Comparison of Fintech Lending Supervision Laws in Indonesia and Malaysia

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Abstract
The development of fintech lending in Indonesia and Malaysia continues to grow rapidly, but its implementation still shows a gap between legal provisions and real-world conditions. Such cases include default cases due to alleged fraud on the TaniFund platform in Indonesia and the operation of the unlicensed Hap2Py platform in Malaysia. Consequently, legal protection for fintech lending service users remains uncertain. This study aims to analyze and compare the legal regulations governing fintech lending supervision in Indonesia and Malaysia based on current legal provisions, and to recommend future legal regulations for fintech lending supervision to ensure legal certainty and protect service users. This study uses a normative legal research method with a statutory and comparative approach. The data used are secondary data consisting of primary, secondary, and tertiary legal materials collected through literature review and analyzed using systematic, comparative, and argumentative interpretation techniques regarding the legal regulations governing fintech lending supervision in both countries. The research findings indicate that Indonesia, through POJK 40/2024, has an advantage in the specificity and comprehensiveness of fintech lending supervisory regulations, while Malaysia, through the CMSA, has an advantage in the strength of criminal sanctions as a deterrent to violations. Future regulatory recommendations for Indonesia include adjustments to percentage-based administrative fines, user protection reserve fund requirements, complaint resolution deadlines, technology-based supervision, periodic system resilience testing, and the right to algorithmic explanations. For Malaysia, recommendations include periodic reporting requirements, explicit minimum capital requirements, registration decision deadlines, specific governance guidelines, and accessible dispute resolution mechanisms.

Keywords: Fintech Lending; Supervision; Comparative Law; Legal Certainty; User Protection.

Introduction

The development of financial technology (fintech) lending continues to grow in various Southeast Asian countries, including Indonesia and Malaysia. The fintech peer-to-peer lending industry in Indonesia recorded outstanding financing of IDR 75.02 trillion in October 2024, representing 29.23% annual growth (Untari, 2024). The outstanding financing value increased again to IDR 77.02 trillion in December 2024, representing 29.14% annual growth (Sandy, 2025). The Financial Services Authority (OJK) also recorded outstanding fintech lending financing reaching IDR 80.07 trillion in February 2025 (Pratama, 2025). The default rate of more than 90 days (TWP90) was 2.60% in December 2024 and rose to 2.78% in February 2025 (Saputra, 2025). Fintech lending disbursement to the productive sector in Indonesia was recorded at 30.19% of total financing in December 2024 (Liman, 2025). This data shows that fintech lending activity in Indonesia continues to experience an increase in the amount of digital financial services financing.

The development of fintech lending in Malaysia also shows a significant increase in financing through peer-to-peer financing services. The Securities Commission (SC) Malaysia recorded that total funds raised through equity crowdfunding and peer-to-peer financing reached more than RM9 billion by December 2024. The total funds raised throughout 2024 reached RM2.6 billion, an 18% increase compared to RM2.2 billion in 2023 (Securities Commission Malaysia, 2024a). SC Malaysia also recorded that peer-to-peer financing had raised a total of RM7.9 billion as of September 30, 2024, through officially registered platforms (Securities Commission Malaysia, 2025b). SC Malaysia's 2025 annual report shows that total peer-to-peer financing funds increased to RM2.83 billion in 2025 compared to RM2.51 billion in 2024 (Securities Commission Malaysia, 2025a). More than 20,000 businesses received funding through equity crowdfunding and peer-to-peer financing services by the end of 2024 (Securities Commission Malaysia, 2024a). This data demonstrates the rapid growth of fintech lending in Malaysia as an alternative source of financing for businesses.

The use of fintech lending services in Indonesia and Malaysia still shows a gap between actual conditions on the ground and legal provisions that should guarantee certainty and protection for service users. The default case on the TaniFund platform indicates alleged fraud in fund management that caused losses for fund providers (Respati & Djumena, 2024), while Financial Services Authority Regulation Number 40 of 2024 concerning Information Technology-Based Joint Funding Services (POJK 40/2024) through Article 10 paragraph (1) states that "Organizers carrying out LPBBTI business activities are required to first obtain a business license from the Financial Services Authority," which implies that every organizer should have undergone a feasibility, system, and supervision assessment from the outset. This condition shows that even though organizers have permits and are under OJK supervision, in practice there are still weaknesses in supervision of fund management and risk management so that deviations such as fraud and default continue to occur and harm users. Practices in Malaysia also show the activities of the Hap2Py platform, which was declared unlicensed to operate as a peer-to-peer financing provider by the supervisory authority, so that fundraising

activities were carried out without official supervision (Securities Commission Malaysia, 2024b). In fact, legal provisions through the Capital Markets and Services Act 2007 (CMSA) Article 7 paragraph (1) stipulate that "a person may not establish, operate, or maintain a market without valid approval," which in principle requires every technology-based financing platform to first obtain authorization before carrying out its business activities. This condition shows that there are still providers operating outside the official supervisory framework, thus opening up risks for users due to the lack of guarantees of compliance with fund protection and management standards. The mismatch between the legal regulations for fintech lending supervision and their implementation practices in Indonesia and Malaysia indicates that there are still gaps in implementation and weak effectiveness of supervision, so that legal protection and certainty for fintech lending service users are not fully guaranteed.

Several previous studies have examined topics related to fintech lending supervision in Indonesia and Malaysia. A study by Nurhasanah & Rahmatullah (2020) found that Indonesia does not yet have specific provisions that comprehensively regulate the protection of fintech users' personal data, while Malaysia has the Personal Data Protection Act 2010 (PDPA) as the legal basis for data protection that applies across sectors, including banking and digital payments. A limitation of this study is that it does not specifically discuss the oversight mechanisms for fintech lending providers. Arifin et al. (2023) examined the role of the Financial Services Authority (OJK) in supervising peer-to-peer fintech lending in Indonesia and concluded that OJK supervision is not optimal due to the continued emergence of illegal fintech providers and the lack of clear regulations governing their prosecution. However, this study did not compare Indonesia's supervisory system with other countries. Sukmana et al. (2024) examined OJK policies in supporting the growth of the fintech industry in Indonesia and compared them with Malaysia, finding that both countries have significant potential in the fintech industry with different regulatory characteristics. However, this study did not specifically discuss the legal regulations for fintech lending supervision.

Ali et al. (2025) examined the regulation and implementation of the Shopee PayLater payment system in Indonesia and Malaysia from a legal perspective, using normative legal research methods with a statutory and comparative approach. They found that PayLater services in Indonesia are regulated within a fintech lending framework under the supervision of the Financial Services Authority (OJK) and Bank Indonesia (BI), while in Malaysia supervision is carried out by Bank Negara Malaysia (BNM) and SC with a maximum interest limit of 18% per year. However, this study did not specifically discuss a comparison of the supervisory mechanisms of fintech lending providers as a whole. Darma (2022) examined the role of the Indonesian and Malaysian governments in supporting the implementation of Islamic financial technology through the preparation of regulations, using qualitative methods with a literature review. He found that the two countries have different regulatory systems and are not yet fully capable of supporting the progressive development of Islamic financial technology. However, this study did not specifically discuss a comparison of the legal regulations for fintech lending supervision between the two countries. Of the five studies, none have specifically examined the

comparison of the legal regulations for fintech lending supervision in Indonesia and Malaysia, so there are still areas that need further research.

This study examines the legal regulations governing fintech lending supervision through a comparison between Indonesia and Malaysia. Unlike previous studies that focused primarily on fintech lending supervision in Indonesia or examined specific aspects partially without comparing the supervisory systems comprehensively, this study focuses on comparing the legal regulations governing fintech lending in the two countries. The study also examines how applicable legal provisions in each country are used to regulate and supervise fintech lending service providers. Indonesia and Malaysia were chosen as the objects of comparison because they are both located in Southeast Asia and share strong geographical, social, and cultural proximity (Nikmah, 2025). Both countries are also members of the Association of Southeast Asian Nations (ASEAN) (Jannial et al., 2024). Furthermore, differences in governmental systems in the two countries mean that their legal regulations are not always consistent. Indonesia adheres to a presidential system with decentralized governance, while Malaysia uses a parliamentary system in a federal state (Nikmah, 2025). These differences provide analytical space to examine the similarities and differences in the legal regulations governing fintech lending in the two countries. This study aims to analyze and compare the legal regulations governing fintech lending supervision in Indonesia and Malaysia based on current legal provisions. This study also aims to recommend future legal regulations for fintech lending supervision in Indonesia and Malaysia to ensure legal certainty and protection for fintech lending service users.

This research makes significant theoretical and practical contributions to understanding the legal regulation of fintech lending supervision in Indonesia and Malaysia. Theoretically, this research expands the digital finance law literature by focusing on comparing the supervisory mechanisms of fintech lending providers in two countries with different legal systems. Practically, the research findings can serve as a reference for policymakers in designing more effective fintech lending supervisory regulations, thereby creating legal certainty and adequate protection for service users. This research also benefits fintech lending providers in understanding the applicable supervisory framework in each country and the compliance standards that must be met in carrying out their business activities. The findings are relevant to current legal challenges, particularly related to the weak effectiveness of supervision that still opens up opportunities for fraud, default, and the operation of unauthorized platforms that harm fintech lending service users. However, this research has limitations, due to the limited scope of the analysis, which is normative and the selection of countries only covers Indonesia and Malaysia. Therefore, the results cannot be generalized to describe the practice of fintech lending supervision regulations globally as a whole, or in other jurisdictions outside these two countries.

Research Method

This research employs a normative legal research method (doctrinal legal research), which essentially examines law as a set of norms or rules applicable in society

and serves as a reference or guideline for individual behavior (Tan, 2021). This method was chosen based on the research objective: to analyze and compare the legal regulations governing fintech lending in Indonesia and Malaysia based on current legal provisions, and to recommend future legal regulations for fintech lending supervision in Indonesia and Malaysia to ensure legal certainty and protection for fintech lending users. The research approach used is a statute approach to examine applicable regulations, and a comparative approach to identify similarities and differences in legal systems between countries.

The type of data in this research is secondary data consisting of primary legal materials in the form of Financial Services Authority Regulation Number 40 of 2024 concerning Information Technology-Based Joint Funding Services, and the Capital Markets and Services Act 2007. Secondary legal materials in the form of Law Number 27 of 2022 concerning Personal Data Protection and the Personal Data Protection Act 2010. Tertiary legal materials in the form of Law Number 21 of 2011 concerning the Financial Services Authority. The data collection technique in this research was carried out through literature studies by collecting, reading, tracing, and analyzing various legal materials (Disemadi, 2022). The collected data were analyzed using systematic, comparative, and argumentative interpretation techniques regarding the legal regulations for fintech lending supervision in both countries.

Results and Discussions

Comparison of Legal Regulations for Fintech Lending Supervision in Indonesia and Malaysia Based on Current Legal Provisions

Fintech lending supervision in Indonesia is specifically regulated through POJK 40/2024. This regulation explicitly defines Technology-Based Joint Funding Services (LPBBTI) in Article 1, number 1, as "the provision of financial services to bring together lenders and borrowers to conduct financing, either conventionally or based on Sharia principles, directly through an electronic system using the internet." This definition confirms that fintech lending in Indonesia is conducted through an internet-based electronic system that connects the two parties directly. Article 1, number 2 also defines the provider as "an Indonesian legal entity that provides, manages, and operates LPBBTI." Therefore, POJK 40/2024 binds a clear legal entity, namely an Indonesian legal entity. This provision serves as the conceptual foundation for all supervisory mechanisms regulated in subsequent articles. POJK 40/2024 is a comprehensive sectoral regulation that specifically regulates fintech lending. The presence of fintech peer-to-peer lending in Indonesia is significantly beneficial to the public because it offers convenient services and lower prices compared to existing financial institutions such as banks (Fithri et al., 2022). The peer-to-peer lending system provides an alternative investment platform while also offering business loans (Aprita, 2021; Harahap & Marliyah, 2025; Hudani & Kurniawan, 2024; Nurdana & Suryawati, 2021).

The rapid growth of information technology-based money lending service providers has not been matched by adequate education for the public, resulting in various

impacts and risks arising from the many types of online loans and the large number of unregistered or illegal provider companies (Roza et al., 2024). Before discussing licensing, POJK 40/2024 first regulates the institutional requirements for organizers through Article 2 which stipulates that "The legal entity form of the Organizer consists of: a. limited liability company; and b. cooperative." Article 7 paragraph (1) then emphasizes that "The Organizer must have Paid-Up Capital at the time of establishment of at least IDR 25,000,000,000.00 (twenty-five billion rupiah)." This capital must be paid in cash and in full and placed in the form of a time deposit at a commercial bank. Article 3 paragraph (6) letter a stipulates that foreign ownership is prohibited from exceeding 85% of the organizer's paid-up capital. Article 8 paragraph (1) prohibits sources of investment funds that "originate from loans" and that "originate from and for the purposes of money laundering, terrorism financing, financing the proliferation of weapons of mass destruction, and other financial crimes." These detailed capital requirements indicate that the OJK places capital adequacy as a prerequisite for operational feasibility before licensing is granted. This provision ensures that only entities with sufficient financial strength can operate as fintech lending providers. The OJK's authority to determine these capital requirements is part of the regulatory and supervisory functions inherent in the institution, as affirmed in Article 5 of Law Number 21 of 2011 concerning the Financial Services Authority (OJK Law), which states that "OJK functions to organize an integrated regulatory and supervisory system for all activities in the financial services sector."

POJK 40/2024 regulates business licensing in detail in Article 10 paragraph (1) which states that "Organizers carrying out LPBBTI business activities must first obtain a business license from the Financial Services Authority." Applications for business licenses must be submitted by the Board of Directors to the OJK by attaching the business licensing requirements documents as stipulated in Article 10 paragraph (2). Article 10 paragraph (4) requires organizers to "present their business model and Electronic System to the Financial Services Authority" in the framework of the licensing process. Article 10 paragraph (9) stipulates that the OJK provides approval or rejection of business license applications "no later than 20 (twenty) working days from the date the complete business license application is received." The OJK is required to conduct a feasibility analysis of the business model, examination of working capital deposits, and assessment of the Main Party's ability and propriety based on Article 10 paragraph (10). After obtaining a license, Article 11 paragraph (1) requires organizers to submit registration as Electronic System organizers to the authorized agency no later than 30 calendar days from the issuance of the license. This layered licensing between the OJK, and the Electronic System agency reflects a comprehensive dual supervisory approach.

One of the key oversight mechanisms in POJK 40/2024 is the fit and proper assessment of the Main Party. Article 49 paragraph (1) states that "The Organizer is obliged to ensure that the prospective Main Party obtains approval from the Financial Services Authority before carrying out its actions, duties, and functions as the Main Party." The Main Parties referred to include PSP, members of the Board of Directors, members of the Board of Commissioners, and members of the Sharia Supervisory Board as stipulated in Article 49 paragraph (2). Article 50 paragraph (1) authorizes the OJK to

conduct a re-assessment of the Main Party "in the event that the Main Party is indicated to be involved and/or responsible for issues of integrity, financial viability, financial reputation, and/or competence." Article 51 paragraph (1) adds a certification obligation, namely that members of the Board of Directors, members of the Board of Commissioners, and officials one level below the Board of Directors are required to have a "work competency certificate from a professional certification body in the field of financial technology." Article 6 paragraph (1) states that the PSP is obliged to be personally responsible for losses arising from bad faith or unlawful acts committed. This mechanism demonstrates that POJK 40/2024 places individual integrity-based supervision as an important foundation of institutional supervision.

POJK 40/2024 regulates systematic reporting obligations in CHAPTER XVIII. Article 187 paragraph (1) requires organizers to "submit Funding transaction data correctly and completely through the Financial Services Authority's data communication network system" on a daily basis as stated in Article 187 paragraph (2). Article 188 paragraphs (1) and (2) require the submission of "periodic reports and incidental reports" consisting of monthly reports and annual financial reports audited by a public accountant. Article 189 paragraph (3) stipulates that monthly reports must be submitted "no later than 10 (ten) calendar days after the reporting period ends," while annual financial reports must be submitted no later than April 30 of the following year based on Article 189 paragraph (4). Article 188 paragraph (4) authorizes the OJK to "request other reports besides incidental reports as referred to in paragraph (1)" according to supervisory needs. In addition, Article 162 paragraph (1) requires organizers to "provide audit trail records of all their activities in the Electronic System." This structured and periodic reporting mechanism allows the OJK to monitor data in real time and periodically.

POJK 40/2024 regulates good corporate governance comprehensively. Article 192 paragraph (1) requires organizers to "implement the principles of good corporate governance in all business activities at all levels or tiers of the organization." The governance principles referred to in Article 192 paragraph (2) include: "a. openness; b. accountability; c. responsibility; d. independence; and e. fairness." Article 195 requires the implementation of governance principles to be outlined in guidelines containing procedures for carrying out the duties of the Board of Directors, Board of Commissioners, and DPS, as well as "policies and procedures for implementing risk management, including internal control systems and the implementation of Information Technology governance." The ability to maintain bank confidentiality is very important for every financial services actor because banks are institutions that are considered by the public to be able to protect customer deposits and/or loans from all forms of misuse (Siwi, 2021). The parties vulnerable to losses or being harmed by the implementation of online loans are lenders and borrowers. This risk can arise due to regulations that do not fully provide certainty for lenders and borrowers (Prastyawan & Supriyono, 2024). Sanctions imposed on fintech providers who violate are limited to administrative sanctions with the worst consequence being license revocation, thus certainly not providing a sense of justice to customers considering the crimes that have been committed (Nasikhatuddini, 2021). Article 194 paragraph (1) requires providers to "prepare a report on the implementation

of good corporate governance at the end of each financial year" and submit it to the OJK no later than April 30 of the following year. Article 181 paragraph (1) also requires providers to "prepare and implement an effective antifraud strategy." All of these governance provisions demonstrate that POJK 40/2024 places governance as the backbone of internal oversight of providers.

POJK 40/2024 regulates tiered administrative sanctions as a law enforcement instrument. Article 13 paragraph (1) stipulates that organizers who violate licensing provisions are subject to administrative sanctions in the form of: “a. written warning; b. partial or complete freezing of business activities; c. restrictions on certain business activities; d. reduction in the results of the risk level assessment; e. revocation of approval; f. prohibition from becoming a PSP, Director, Board of Commissioners, and/or DPS; and/or g. administrative fines.” The administrative fine sanction as stipulated in Article 13 paragraph (3) is imposed “a maximum of IDR 50,000,000.00 (fifty million rupiah).” The sanctions in letters b to g may be imposed with or without the prior imposition of a written warning sanction based on Article 13 paragraph (2). Article 90 emphasizes that the OJK is “the only party authorized to submit a request for a declaration of bankruptcy and/or a request for a postponement of debt payment obligations against the Organizer.” The loophole in this provision is the maximum administrative fine of IDR 50 million, which is considered disproportionate to the large volume of financing managed by the provider, so that the deterrent power of financial sanctions against violations is potentially weak. This supervisory framework is strengthened by Law Number 27 of 2022 concerning Personal Data Protection (PDP Law), where Article 57 paragraph (2) stipulates that administrative sanctions for violations of personal data processing include “a. written warning; b. temporary suspension of Personal Data processing activities; c. deletion or destruction of Personal Data; and/or d. administrative fines,” while Article 57 paragraph (3) stipulates the amount of the administrative fine is “a maximum of 2 (two) percent of annual revenue or annual receipts for the violation variable.” The combination of administrative sanctions in POJK 40/2024 with administrative sanctions in the PDP Law indicates that fintech lending providers who violate the provisions on user personal data protection have the potential to face a double layer of complementary sanctions. Illegal peer-to-peer lending platforms are increasing every year in Indonesia, however, law enforcement to eradicate this crime is still very minimal or has not been implemented optimally (Hanifawati, 2021).

In Malaysia, the legal framework for the supervision of fintech lending in the form of peer-to-peer financing rests on the CMSA. The CMSA is a regulation that covers all activities in the capital-based financial services sector, including technology-based financing platforms. Article 7 paragraph (1) of the CMSA stipulates that “A person shall not establish, operate or maintain, or assist in establishing, operating or maintaining, or hold himself out as providing, operating or maintaining, a stock market or derivatives market that is not … a recognized market.” This provision essentially requires every technology-based financing platform to obtain authorization in the form of recognized market operator status before operating. Unlike Indonesia, which has specific sectoral regulations for fintech lending, Malaysia integrates fintech lending supervision into the

CMSA legal framework, which is general for all capital-based financial services sectors. The Malaysian SC serves as the primary supervisory authority, managing the registration and supervision of peer-to-peer financing platforms. This approach reflects a flexible, general-law-based supervisory model with minimal sectoral specificity.

The CMSA regulates the registration mechanism for recognized market operators through Articles 34 and 35. Article 34 paragraph (1) stipulates that “For the purposes of paragraph 7(1)(e), the Commission may, upon application by a person, register the person as a recognized market operator subject to any terms and conditions as the Commission considers necessary.” The SC has the authority to add, amend, or revoke the terms and conditions of registration at any time based on Article 34 paragraph (2). Article 35 paragraph (1) stipulates that registration applications “shall be accompanied by such documents and information and in such manner as the Commission may specify.” The SC may consider applications from foreign operators by considering whether the applicant has authorization in its home jurisdiction, originates from a recognized and comparable jurisdiction, and whether the SC has a supervisory agreement with the foreign supervisory authority as referred to in Article 35 paragraph (2). Once registered, Article 36 letter a requires recognized market operators to “comply with any direction issued by the Commission, whether of a general or specific nature.” The glaring gap here is that the CMSA does not set a timeframe for the SC to issue a decision on a registration application, so that legal certainty for applicants is immeasurable.

CMSA regulates the requirements for holders of a Capital Markets Services License (CMSL) through Article 58 which confirms that "No person shall whether as a principal or agent, carry on a business in any regulated activity or hold himself out as carrying on such a business unless he is the holder of a Capital Markets Services License or is a registered person." Article 60 paragraph (2) gives authority to the SC to "conduct such inquiry as it may be necessary to satisfy itself that none of the grounds under subsection 64(1) ... applies, including financial, criminal and professional background checks of the applicant, directors, managers and the controller of the applicant." Article 64 paragraph (1) details at length the basis for rejecting a license application, including if the applicant or directors "has been convicted, whether within or outside Malaysia, of an offense involving fraud or other dishonesty or violence", or if the SC "has reason to believe that the applicant or any of its directors, chief executives, managers may not be able to act in the best interests of its clients having regard to their reputation, character, financial integrity and reliability." Article 67 requires CMSL holders to meet the minimum financial requirements set by the SC. The loophole lies in the fact that the CMSA does not explicitly stipulate the minimum capital amount in its articles but rather delegates this provision entirely to the SC's discretion. The absence of a specified minimum capital figure in the law leaves legal certainty regarding financial requirements dependent on SC guidelines, which are subject to change.

The ongoing oversight mechanism within the CMSA rests on the audit and reporting obligations set out in the CMSA Audit Section. Article 130 authorizes the SC to appoint an independent auditor to examine “the books, accounts and records of, and assets held by a relevant person.” Article 133 grants the SC-appointed auditor broad

powers to “examine on oath any director, executive officer or the secretary of the relevant person concerned and any of the relevant person’s employees and agents.” Article 135 paragraph (1) requires relevant parties to submit books and records to the auditor upon request, and any party who refuses to do so is subject to a fine not exceeding one million ringgit or imprisonment for up to five years under Article 135 paragraph (3). Article 348 authorizes the SC to require the production of documents from licensees at any time if there is sufficient reason. Article 36 letter b also requires recognized market operators to “provide such assistance to the Commission, or to a person acting on behalf of or with the authority of the Commission, as the Commission or such person reasonably requires.” A prominent gap is that the CMSA does not explicitly regulate daily or monthly reporting obligations as stipulated in POJK 40/2024, so that real-time monitoring of transaction data is not directly regulated in the body of the law. This audit and reporting obligation in the context of user data oversight is reinforced by the PDPA, where Section 12b paragraph (1) requires that "Where a data controller has reason to believe that a personal data breach has occurred, the data controller shall, as soon as practicable, notify the Commissioner in the manner and form as determined by the Commissioner," and Section 12b paragraph (2) adds that if a data breach "causes or is likely to cause any significant harm to the data subject, the data controller shall notify the personal data breach to the data subject in the manner and form as determined by the Commissioner without unnecessary delay." This data breach notification obligation provision complements the CMSA audit mechanism with user protection aspects, but the CMSA itself still does not regulate the periodic reporting obligation for transaction data directly in its body.

The CMSA regulates license revocation mechanisms and enforcement with significant criminal sanctions. Article 72 paragraph (2) details that the SC can revoke a license if, among other things, the license holder “fails or ceases to carry on the business in all or any of the regulated activities for which it was licensed for a consecutive period of three months” or “contravenes any condition or restriction in respect of its license or any direction issued to it by the Commission under this Act.” Article 36A paragraph (1) authorizes the SC to revoke the registration of a recognized market operator “where the Commission is satisfied that it is appropriate to do so in the interest of the investors, in the public interest or for the maintenance of an orderly and fair market.” Article 58 paragraph (4) stipulates that parties operating without a license “shall, on conviction, be liable to a fine not exceeding ten million ringgit or to imprisonment for a term not exceeding ten years or to both.” Article 72 paragraph (10) threatens any party who continues to carry out business activities after their license has been revoked with “a fine not exceeding five million ringgit or to imprisonment for a term not exceeding ten years or to both.” This significant criminal sanction reflects the CMSA approach which places criminal law enforcement as the primary oversight instrument, different from POJK 40/2024 which emphasizes administrative sanctions.

A comparison between POJK 40/2024 and the CMSA reveals a number of fundamental similarities in the legal arrangements for fintech lending supervision. First, both stipulate mandatory pre-operational licensing or registration requirements before providers can conduct their business activities, as reflected in Article 10 paragraph (1) of

POJK 40/2024 and Article 34 paragraph (1) in conjunction with Article 7 paragraph (1) of the CMSA. Second, both implement a capability and suitability testing mechanism for parties managing or controlling providers, as stipulated in Articles 49-50 of POJK 40/2024 and Article 64 paragraph (1) of the CMSA. Third, both authorize supervisory authorities to revoke the permits or registrations of providers who do not meet the requirements, namely through Articles 89-90 of POJK 40/2024 and Article 36A in conjunction with Article 72 of the CMSA. Fourth, both recognize the importance of adequate financial resources as a prerequisite for the operation of providers, although the regulatory methods differ. These similarities reflect the commitment of both countries to due diligence and compliance-based supervisory standards aimed at protecting the interests of fintech lending service users.

There are several significant differences between POJK 40/2024 and the CMSA in regulating the supervision of fintech lending. First, in terms of legal instruments, POJK 40/2024 is a sectoral regulation that specifically and exclusively regulates fintech lending, while the CMSA is a general law that regulates all capital-based financial services activities and integrates fintech lending within them. Second, in terms of reporting, POJK 40/2024 requires daily transaction data reporting, monthly reports, and annual reports through the OJK data communication network system, as stipulated in Articles 187-189, while the CMSA does not explicitly stipulate periodic reporting obligations in the body of the law. Third, in terms of sanctions, POJK 40/2024 prioritizes tiered administrative sanctions with a maximum fine of IDR 50 million, while the CMSA relies on criminal sanctions in the form of fines of up to ten million ringgit or imprisonment of up to ten years. Fourth, in terms of minimum capital, POJK 40/2024 explicitly stipulates a minimum paid-up capital of IDR 25 billion in Article 7 paragraph (1), while the CMSA delegates the minimum financial provisions to SC policy without specifying the minimum figure in its articles. Fifth, POJK 40/2024 regulates governance provisions, antifraud strategies, and personal data protection in detail in specific articles, while the CMSA does not regulate these matters separately in its body.

Table 1. *Comparison of Legal Regulations for Fintech Lending Supervision in Indonesia and Malaysia*

Aspect	Indonesia (POJK 40/2024)	Malaysia (CMSA)
Legal Instruments	Special sectoral regulations for fintech lending	General law on capital-based financial services
Supervisory Authority	Financial Services Authority (OJK)	*Securities Commission* (SC) Malaysia
Licensing/Registration	Mandatory business permit from OJK (Article 10 paragraph 1) before operating	Registration as a recognized market operator is mandatory from SC (Article 34 paragraph 1)

Licensing Decision Period	20 working days (Article 10 paragraph 9)	Not explicitly regulated in the CMSA
Minimum Capital	Rp25 billion deposited in cash (Article 7 paragraph 1)	No minimum figure is set in the CMSA articles; it is left to the SC's discretion (Article 67)
Management Ability Test	Mandatory before carrying out functions (Article 49 paragraph 1)	Financial, criminal and professional background checks (Article 60 paragraph 2, Article 64)
Management Certification	Must have a work competency certificate (Article 51 paragraph 1)	Not set explicitly
Reporting Obligations	Daily, monthly, and annually through the OJK system (Articles 187-189)	Audits based on SC requests; no explicit periodic obligation in CMSA
Corporate governance	Detailed regulations include antifraud and risk management (Articles 192, 195, 181)	There is no specific regulation for fintech lending in CMSA.
Personal Data Protection	Regulated in Articles 161 and 164-165	Not regulated in CMSA
Main Types of Sanctions	Multi-level administrative sanctions (Article 13)	Criminal sanctions (fine up to RM10 million or 10 years imprisonment) (Article 58 paragraph 4, Article 72 paragraph 10)
Amount of Financial Sanctions	Maximum administrative fine of IDR 50 million (Article 13 paragraph 3)	Criminal fine of up to RM10 million (Article 58 paragraph 4)
Revocation of Permit/Registration	By OJK (Article 89)	By SC (Article 36A, Article 72)
Bankruptcy Authority	OJK is the only authorized party (Article 90)	Not specifically regulated in CMSA

Source: Author's Analysis Based on Primary Legal Materials

From a comparative analysis, POJK 40/2024 demonstrates more prominent advantages in terms of specificity, comprehensiveness, and legal certainty in fintech lending supervision compared to the CMSA. POJK 40/2024 explicitly regulates minimum capital, licensing decision deadlines, periodic reporting requirements, governance, antifraud strategies, and personal data protection in a single, integrated legal instrument, thus providing a high level of normative clarity for both providers and users.

The CMSA, as a general law, cannot offer the same level of specificity due to its much broader scope and not specifically designed for fintech lending. However, the CMSA has the advantage of significantly greater criminal sanctions, with fines of up to RM10 million and imprisonment of up to ten years, potentially providing a stronger deterrent against perpetrators operating without a license than the maximum administrative fine of IDR 50 million in POJK 40/2024. Furthermore, the CMSA, which has been in effect since 2007 and has undergone several amendments, has a longer track record of implementation as a basis for supervision. POJK 40/2024 also has a loophole in the form of limited administrative fines that are disproportionate to the scale of the business, while the CMSA has a loophole in the absence of periodic reporting requirements and minimum capital requirements written into the body of the law. POJK 40/2024 is superior in terms of the comprehensiveness and specificity of fintech lending supervision regulations, while the CMSA is superior in terms of deterrence through significant criminal sanctions.

Formulating Legal Regulations for Fintech Lending Supervision in Indonesia and Malaysia in the Future to Create Legal Certainty and Protection for Fintech Lending Service Users

The progressive legal theory proposed by Satjipto Rahardjo stems from the fundamental idea that law is created to serve humanity, not the other way around (Siregar, 2024). Law should not be limited to mere regulatory texts but rather must be able to respond to the real needs of society dynamically and fairly (Sarumpaet et al., 2024). This theory encourages lawmakers to transcend rigid positivism and boldly reform norms when existing regulations no longer provide adequate protection (Suherman, 2025). The relevance of progressive legal theory to this second problem formulation lies in the need to formulate legal regulations for fintech lending supervision that go beyond simply updating regulatory texts but truly support the interests of service users, who are often in vulnerable positions. The gaps identified in the first discussion, both in POJK 40/2024 and the CMSA, reflect a situation where existing legal regulations are not fully capable of addressing the challenges of comprehensive user protection. Satjipto Rahardjo's progressive legal theory is used as an analytical tool in this discussion to evaluate the direction of regulatory reform that Indonesia and Malaysia should take to create legal certainty and real protection for users of fintech lending services.

The first gap that needs to be addressed in the legal regulation of fintech lending supervision in Indonesia relates to the disproportionate amount of administrative fines. The initial discussion has shown that the maximum administrative fine stipulated in POJK 40/2024 is only IDR 50 million, a figure that is very small compared to the volume of financing managed by providers, which can reach billions to trillions of rupiah. This disproportionality makes financial sanctions lose their function as an effective deterrent to violations. The appropriate regulation is to determine administrative fines based on a percentage of the total financing value managed by providers in a fiscal year, for example, between 0.5% and 2% of the total outstanding financing. This approach aligns with the model already implemented in the PDP Law, which uses a percentage of annual revenue

as the basis for calculating sanctions. The OJK has an Investment Alert Task Force tasked with handling cases and public complaints related to illegal investments (Hutagalung & Dwijayanthi, 2025). Setting fines based on a percentage of financing will result in larger providers receiving higher sanctions, making the burden of sanctions commensurate with the potential losses incurred by users.

The second gap in Indonesian regulations that needs strengthening is the absence of an explicit user fund guarantee obligation outside of existing escrow provisions. While OJK Regulation 40/2024 regulates the use of escrow accounts as a fund segregation mechanism, it does not mandate that providers establish a dedicated reserve fund that can be used to cover user losses resulting from provider failure or internal fraud. The appropriate regulation would require each provider to establish a user protection fund in the form of a separate deposit, the amount of which is set as a certain percentage of the total outstanding active financing, for example, 1% of the total outstanding. Fintech lending has become a key pillar of digital economic transformation in Indonesia, but its existence also creates a paradox because rapid technological development without adaptive regulations creates gaps that could potentially endanger economic stability, including risks to consumer protection and data security (Gandasari et al., 2025). This reserve fund can only be used to protect users under certain conditions, strictly defined by the OJK, so that the certainty of user protection is more measurable and does not rely solely on lengthy legal processes.

The third gap that needs to be addressed in Indonesian regulations is the lack of a legally binding deadline for resolving user complaints. While OJK Regulation 40/2024 does stipulate the obligation of service providers to handle complaints, it does not stipulate strict administrative sanctions if service providers fail to resolve complaints within a specific time limit. The appropriate regulation would be to establish a tiered time limit for resolving user complaints: confirmation of receipt of the complaint within one business day, delivery of an initial response within five business days, and final resolution within twenty business days. If a service provider exceeds this time limit without a valid reason, the OJK automatically issues a written warning, which is recorded in the monitoring system. Innovation from the integration of financial services with information technology has given rise to new systems for implementing financial transaction mechanisms that assist consumers (Khoirunisa et al., 2023). This binding time limit provides real legal certainty for users that their complaints will not be ignored, while also encouraging service providers to develop a structured and accountable complaint handling system.

The fourth gap in Indonesian regulations that needs to be addressed is the lack of a technology-based oversight mechanism explicitly mandated by the Financial Services Authority (OJK) as the regulator. While POJK 40/2024 requires service providers to submit daily reports through the OJK's data communication network system, it does not stipulate the OJK's obligation to follow up on data anomalies within a specified timeframe. A more appropriate regulation would require the OJK to have a data-based early warning system capable of automatically detecting transaction anomalies and triggering an audit process within a specified timeframe. Collaboration between banks

and fintech companies can create mutually beneficial synergies, as this collaboration allows various parties to adopt technologies developed to improve operational efficiency (Kharismawati, 2025; Rosadi, 2024; Wulandari et al., 2025). This obligation needs to be regulated as a separate OJK regulation that outlines the standards for a technology-based oversight system that the OJK must meet, including response times to data anomalies and follow-up procedures, so that oversight does not rely solely on passive reporting from service providers.

The fifth gap in Indonesian regulations that needs improvement is the lack of a requirement for regular electronic system resilience testing, with the results reported to the Financial Services Authority (OJK). POJK 40/2024 regulates the obligation to maintain audit trails and implement information technology governance but does not require providers to undergo periodic penetration tests or system resilience tests conducted by independent parties. The regulation should mandate providers to conduct electronic system resilience testing by an independent institution recognized by the OJK at least once a year, with the test results submitted to the OJK as part of the annual report. The OJK's oversight of peer-to-peer lending already covers many aspects, but there are still technical and structural issues that need to be addressed (Ahmad et al., 2026; Madali & Fazri, 2024; Romadhona et al., 2026). If the resilience test results indicate critical vulnerabilities, providers are required to correct these vulnerabilities within a specific timeframe determined by the OJK, and failure to comply with this obligation is subject to immediate administrative sanctions.

The sixth gap in Indonesian regulations that needs to be addressed is the lack of provisions governing users' rights to obtain an explanation for loan rejection decisions or other decisions made by the provider's algorithmic system. The use of artificial intelligence algorithms in credit assessments is increasingly widespread, but users do not always receive adequate explanations for the decisions made by these systems. The appropriate regulation would require providers to provide an algorithmic explanation mechanism accessible to users in easy-to-understand language, without having to reveal trade secrets. This regulation should define, at a minimum, what information must be provided to users, including the key factors influencing the system's decisions and the steps users can take if they disagree with those decisions. The primary objective of establishing the Financial Services Authority (OJK) is to ensure that all financial services activities are conducted in an orderly, fair, transparent, and accountable manner, and are able to protect the interests of consumers and the public (Khoirunisa et al., 2023). This provision strengthens the transparency principle already established in POJK 40/2024 by making it more operational and measurable for users.

Turning to Malaysia, the first gap in the CMSA that needs to be addressed is the absence of an explicit periodic reporting requirement within the law. The initial discussion has shown that the CMSA does not directly regulate daily, monthly, or annual reporting requirements, unlike POJK 40/2024, which regulates this in detail. The appropriate regulation would be to incorporate periodic reporting provisions into the CMSA through an amendment, or to issue implementing regulations specifically requiring peer-to-peer financing providers to submit monthly transaction reports and audited annual financial

statements to the SC. OJK supervision is carried out through licensing processes, guidance, and the application of administrative law to fintech service providers, thus functioning not only as a regulator but also as a supervisory authority to ensure compliance with the principles of transparency, consumer protection, and the stability of the national financial system (Ahmad et al., 2026). A legally binding periodic reporting requirement within the CMSA or its derivative regulations would enable the SC to regularly monitor transaction data and detect risks early, rather than relying solely on reactive, request-based audits.

The second gap in the CMSA that needs to be addressed is the lack of a minimum capital figure explicitly stipulated in the articles of the law. This leaves legal certainty regarding the financial requirements of providers dependent entirely on SC policies, which are subject to change. The appropriate regulation would be to explicitly stipulate the minimum capital for peer-to-peer financing providers in the CMSA or its derivative regulations with equivalent legal force, so that these requirements cannot be changed without a transparent legislative process or public consultation. A minimum capital figure written in a formal legal instrument provides certainty to prospective providers, service users, and market players regarding consistently applicable financial feasibility standards. This minimum figure should also be accompanied by provisions on how to prove compliance with capital requirements, for example through certification from an SC-recognized auditor, so that verification of compliance with requirements can be carried out measurably. The current absence of a written minimum figure creates uncertainty that could potentially harm users because the provider's financial feasibility standards cannot be accurately known and anticipated by the public.

The third gap in the CMSA that needs to be addressed is the lack of a binding timeframe for the SC to issue a decision on a recognized market operator registration application. The first discussion shows that the CMSA does not stipulate a deadline for licensing decisions, unlike POJK 40/2024, which stipulates a twenty-working-day deadline. The appropriate regulation would be to include a deadline for registration decisions in the CMSA or its derivative regulations, with a clear timeframe and provisions regarding the legal consequences if the SC fails to issue a decision within the deadline. Prospective providers deserve certainty regarding when they will receive a response to their applications, as uncertainty about the timing of decisions hampers business planning and reduces the attractiveness of investment in this sector. The ideal concept of Peer-to-Peer Lending, from a positive legal perspective, is the provision of transparent, secure, and equitable digital funding services, with effective legal protection mechanisms for all parties (Ahmad et al., 2026). Establishing a binding timeframe represents a concrete manifestation of legal certainty that favors the interests of both users and providers simultaneously.

The fourth gap in the CMSA that needs to be addressed is the absence of specific provisions on corporate governance, antifraud strategies, and management certification requirements specifically regulated for peer-to-peer financing providers. The CMSA, as a general law, does not include these provisions in its body, so peer-to-peer financing providers are not bound by measurable governance standards like fintech lending

providers in Indonesia. The appropriate regulation would be to issue specific governance guidelines for peer-to-peer financing providers in the form of legally binding SC regulations, which include obligations to implement antifraud strategies, risk management, and minimum management competencies. The legality of conducting fintech business activities significantly impacts various important aspects, such as the payment system, national financial stability, the overall economy, and consumer protection (Kharismawati, 2025). These guidelines need to establish compliance indicators that can be periodically verified by the SC, so that governance oversight is not merely declarative but measurable and enforceable.

The fifth gap in the CMSA that needs improvement is the lack of easily accessible and cost-effective dispute resolution between users and providers. The CMSA focuses more on macro-level capital market supervision and criminal law enforcement but does not regulate dispute resolution mechanisms at the individual level that peer-to-peer financing users can directly utilize. The appropriate regulation would require every peer-to-peer financing provider registered with the SC to join and actively participate in an existing mediation scheme or financial ombudsman, such as the Ombudsman for Financial Services Malaysia, with costs borne by the provider, not the user. Fintech lending, as a manifestation of the digital economy, has transformed the financial services landscape in Indonesia by providing more inclusive access to financing. However, the rapid growth of this sector also presents challenges, such as inadequate regulation, operational risks, and low consumer protection (Gandasari et al., 2025). Mandatory participation in this mediation scheme should be stipulated as a condition of recognized market operator registration, which can be revoked if violated.

Beyond addressing individual country gaps, there are cross-border dimensions that need to be considered in formulating future regulations. Indonesia and Malaysia both face challenges in the form of unlicensed platforms operating simultaneously, targeting users in both countries through digital ecosystems. The ideal arrangement would be to establish a supervisory information exchange mechanism between the Financial Services Authority (OJK) and the SC, within the framework of a memorandum of understanding (MoU) that can be updated periodically, to allow both authorities to coordinate action against providers operating without a license in one or both countries. This information exchange mechanism need not take the form of a complex international agreement, but rather simply a technical protocol that stipulates the types of information that can be shared, information request procedures, and response timeframes between authorities. This collaboration would narrow the scope for unlicensed providers, who have traditionally exploited the lack of cross-jurisdictional coordination as an operational loophole. Ideally, OJK supervision of peer-to-peer lending should be dynamic, integrative, and collaborative across institutions, focusing not only on administrative compliance but also on personal data protection and real-time transaction monitoring (Ahmad et al., 2026).

Another dimension that needs to be accommodated in the formulation of future regulations, both in Indonesia and Malaysia, is the obligation to provide measurable user education to providers. Currently, digital financial education is primarily implemented by

authorities as a social program, rather than as a provider obligation that can be monitored and enforced. The appropriate regulation would require providers to provide mandatory, standardized risk information to each user before the first transaction, in a clear, concise format, and in easy-to-understand language. This mandatory information format should be formulated by the authorities and should not be modified by providers in a way that compromises user understanding. This obligation should be accompanied by a mechanism for user confirmation that the information has been read and understood, which should be stored as part of an audit trail. The Financial Services Authority (OJK) also plays an active role in improving financial literacy through various educational programs to prevent the public from becoming victims of illegal fintech (Gandasari et al., 2025). This measurable mandatory information standard ensures that users from various educational backgrounds and levels of financial literacy receive equal information protection before using fintech lending services.

All of the regulatory recommendations above stem from the core principle of Satjipto Rahardjo's progressive legal theory, which states that laws must boldly change when societal conditions demand it. The regulatory gaps identified in POJK 40/2024 and CMSA are not merely technical deficiencies but rather reflect the real needs of fintech lending service users that have not been fully addressed by existing laws. A good future regulation is not the most complex or the most numerous articles, but rather the one that best provides certainty and real protection to users through mechanisms that are understandable, accessible, and consistently enforced. Progressive laws in the context of fintech lending supervision are flexible enough to keep pace with technological developments, yet firm enough to ensure that ease of service access does not come at the cost of user vulnerability to fraud, default, and data misuse. Innovations such as the use of escrow and virtual accounts strengthen the separation of user funds from operational funds, thereby increasing accountability and preventing potential misuse (Ahmad et al., 2026). Fulfilling these standards in both Indonesia and Malaysia will ultimately create a fintech lending ecosystem that not only grows quantitatively but is also legally trusted by all service users.

Conclusion

Fintech lending supervision in Indonesia is regulated through POJK 40/2024 as a sector-specific regulation, while Malaysia integrates peer-to-peer financing supervision into the CMSA, which is general for all capital-based financial services sectors. Both stipulate pre-operational licensing or registration requirements, implement a fit and proper test mechanism for managers, and grant their respective supervisory authorities the authority to revoke licenses. POJK 40/2024 excels in its regulatory specificity and comprehensiveness, establishing a minimum capital of IDR 25 billion, a twenty-business-day licensing decision deadline, daily and monthly reporting requirements, governance, antifraud strategies, and personal data protection in a single, integrated instrument. The CMSA has the advantage of imposing criminal sanctions in the form of fines of up to ten million ringgit or up to ten years' imprisonment, which have the potential to be a stronger deterrent than the maximum administrative fine of IDR 50 million in POJK 40/2024.

Loopholes in POJK 40/2024 include administrative fines disproportionate to business scale, while the CMSA lacks periodic reporting requirements and minimum capital requirements in the main body of the law.

Future regulatory formulation in Indonesia should prioritize the imposition of administrative fines based on a percentage of total outstanding financing, user protection fund obligations, binding complaint resolution deadlines, a data-based early warning system by the OJK, periodic electronic system resilience testing, and mandatory algorithmic explanations for users. In Malaysia, the CMSA needs to be amended or supplemented with derivative regulations that require periodic reporting, explicitly set minimum capital requirements, regulate registration decision deadlines, issue specific governance guidelines for peer-to-peer financing, and require providers to join a financial mediation scheme. Indonesia and Malaysia also need to establish a supervisory information exchange mechanism between the OJK and SC to limit the scope for unlicensed providers exploiting the lack of cross-jurisdictional coordination. Providers in both countries must be burdened with standardized and measurable user education requirements before the first transaction. A good regulation is not the one with the most articles, but rather the one that is most able to provide certainty and real protection to users with mechanisms that are understandable, accessible, and consistently enforced.

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Competing Interest

The authors state that there is no conflict of interest in the publication of this article.

Generative AI Statement

During the preparation of this manuscript, the author used Google Translate to assist in the language translation process and ChatGPT to correct grammar and paraphrase to improve the clarity of the writing. Following this process, the author(s) critically reviewed, edited, and validated the output to ensure accuracy and scientific integrity. The author(s) maintain full accountability for the final content. AI was used solely as a supportive tool and is not credited with authorship. No original data analysis or interpretations were performed by the AI without human oversight.