Makin Tinggi” <https://indonesiabaik.id/infografis/pengguna-internet-di-indonesia-makin-tinggi> diakses pada 14 Oktober 2024

² Otoritas Jasa Keuangan (OJK), “Infografis Hasil Survei Nasional Literasi dan Inklusi Keuangan Tahun 2022” <https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Pages/Infografis-Survei-Nasional-Literasi-dan-Inklusi-Kuangan-Tahun-2022.aspx> diakses pada 14 Oktober 2024



The high losses due to investment fraud in Indonesia reflect how urgent this problem is to be dealt with seriously. Based on a report by the Financial Services Authority (OJK), the total public losses due to illegal investments reached IDR 120.79 trillion in 2022, the highest figure in the last decade, jumping to 4,655.51% compared to the previous year.³ As a result, the losses experienced by the community can reach billions of rupiah, harming not only individuals but also their families and communities. Data from the OJK shows that the losses experienced by the public due to illegal investments from 2018 to 2022 reached IDR 126 trillion, while from 2013 to 2023, the OJK received more than 72 thousand complaints related to digital fraud modes, including skimming, phishing, social engineering, and sniffing.⁴ This shows how urgent the collaboration between the OJK and the Investment Alert Task Force (SWI) together with 12 ministries/institutions is to stop various entities that make investment offers without permission, as well as provide more effective legal protection for the public from various modes of investment fraud.

The impact of this investment fraud is very wide, in addition to significant financial losses, public trust in the investment system and financial institutions has also decreased.⁵ These events create uncertainty and fear among investors, which in turn can affect overall economic growth. Individual financial security becomes threatened, and those affected often feel lost hope and security in their long-term financial planning.⁶ To address this problem, Indonesia has formulated various legal tools and supervisory agencies that aim to protect the public from investment fraud. One of the crucial laws in this case is Law Number 21 of 2011 concerning the Financial Services Authority (OJK), which gives the authority to the OJK to supervise and regulate all activities in the financial services sector, including investment.⁷ OJK also has an educational function to improve people's financial literacy, so that they can be wiser in choosing investment products. In addition, there is Law Number 8 of 1999 concerning Consumer Protection which provides rights to consumers to get clear and correct information about the products offered, including investments. However, even though there are already legal instruments and supervisory agencies tasked with protecting the public, there are still many limitations that are felt.

One of the biggest challenges is under-optimal law enforcement, where many cases of investment fraud are difficult to investigate due to a lack of strong evidence or because the fraudsters operate online, making it difficult for authorities to track and arrest them.⁸ In addition, people are still unaware of the regulations and protections available, and often do not report if they are victims of fraud. This shows that, despite the legal protection efforts that have been made, further steps are still needed to strengthen the implementation and socialization of consumer rights and increase public awareness of investment risks so that legal protection can function effectively. In the face of rampant investment fraud, Indonesia can learn

³ Cindy Mutia Annur, "Kerugian Investasi Ilegal RI Capai Rp 120,79 Triliun, Rekor Tertinggi Sedekade"

⁴ Antara News, "OJS: Kerugian Masyarakat Akibat Investasi Ilegal Rp126 Triliun" <https://www.antaraneews.com/berita/3584358/ojk-kerugian-masyarakat-akibat-investasi-ilegal-rp126-triliun> diakses pada 15 Oktober 2024

⁵ Rahmat Eka Putra R Palaloi, Rakhmadi Rahman, "Analisis Dan Pencegahan Serangan Sosial Enggininger Pada Jaringan Komputer Studi Kasus Penipuan Investasi Crypto" *Jurnal Riset Sistem Informasi*, Vol 1 No 3 (2024): 08-16

⁶ Evi Dewi Kusumawati, Alfa Santoso Budiwidjojo Putra, Dewi Kartikasari, "Literasi Keuangan sebagai Variabel Moderasi dalam Pengaruh Persepsi Keuangan Terhadap Perencanaan Keuangan" *Fokus Bisnis: Media Pengkajian Manajemen dan Akuntansi*, Vol 22 No 2 (2023): 247

⁷ Hengki Heriyadi, "Tinjauan Yuridis Peran Dan Fungsi Otoritas Jasa Keuangan (Ojk) Dalam Sistem Keuangan Di Indonesia" *Jurnal Hukum Progresif*, Vol 11 No 1 (2023): 36

⁸ M. ArisDani Canjaya, Yamin Lubis, Ibnu Affan, "Penegakan Hukum Terhadap Pelaku Tindak Pidana Penipuan Dengan Modus Investasi (Studi Dikepolisian Resorasahan)" *Jurnal Meta Hukum*, Vol 2 No 3 (2023): 128

from best practices applied by other countries. In some developed countries, regulation and supervision of investments have been designed in such a way as to minimize the risk of fraud and protect the public. For example, the United States has the *Securities and Exchange Commission* (SEC) which is empowered with very broad powers to oversee financial markets and crack down on fraudsters.⁹ The SEC also has a system in place that allows anonymous reporting of violations from the public, which helps speed up the detection of fraudulent activity. In addition, strict and transparent punishment is given to the parties involved, thus creating a deterrent effect for the perpetrators and increasing public trust.

In Australia, the role of the Australian *Securities and Investments Commission* (ASIC) is very significant in the prevention of investment fraud. ASIC proactively educates the public about investment risks and how to identify suspicious investment offers.¹⁰ Meanwhile, in Singapore, the *Monetary Authority of Singapore* (MAS) not only supervises, but also provides strict guidance regarding investment offers.¹¹ MAS regularly conducts public campaigns to raise awareness of the latest fraud modes, as well as invite the public to report any suspicious activity. Singapore also imposes hefty fines and swift legal action for investment criminals, thus maintaining financial stability and security. Looking at examples from these countries, Indonesia can consider strengthening a more anonymous public reporting system, improving access to financial education for the public, and tightening sanctions and recovery mechanisms for victims.

Law enforcement against investment fraud cases in Indonesia faces significant challenges, including a lack of coordination between relevant institutions such as the OJK, the Police, and the Ministry of Law and Human Rights, resulting in inconsistencies in policy implementation and obstacles in the enforcement process. In addition, resource constraints, both in budget and personnel, limit the ability to effectively pursue perpetrators and gather adequate evidence, especially for cases that are complex and spread across different regions. Slow legal processes and complicated bureaucratic procedures also extend court time, leaving criminals often with impunity and victims feeling deprived of justice.¹² Looking at the various challenges faced in law enforcement against investment fraud cases in Indonesia, it is clear that a comprehensive overhaul is urgently needed. As public losses continue to increase and perpetrators often get away with adequate sanctions, it is important for Indonesia to consider new, more effective and integrated approaches.

By reviewing best practices from other countries that have successfully strengthened investor protections, Indonesia has an opportunity to improve its legal system, tighten regulations, and build public trust in a safe and stable financial system.¹³ The increasing public losses due to investment fraud show how important effective legal protection is in Indonesia. By comparing the approaches of Indonesia and other countries in handling similar cases, we can find weaknesses as well as opportunities to improve the legal system in the country. Approaches that have proven effective in other countries, such as stricter investor protection policies and efficient law enforcement systems, can be used as a reference in strengthening regulations and closing loopholes that are often exploited by bad actors. This also has the potential to reduce

⁹ Allison N. Swecker, "To SPAC or Not t C or Not to SPAC: Liber C: Liberalizing the Regulation of Capital alizing the Regulation of Capital Markets" *Vanderilt Journal of Transnational Law*, Vol 56 Issue 2 (2023): 579

¹⁰ Paul Latimer, *et al*, "Deconstructing Digital Currency and Its Risks: Why ASIC Must Rise to the Regulatory Challenge" *Federal Law Review*, Vol 47 Issue 1 (2019): 121-150

¹¹ Marek Bocanek, "Stored value facility Regulation in Singapore according to the New Payment Services Act" *Masaryk University in Bmo*, Vol 8 Issue 3 (2020): 1115-131

¹² Vinda Agustina, H. S. Tisnanta, Muhtadi Muhtadi, "Restorative Justice as an Effort to Fulfill the Constitutional Rights of Citizens" *Jurnal Konstitusi*, Vol 21 Issue 2 (2024): 245

¹³ Tito Wira Eka Suryawijaya, "Memperkuat Keamanan Data melalui Teknologi Blockchain: Mengeksplorasi Implementasi Sukses dalam Transformasi Digital di Indonesia" *Jurnal Studi Kebijakan Publik*, Vol 2 No 1 (2023): 55-68

the risk of fraud in the future, so that public trust in the investment and judicial system can be maintained and developed, which ultimately contributes to the stability and competitiveness of the national economy.

METHODOLOGY

This research will use the normative juridical method, which focuses on the study of applicable legal norms and the analysis of laws and regulations¹⁴ related to legal protection against investment fraud cases in Indonesia. The first step that will be carried out is the study of documents, where the researcher will collect and analyze various legal documents, such as Law No. 8 of 1995 concerning the Capital Market, Law No. 21 of 2011 concerning the Financial Services Authority, and other relevant regulations. Furthermore, a comparative analysis will be conducted to compare legal protection regulations and practices in other countries, especially those with similar legal systems, such as OECD member countries, in order to identify best practices that can be applied in Indonesia. In addition, researchers will also explore literature related to the theme of legal protection against investment fraud, including journals, articles, and books that discuss the effectiveness of legal protection in various countries. The data that has been collected will be analyzed to draw conclusions about the effectiveness of legal protection in Indonesia and provide the necessary recommendations for the improvement of the legal system. Through this normative juridical method, it is hoped that the research can provide a comprehensive overview of the effectiveness of legal protection in handling investment fraud cases and find the right solutions to improve legal protection for the community.

RESULTS AND DISCUSSION

Legal protection for investors is very important, especially in the context of increasing cases of investment fraud that are increasingly prevalent in society. In today's digital age, where access to investment information and platforms is getting easier, investors are often caught up in fraudulent schemes that promise unrealistic returns. The lack of understanding of some people about investment products and the limited financial literacy make them easy targets for criminals who use various modus operandi to attract the attention of victims.¹⁵ Investment fraud not only results in significant financial losses for individuals, but also has a wider negative impact, such as a decline in public confidence in the financial system and investment as a whole. When investors incur losses, this can create widespread uncertainty and fear among the public, hindering their active participation in the investment market.¹⁶ Therefore, it is very important to explore the comparison of legal protection in Indonesia with other countries, in order to understand the steps that have been taken by various countries to protect investors from investment fraud, which can ultimately provide insights to improve and strengthen the legal system in the country.

In an effort to protect investors from increasingly rampant fraud, Indonesia has established various legal tools and institutions focused on investment supervision and protection. The legal framework for investor protection in Indonesia was built with the aim of creating a safe and transparent investment

¹⁴ Muhammad Zainuddin, Aisyah Dinda Karina, "Penggunaan Metode Yuridis Normatif Dalam Membuktikan Kebenaran Pada Penelitian Hukum" *Smart Law Journal*, Vol 2 No 2 (2023): 114-123

¹⁵ Diana Tambunan, Ida Hendarsih, "Waspada Investasi Ilegal di Indonesia" *Perspektif: Jurnal Ekonomi & Manajemen Universitas Bina Sarana Informatika*, Vol 20 No 1 (2022): 108

¹⁶ Nila Atikah, Sayudin, "Analisis Perkembangan Pasar Modal Syariah: Tantangan Dan Peluang Dalam Investasi Berbasis Prinsip Syariah" *Jurnal Inovasi Global*, Vol 2 No 1 (2024): 204

environment, so that people can invest without fear of fraud.¹⁷ The legal framework for investor protection in Indonesia consists of various regulatory and institutional tools aimed at protecting the public from the risk of fraud and violations in investment activities. Law Number 8 of 1995 concerning the Capital Market is the main basis that regulates transactions in the capital market and ensures the safety of investors in investing. In addition, the Electronic Information and Transactions Law (UU ITE), and the rules issued by the Financial Services Authority (OJK), are designed to guarantee the rights of investors and regulate mechanisms that can prevent and crack down on investment fraud. Law No. 8 of 1995 concerning the Capital Market, for example, provides a legal basis for various aspects of the capital market in Indonesia. Article 1 regulates the basic definition of investment in the capital market, and Articles 90-96 regulate aspects of investor protection. These articles contain provisions regarding the responsibilities of public companies and brokers, so that investors get proper protection in investing.

Legal protection for investors regulated in Law Number 8 of 1995 concerning the Capital Market (UUPM) is very important in maintaining public trust in the capital market in Indonesia. In Article 4, the UUPM emphasizes that "Guidance, regulation, and supervision as referred to in Article 3 are carried out by Bapepam with the aim of realizing the creation of orderly, reasonable, and efficient Capital Market activities and protecting the interests of investors and the public." The UUPM regime stipulates that the authority over the capital market is Bapepam-LK, which currently functions under the Ministry of Finance to foster, regulate, and supervise the capital market as a whole.

Bapepam-LK has a preventive and repressive role in providing legal protection for the capital market.¹⁸ In a preventive context, issuers that will sell securities on the Capital Market are required to provide a prospectus that investors must read before placing securities orders. This prospectus is the main source of information for investors to consider whether to buy the securities or not. In addition, Bapepam-LK requires that the prospectus does not contain misleading information or incorrect information regarding material facts. The standard for preparing the prospectus made by Bapepam-LK is intended to ensure that investors get complete and accurate information about the investment to be made.¹⁹ In addition, Bapepam-LK is authorized to carry out further supervisory actions through examinations and investigations for parties suspected of violating the capital market law. Based on the UUPM, Bapepam-LK has the authority to:

1. Asking for information and confirmation from the party suspected of being involved in the violation.
2. Ordering related parties to carry out or stop certain activities.
3. Checking or making copies of records, books, and related documents.
4. Stipulate conditions or provide permission for parties involved in violations to take necessary actions in order to resolve losses incurred.

¹⁷ Frans Marzuki, Suyatno, "Implikasi Hukum Perlindungan Investor Dalam Lingkungan Investasi Global" *JICN: Jurnal Intelek dan Cendekiawan Nusantara*, Vol 1 No 2 (2024): 1976

¹⁸ Vidya Noor Rachmadini, "Perlindungan Hukum Bagi Investor Dalam Pasar Modal Menurut Undang-Undang Pasar Modal Dan Undang-Undang Otoritas Jasa Keuangan" *PENA JUSTITIA*, Vol 18 No 2 (2019): 89

¹⁹ Bayu Aji Siantria Gunawan, "Peran Dan Tantangan Konsultan Hukum Pasar Modal: Independensi, Integritas, Dan Pelanggaran Etika Dalam Praktik Profesional" *Syariat*, Vol 10 No 1 (2024): 62

If Bapepam-LK considers that the violation of the capital market law causes losses to investors or endangers the capital market service industry, Bapepam-LK has the right to conduct an investigation through a Civil Servant Officer appointed within Bapepam-LK. This investigation is a repressive step to provide legal protection for investors.²⁰ In addition to administrative sanctions, the UUPM also includes criminal sanctions for violations of the law in the capital market. Several articles in the ITE Law are also relevant in the context of investment fraud considering the pace of technological development produced to make investments, especially those carried out online. Article 9 and Article 10, for example, require business actors who offer products through electronic systems to provide correct and complete information regarding contract conditions and system reliability. To follow up on investment fraud cases, the OJK also plays an important role. The main task of the OJK is to supervise, regulate, and ensure the safety of financial services consumers, which in the context of the capital market is referred to as investor protection. This is an important focus of the OJK because the capital market sector involves financiers or investors who need protection to maintain the trust and security of their investments.²¹ The provisions on consumer protection are contained in Articles 28, 29, and 30 of the OJK Law, which explicitly regulate consumer protection for the financial services industry.

In carrying out the task of legal protection, the OJK implements two main approaches: preventive and repressive. Preventive protection is carried out through Article 28, where the OJK is responsible for providing information and education to the public about the characteristics, services, and products of the financial services sector. OJK can also ask financial service institutions to stop activities that have the potential to harm consumers. This measure is designed to prevent losses before they occur and maintain the safety of financial markets. In addition, OJK is authorized to take other actions deemed necessary to protect consumers in accordance with laws and regulations in the financial services sector. Furthermore, Article 29 of the OJK Law regulates consumer complaint services as a form of more responsive protection. OJK has a mechanism to handle complaints from consumers who feel disadvantaged by financial services institutions. In this case, the OJK provides adequate complaint tools, creates an effective complaint system, and facilitates the resolution of complaints or disputes between consumers and financial service institutions in accordance with legal provisions. The goal is to provide legal certainty and a sense of security for investors who have suffered losses due to the actions of financial services institutions.

In addition to preventive measures and complaint management, the OJK also has the authority to provide repressive legal protection in the event of a dispute between consumers and financial services companies.²² In this situation, the OJK can order financial services companies to follow up on consumer complaints. The OJK can even file a lawsuit to recover assets belonging

²⁰ Hendrawan Agusta, "Pertanggungjawaban Khpm Dalam Proses Ipo Jika Terdapat Fakta Material Yang Tidak Diungkap" *Masalah-Masalah Hukum*, Vol 49 No 1 (2020): 48-60

²¹ Tia Rizkya Dilbar Sumadi, Hendra Kurniawan, Ferdinand Novando, "Perlindungan Investor Di Pasar Modal Di Indonesia Melalui Disgorgement (Fund) Berdasarkan POJK Nomor 65/Pojk.04/2020" *Civilia: Jurnal Kajian Hukum dan Pendidikan Kewarganegaraan*, Vol 3 No 2 (2023): 1-15

²² Vidya Noor Rachmadini, "Perlindungan Hukum Bagi Investor Dalam Pasar Modal Menurut Undang-Undang Pasar Modal Dan Undang-Undang Otoritas Jasa Keuangan" *PENA JUSTITIA*, Vol 18 No 2 (2019): 89

to aggrieved consumers or request compensation from the party that caused the loss. This repressive approach is designed to provide strict law enforcement and ensure maximum protection for consumers who suffer losses due to regulatory violations in the financial services sector. The OJK regime provides consumer protection in all financial services sectors, including bank and non-bank financial institutions, including the capital market. The unification of consumer protection under a single authority aims to improve the system and cover possible shortcomings within previously separate sectoral regulations.²³ This is in line with the statement of the Chairman of the OJK Board of Commissioners, Muliaman Darmansyah Hadad, who emphasized that with this unification, the obligation for financial services institutions to provide complete information and services to prospective customers can be further emphasized.

After understanding the various regulations and policies related to investment that have been regulated by the Indonesian government, including regulations in the capital market, the Information and Electronic Transactions Law (UU ITE), and regulations issued by the Financial Services Authority (OJK), we can then discuss more deeply about the aspects of legal protection provided to the public in the event of investment fraud. The crime of fraud in investment, especially online investment, has been regulated in detail in Indonesian laws and regulations. Fraud is a common crime which means it can be reported by anyone who is harmed, without having to wait for a complaint from the victim.²⁴ When a person reports an alleged investment fraud to the police, the officer is authorized to investigate and determine whether the case meets the elements of a criminal act of fraud. After the initial investigation, if the case is proven to involve criminal elements, the investigation may escalate to a formal investigation.

In the context of investment, there are two types of assets that are often the object of fraud, namely real assets (such as land, housing, gold) and financial assets (such as stocks, bonds, and mutual funds).²⁵ Indonesia has regulated legal protection mechanisms for consumers, including investors, through Law Number 19 of 2016 concerning Information and Electronic Transactions (ITE) which revised Law Number 11 of 2008. Article 28 paragraph (1) states that "Every Person deliberately and without rights spreads false and misleading news that results in consumer losses in Electronic Transactions." Article *a quo* stipulates that the act of disseminating misleading information that harms consumers in electronic transactions can be subject to legal sanctions. The *a quo* article provides protection for consumers who make online transactions, considering that these transactions often involve parties who have never met directly with business actors.

Criminal sanctions for perpetrators of online investment fraud are regulated in Article 45 paragraph (2) of the ITE Law, which threatens the perpetrator with a prison sentence of up to six years and/or a maximum fine of one billion rupiah. In addition, Article 378 of the Criminal Code is also relevant in this case, providing that fraudulent acts committed to benefit oneself or others in an unlawful manner, such as using deception or lies, are subject to criminal penalties. In general,

²³ Agus Danugroho, *Pendidikan dalam Kacamata Ketahanan Nasional*, Yogyakarta: Jejak Pustaka, h.10

²⁴ Nur Rima Cessio Magistri, Nyoman Serikat Putra Jaya, "Tinjauan Yuridis Terhadap Perlindungan Hukum Korban Tindak Pidana Penusukan Dalam Peradilan Pidana" *Jurnal Pembangunan Hukum Indonesia*, Vol 822 No 1 (2020):

²⁵ Muhammad Naufal Hasani, *dkk*, "Analisis Cryptocurrency Sebagai Alat Alternatif Dalam Berinvestasi Di Indonesia Pada Mata Uang Digital Bitcoin" *Jurnal Ilmiah Ekonomi Bisnis*, Vol 8 No 2 (2022): 329-344

online investment fraud is categorized as a crime against wealth, and the penalties given aim to have a deterrent effect on perpetrators and protect the public from similar practices.²⁶

In addition to the main crime, there are also additional crimes such as the revocation of certain rights or the confiscation of goods obtained from criminal acts. In some cases, online investment scams are also linked to gambling practices. This is regulated in Article 27 paragraph (2) of the ITE Law, which threatens a maximum prison sentence of six years for anyone who distributes or transmits electronic information containing gambling content. The sanctions provisions are again explained in Article 45 paragraph (1) of the ITE Law, which emphasizes the threat of punishment for parties who violate the provisions of Article 27, with a maximum prison sentence of six years or a fine of up to one billion rupiah. Investing is an important step for society to obtain long-term profits.²⁷ However, as technology develops, various modes of online investment fraud are increasingly prevalent. Investment scams often target people who are tempted by the lure of huge profits in a short period of time. Therefore, the role of law enforcement officials and criminal sanctions provisions is important as a preventive and repressive effort to protect investors from fraud, while maintaining the security of electronic transactions involving various forms of financial and real assets.

The handling of investment fraud cases in developed and developing countries shows significant differences in terms of regulations and supervision mechanisms. In the United States, for example, the Securities and Exchange Commission (SEC) acts as the main supervisor that enforces strict regulation through the Securities Act of 1933 and the Securities Exchange Act of 1934.²⁸ This regulation requires companies to provide transparent information to investors, as well as monitor transactions in the capital market to prevent fraud. Under this law, violators can be fined up to \$10 million for individuals and \$50 million for companies, and can be sentenced to a maximum of 20 years in prison if found guilty of securities fraud. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act gives the SEC the authority to impose significant administrative fines on fraudulent practices.²⁹

Meanwhile, in India, legal protection against investment fraud is regulated by the Securities and Exchange Board of India Act, 1992, which allows SEBI to impose fines of up to ₹25 crore (about \$3 million) or three times the profits obtained from fraud, with a maximum jail sentence of 10 years.³⁰ The implementation of the Prevention of Money Laundering Act (PMLA) also provides for fines of up to 5 lakh rupees (about \$6,000) and jail sentences of up to 7 years. In both the US and India, high fines and heavy prison sentences reflect efforts to create a deterrent effect for investment fraudsters, thus providing more protection for investors. Based on this, to continue the

²⁶ Faiz Emery Muhammad, Beniharmoni Harefa, "Pengaturan Tindak Pidana Bagi Pelaku Penipuan Phising Berbasis Web" *Jurnal USM Law Review*, Vol 6 No 1 (2023): 226

²⁷ Nurul Huda, Yeremias Lake, Detson Ray Halomoan Sitorus, "Strategi Investasi pada Aset Cryptocurrency" *Moneter: Jurnal Akuntansi dan Keuangan*, Vol 10 No 1 (2023): 49

²⁸ Erfan Erfiansyah, *dkk*, *Auditing 1: Perspektif Standar Audit*, Jawa Barat: Kesatuan Press, h. 16

²⁹ Stanley A. Marciniak III, "Too Big to Protect: A Dodd-Frank Framework for Protecting 21st Century American Consumer Privacy Rights" *Duquesne Law Review*, Vol 59 No 2 (2021): 329

³⁰ Vincentia Audia Kirana Putri, Suyatno, "Perlindungan Hukum Terhadap Investor Dalam Transaksi Pasar Modal" *JICN: Jurnal Intelek dan Cendekiawan Nusantara*, Vol 1 No 2 (2024): 1645

discussion on legal protection for investors, it is important to compare the effectiveness of the existing system in Indonesia with the approach applied in other countries. This analysis will explore how regulations and law enforcement in Indonesia play a role in protecting investors from investment fraud, as well as the challenges faced in their implementation.

The effectiveness of legal protection in Indonesia in handling investment fraud cases shows that although the existing legal framework is adequate, challenges in implementation and enforcement still need to be overcome. In Indonesia, regulations such as Law Number 8 of 1995 on the Capital Market and the Electronic Information and Transaction Law provide the basis for investor protection. However, the sanctions imposed on investment fraudsters tend to be less stringent compared to developed countries such as the United States and developing countries such as India. In the US, strict regulation and strict enforcement by agencies such as the Securities and Exchange Commission (SEC) create a strong deterrent effect for violators, while in India, regulations also emphasize serious law enforcement and heavy sanctions against investment fraud. This creates a safer environment for investors, increasing public trust in the financial system. On the other hand, in Indonesia, although the Financial Services Authority (OJK) is active in providing protection, challenges in terms of public education and legal awareness are still the main issues. Many investors, especially new ones, are still vulnerable to scams due to a lack of understanding of investment products and the risks involved. Therefore, to increase the effectiveness of legal protection, reforms are needed that focus on more consistent law enforcement, increased sanctions for violators, and better education for the public regarding investment. With these steps, it is hoped that it can create a safer and more reliable investment environment for all parties.

CONCLUSIONS

The effectiveness of legal protection in Indonesia in handling investment fraud cases shows that despite the existence of underlying legal frameworks, such as the Capital Market Law and the Electronic Transactions and Information Law, challenges in implementation and enforcement still hinder the effectiveness of protection for investors. Compared to other countries such as the United States and India, where strict regulations and heavy sanctions are applied consistently, Indonesia still needs to increase the strictness of law enforcement and public education about investment. Tougher sanctions and more effective preventive measures can increase public confidence in the investment system, thereby creating a safer environment for investors. Therefore, reforms in the aspects of law enforcement, strengthening sanctions, and increasing financial literacy must be a priority to strengthen legal protection in Indonesia.

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