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Best Practice Study of Consumer Protection in Countering Illegal Investment in Indonesia and Singapore

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Abstract

The digital transformation within the financial services sector has triggered a massive surge in the adoption of financial technology (fintech) investment platforms in Indonesia and Singapore. However, this phenomenon is accompanied by a proliferation of cross-border cyber-based illegal investment schemes that exploit information asymmetry and the vulnerability of retail consumers. This study aims to analyze the current positive legal frameworks (ius constitutum) governing consumer protection in combating illegal investments in both countries and to formulate an ideal regulatory model (ius constituendum) for Indonesian national law by adopting best practices from Singapore. Using a normative legal research methodology, this study employs statutory, conceptual, case, and comparative approaches. The findings reveal acute legal gaps in Indonesian regulations: supervisory actions by the Financial Services Authority (OJK) remain reactive and domestically confined, cyber law enforcement is hindered by bureaucratic red tape, and the dispute resolution system through LAPS SJK lacks strong executorial power. Conversely, Singapore, through the Monetary Authority of Singapore (MAS), successfully mitigates risks preventively by leveraging the Disclosure-Based Regulation doctrine, extending extraterritorial jurisdiction via the FSMA 2022, operating an Investor Alert List integrated automatically with the banking sector, and enforcing binding compensation schemes through FIDREC. Based on these findings, this study recommends that legislators and the OJK urgently reconstruct national regulations by adopting risk-based regulation, granting independent and instant digital takedown authority to the OJK, applying the shifting burden of proof doctrine to electronic transactions, and establishing an Investor Compensation Fund to guarantee the recovery of financial rights for victims of illegal investments in Indonesia.

Keywords: Consumer Protection; Illegal Investment; Fintech; Comparative Study.

Introduction

The digital transformation within the financial services sector has triggered a paradigm shift in public investment, moving from conventional channels to technology-based options (fintech investments).(Rajan, 2025) In Indonesia, data from the Financial Services Authority (OJK) and the Indonesia Central Securities Depository (KSEI) indicate that the number of domestic capital market investors has plummeted upward, surpassing 12 million investors, with over 70% utilizing digital investment applications.(Alvia et al., 2022) A proportionally similar surge has occurred in Singapore. Data from the Monetary Authority of Singapore (MAS) demonstrates that the adoption of robo-advisory platforms and digital retail trading experienced a Compound Annual Growth Rate (CAGR) of 18.5% over the last three years. (Kumar & Kolte, 2023) While this massive accessibility enhances financial inclusion, it simultaneously creates information asymmetry that expands the vulnerability gap for retail consumers. (Halomoan Napitupulu et al., 2025).

Unfortunately, this high market penetration correlates directly with the rise of illegal investment practices that manipulate technological instruments to deceive the public.(Mulyadi, 2025) The factual reality (das sein) shows that public losses due to illegal investments in Indonesia are massive; the Pasti Task Force (Satgas Pasti, Illegal Financial Activity Eradication Task Force) continues to block thousands of illegal investment entities annually, with estimated public losses reaching hundreds of trillion rupiahs.(Mulyana & Sumaragatha, 2025) This phenomenon is exacerbated by cross-border modus operandi that exploit vulnerabilities in cyber regulations.(Putra, 2025) Ideally (das sollen), legal certainty, transparency, and law enforcement efficiency should coexist to ensure every investment platform provider holds a valid license, complemented by preventive protection mechanisms capable of detecting fraud in real-time.(Rizzal et al., 2024) The disconnect between the massive threat of transnational illegal investments and the jurisdictional limitations of local regulatory execution forms the epicenter of the legal issues in this study.(Oudy pajow & M Polontoh, 2024)

Previous studies have generally focused on the domestic enforcement effectiveness of Satgas Pasti (formerly the Investment Alert Task Force) or relied strictly on normative analyses of the Consumer Protection Law. (Retnowati et al., 2022) discussing the potential for crime for investors through digital investment applications. (Inayah et al., 2024) discussing the effectiveness of consumer protection regulations against illegal investments in the Doni Salmanan case. (Mulyana & Sumaragatha, 2025) discussing the effectiveness of regulations and law enforcement against fraudulent investment organizers. (Reza Nur Hidayah et al., 2023) discussing the role of the OJK in tackling the phenomenon of illegal investment. (Nurcahyo et al., 2024) discussing the role of the OJK in tackling the phenomenon of illegal investment. However, these studies have not yet touched on the comparative aspect of consumer protection governance in the digital investment ecosystem which is cross-border. The novelty of this research lies in its comparative socio-legal analysis of regulatory best practices for mitigating illegal investments across two jurisdictions with distinct market characteristics, Indonesia and Singapore, with a primary focus on synchronizing cyber-surveillance and consumer

dispute resolution schemes. Singapore is selected as a comparator based on empirical data from the Global Financial Centres Index, which ranks Singapore as the primary financial hub in Southeast Asia with a digital financial regulation effectiveness index reaching 98%. Furthermore, the Investor Alert List (IAL) managed by MAS has proven to reduce digital financial fraud rates up to 40% more effectively than the early warning systems currently deployed in Indonesia. (Sudirman & Disemadi, 2022)

The urgency of this research is critical and pressing. Without adaptive regulatory reforms that match the velocity of fintech innovations, retail consumer losses in Indonesia will continue to accumulate, ultimately degrading public trust in the national financial system. Given that contemporary digital illegal investments frequently operate from outside Indonesian jurisdiction or utilize foreign servers (Amanda Elda Agustin et al., 2023), exploring the legal instruments implemented by a nation with robust financial cyber-laws like Singapore serves as a strategic step. The insights from this study are urgently needed to formulate a ius constituendum regulatory framework that is systematically preventive rather than merely reactive and punitive.

This study analyzes the issue using the Theory of Legal Protection formulated by Philipus M. Hadjon, which divides legal protection into two forms: preventive legal protection and repressive legal protection. Preventive protection focuses on the clarity of licensing regulations and oversight by competent authorities in both jurisdictions. Repressive protection focuses on the enforcement of sanctions and the recovery of consumer rights (remedies). Conceptually, this study also adopts the Responsive Regulation concept by Ian Ayres and John Braithwaite to examine how flexibly law enforcement can move from persuasive approaches to severe criminal penalties within the fintech ecosystem. The synchronization of Hadjon's theory and the responsive regulation concept will be used to assess the structural weaknesses of current domestic regulations.

Based on the background presented above, the legal problems addressed in this study are systematically formulated into two main points. First, how is the legal framework for consumer protection in countering illegal investments structured under current fintech regulations (ius constitutum) in Indonesia and Singapore? Second, what is the ideal legal framework (ius constituendum) regarding consumer protection and the eradication of illegal investments in Indonesia through the adoption of best practices from Singapore? These two questions will critically evaluate the regulatory comparisons between the nations and identify the legal vacuums that must be accommodated.

The purpose of this research is to comprehensively analyze the legal structure of consumer protection against illegal investments in both countries and to formulate a legal reconstruction model for fintech regulations in Indonesia. Theoretically, this research is expected to contribute to the development of business law and technology, specifically consumer protection law. Practically, this study is intended to serve as a policy paper recommendation for the Financial Services Authority (OJK) and legislators to refine derivative regulations of Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (UU P2SK).

Research Method

This study employs a normative legal research method with a comparative approach to examine statutory legislation, legal principles, and legal doctrines governing investments and consumer protection in Indonesia and Singapore. The normative method is selected because the research objective rests on analyzing the gap between existing legal rules and ideal norms of consumer protection within the investment ecosystem. (Disemadi, 2022) The approaches utilized include a statutory approach to examine the hierarchy and consistency of investment regulations in both countries; a conceptual approach to analyze responsive regulation and principles-based regulation theories relevant to investment oversight; a comparative approach to identify similarities, differences, and adaptable best practices in the regulatory systems; and a case approach to analyze court judgments and regulatory decisions regarding consumer protection violations and illegal investment practices.

The data utilized consists of secondary data comprising primary legal materials, which include Indonesian legislations such as Law Number 8 of 1999 on Consumer Protection, Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (UU P2SK), and OJK regulations concerning consumer protection, alongside Singaporean regulations such as the Financial Services and Markets Act 2022, the Securities and Futures Act, and MAS Guidelines. Secondary legal materials, including internationally indexed scientific journals, legal textbooks, and official regulatory reports, are used to enrich the analysis. Data collection was conducted via literature reviews using electronic journal databases and official regulatory websites, organized systematically within a comparative matrix. Data analysis follows a qualitative method through stages of description to outline the investment regulations in each country, comparison to identify fundamental similarities and differences, identification of best practices considering feasibility and compatibility, critical evaluation of Indonesian regulations using parameters of effectiveness and legal certainty, and the final formulation of an ideal regulatory concept that integrates international best practices with the local Indonesian context.

Results and Discussions

Legal Frameworks for Consumer Protection in Countering Illegal Investment in Indonesia and Singapore (Ius Constitutum)

1. Legal Framework and Consumer Protection Mechanisms in Indonesia

The development of financial technology in Indonesia over the past decade has fundamentally altered the landscape of the financial services industry; however, its progress has frequently outpaced the readiness of national regulations. Prior to the unification of recent regulations, digital investment oversight tended to be partial, scattered across various sectors, and plagued by overlapping jurisdictions. (Izmi & Siagian, 2024) This condition created legal loopholes routinely exploited by illegal investment actors to deceive consumers under the guise of technological innovation. Consequently, a legislative reform capable of integrating all digital financial instruments

under one robust and adaptive legal umbrella became necessary. The fragmented nature of past rules ultimately hindered law enforcement efforts oriented toward safeguarding retail consumers on a mass scale. (Rizzal et al., 2024)

The enactment of Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (UU P2SK) marks a new historical milestone in the legal architecture of Indonesian finance. (Rahmanto, 2023) The UU P2SK functions as a lex specialis that codifies and simplifies various rules across the financial sector, including strengthening market conduct aspects. The specific objective of this law is to reorganize the fintech ecosystem so that it moves away from a pure focus on business growth to place consumer protection as a primary priority. Through this statute, the state asserts that any digital-based public fund collection must comply with stringent legal compliance standards. This reinforcement is expected to restrict the operational space of speculative entities running without official authorization. (Takhsin & Azzahra, 2023)

The birth of the UU P2SK directly expands the mandate and transforms the institutional authority of the Financial Services Authority (OJK) within the framework of financial supervisory law in Indonesia. The OJK is no longer confined to supervising the macro-prudential compliance of financial institutions; it now holds full control over market conduct supervision. (Harimurti, 2024) This functional transformation is crucial because, within digital investment ecosystems, legal violations rarely occur within a company's liquidity aspect, but rather in the methods used to market products. As a direct implementation of this strengthened mandate, the OJK issued OJK Regulation (POJK) Number 22 of 2023 on Consumer and Public Protection in the Financial Services Sector. (Ekawati et al., 2024) This regulation shifts the supervisory paradigm toward an active-preventive model by providing the OJK with a more diverse set of enforcement instruments to intervene against consumer rights violations. (Yuli Antono & Saputra, 2025)

From an administrative law perspective, POJK 22/2023 empowers the OJK to perform preventive actions, such as mystery shopping, to test the compliance of business actors. (Kasno et al., 2024) The OJK also holds complete authority to order the suspension of business operations for platforms indicated to be unilaterally harming the public. However, the effectiveness of this law enforcement frequently collides with limitations in cyber-technical capacity needed to analyze dynamic platform algorithms. (Mahendra et al., 2025) Technical competence deficiencies within the authority risk creating new supervisory blind spots that bad actors can exploit. As a result, repressive actions are often executed too late, occurring after public funds have already been embezzled by illegal platform operators. (Melnik, 2024)

To address these sectoral jurisdictional limitations, the Task Force for Eradicating Illegal Financial Activities (Satgas Pasti) was established as an inter-agency coordination forum. (Mulyana & Sumaragatha, 2025) Legally, the status of Satgas Pasti received significant reinforcement through explicit mandates embedded within the clauses of the UU P2SK. Its membership structure, which involves the OJK, the Ministry of Communication and Digital, and the Indonesian National Police, creates a strong alliance. Yet, empirically, this coordination mechanism is often bogged down by bureaucratic

formalities and differing legal interpretations among agencies. Furthermore, Satgas Pasti lacks independent judicial authority to perform direct asset seizures during the preventive phase without a prior court order. (Anas & Redi, 2024)

The relationship between the UU P2SK and Law Number 8 of 1999 on Consumer Protection (UUPK) is complementary within the national legal corridor. (Yuliska, 2024) Although the UUPK operates as the general legal framework (lex generalis), its application within digital ecosystems faces hurdles due to the anonymous nature of transactions. This is where the UU P2SK steps in as a specialized normative instrument that accommodates the distinct characteristics of the fintech industry to make consumer rights operational. Nevertheless, horizontal synchronization between the two statutes still leaves uncertainties regarding the execution of financial restitution. Consumers remain burdened with complex litigation requirements to reclaim financial rights lost to fraudulent investment schemes. (Samudra & Rahadiyan, 2025)

Finally, shutting down the operations of illegal investment platforms in Indonesia still leaves a critical issue in cross-border law enforcement. Many illicit entities intentionally utilize cyber infrastructure or servers located outside Indonesian territory to evade local legal traps. The OJK and Satgas Pasti frequently face a paralysis of executorial jurisdiction when dealing with perpetrators domiciled abroad.(Jaya Suastika & Novy Purwanto, 2025) This situation is worsened by the absence of an investor compensation fund scheme capable of instantly mitigating public financial losses.(Hutauruk et al., 2023) The current ius constitutum in Indonesia demands a radical reconstruction so that the law is not only sharp in blocking platforms but also effective in restoring the rights of victims.

2. Legal Framework and Consumer Protection Mechanisms in Singapore

The legal architecture of digital finance in Singapore is managed through a highly codified yet adaptive legislative framework responsive to technological penetration. (Law, 2022) Two main legal pillars guiding the digital investment climate are the Securities and Futures Act (SFA) and the Financial Services and Markets Act 2022 (FSMA 2022). The SFA acts as a material safety net that rigidly regulates the classification of financial products to ensure clear legal characteristics. (Sufian et al., 2024) On the other hand, the FSMA 2022 serves as a comprehensive regulation that strengthens cyber financial sector oversight against cross-border threats. Through these twin instruments, Singapore has built a digital investment ecosystem featuring exceptionally high legal compliance. This legal certainty serves as both an attraction and a protective fortress for domestic and international retail investors. (Gibson et al., 2025)

In contrast to the structure in Indonesia, Singapore utilizes a single regulator framework under the control of the Monetary Authority of Singapore (MAS). (Suryana et al., 2025) Based on statutory mandates, MAS does not only function as a central bank; it holds absolute authority over market conduct supervision. This unified jurisdiction provides MAS with the regulatory power to detect any form of illegal investment deviation at an early stage. (Mulyana & Sumaragatha, 2025) When a digital platform offers investment products, MAS possesses full authority to verify licensing through a single supervisory window. This institutional model eliminates sectoral egos and

accelerates strategic decision-making when cyber fraud is indicated, reducing regulatory delays caused by bureaucracy to a minimum. (Alekseenko, 2024)

In terms of preventive legal protection, MAS applies the doctrine of Disclosure-Based Regulation, which mandates extreme information transparency from business actors. (Ahimsa, 2022) According to the operational guidelines in the MAS Guidelines on Provision of Digital Advisory Services, every platform must explicitly disclose their technological risk profiles. Concurrently, MAS operates the Investor Alert List (IAL) as a legal screening tool updated in real-time for the public. Legally, any entity listed on the IAL is automatically categorized as an unlicensed platform within Singapore territory. This classification sends a legal signal to domestic banking institutions to tighten or terminate financial transaction flows to the platform. This doctrine effectively shifts the burden of vigilance onto businesses to safeguard their market reputation. (Athaya et al., 2026)

Regarding repressive law enforcement, Singapore's legal system arms its regulator with enforcement powers that feature an extraterritorial effect. Through the FSMA 2022, MAS possesses the legal leverage to impose massive financial penalties on foreign operators of illegal platforms. (Mulyana & Sumaragatha, 2025) The execution of cyber infrastructure blocks also proceeds rapidly through direct coordination between MAS and the Infocomm Media Development Authority (IMDA). This legal approach ensures that Singapore’s cyberspace remains clear of speculative investment applications lacking verified legality. Punitive and administrative decisiveness is applied uniformly to preserve the stability of the national financial system, an aggressive enforcement style that has demonstrably reduced regional digital financial fraud rates. (Herps et al., 2024)

The apex of the consumer protection mechanism in Singapore's positive law connects to its dispute resolution system via the Financial Industry Disputes Resolution Centre (FIDREC).(Ajeng Qurrota A’yun, 2026) FIDREC functions as an independent, out-of-court institution holding specialized jurisdiction to resolve retail consumer loss claims.(Febrian & Napitupulu, 2025) Legally, any decision issued by a FIDREC adjudicator within specified nominal thresholds is final and binding on the business actor. This provides legal certainty and a swift rights-restoration pathway for consumers without expensive court procedures. If a platform is proven to have violated operational codes of conduct, it must pay immediate compensation according to FIDREC’s ruling, establishing an equitable bargaining position between retail consumers and digital financial corporations. (Handriyanto Wijaya et al., 2026)

No	Sectoral Component	Existence in Indonesia	Existence in Singapore
1	**Primary Fintech Umbrella Law**	Law No. 4 of 2023 (UU P2SK)	SFA and FSMA 2022
2	**Supervisory Agency Structure**	Twin-Peaks Model (BI & OJK separated)	Single Regulator Model (Single-window MAS)

3	**Alternative Dispute Institution**	LAPS SJK (Consensual-based)	FIDREC (Final & Binding Ruling)

Table 1. *Positive Law Cluster Classification (Ius Constitutum) Indonesia vs. Singapore*
Source: Secondary Data Processed by the Author (2026)

Comparative Analysis and Ideal Legal Formulation (Ius Constituendum) Of Investment Consumer Protection in Indonesia

1. Divergent Characteristics of Legal Issues

The factual disparity between Indonesia and Singapore regarding the impact of illegal investments stems from variations in financial literacy levels and digital penetration characteristics. In Indonesia, high public losses from fraudulent schemes are driven by acute information asymmetry, where citizens are lured by instant returns without understanding the accompanying legal risks. The majority of victims in Indonesia fall into classic Ponzi schemes modified into modern digital applications. Conversely, in Singapore, legal challenges focus heavily on mitigating sophisticated risks, such as robo-advisory algorithm manipulation or crypto-asset volatility. This basic difference shows that Indonesia faces structural fraud issues, whereas Singapore addresses technological compliance issues. (Halomoan Napitupulu et al., 2025)

The sociological impact of illegal investments in Indonesia is significantly more destructive because it frequently involves mass mobilization driven by public figures or cyber influencers. (Fitriyanti & Hanifah, 2023) Weak legal filtering of digital promotional content allows illegal investments to spread quickly across middle-to-lower socioeconomic layers. In contrast, Singaporean society exhibits higher resilience, supported by the aggressive dissemination of supervisory information conducted early on by the financial authority. (Jestyn Hermawan et al., 2023) Legal disputes in Singapore are relatively localized, revolving around contractual disagreements between consumers and licensed platforms regarding hidden fee transparency. In Indonesia, the core problem remains the existence of entirely fictitious platforms that successfully accumulate trillions of rupiahs due to delayed supervisory interventions.

Furthermore, the characteristics of victim recovery in both nations reveal a wide chasm in the implementation of restorative justice. (Suzuki, 2023) Indonesian jurisdiction dictates that criminal prosecution of illegal investment actors almost always ends with asset confiscations that are either reverted to the state or depleted to cover curator fees. Victims in Indonesia rarely recover their capital in full, which fuels public distrust in the legal system. In Singapore, the primary focus of dispute resolution is the instant recovery of consumer financial losses through mandatory mediation or direct compensation mechanisms. This sociological and legal impact divergence emphasizes the urgent need for Indonesia to restructure its consumer protection framework. (Moh. Ja'far Sodiq Maksum, 2024)

This fundamental variance in countering fraudulent investments is rooted in the supervisory philosophies adopted by each regulator. Historically, the OJK in Indonesia has leaned toward a formalistic-bureaucratic style, where supervisory focus is directed at compliance with rigid administrative paperwork and static institutional licensing.

(Halomoan Napitupulu et al., 2025) In contrast, MAS in Singapore employs a risk-based and outcome-focused supervision model that is highly elastic. MAS does not simply verify legality on paper; it conducts dynamic assessments of the substantive risks inherent in the business models and technologies offered to retail consumers. This paradigm gap leaves preventive schemes in Indonesia trailing behind the rapid modification rates of illegal apps, while Singapore tames risks before digital financial products enter the commercial market. (Sudirman & Disemadi, 2022)

This philosophical imbalance extends to the criteria used to classify an activity as an illegal investment. In Indonesia, the illegal status determined by Satgas Pasti depends on the presence or absence of an operational permit from relevant authorities like the OJK or Bappebti, a form-over-substance approach. (Wicaksono et al., 2024) This structural weakness is exploited by syndicates that abuse alternative operational permits, such as those for cooperatives, commodities, or general trading, to collect public investment funds. Across the sea, Singapore's SFA enforces a substance-over-form principle, allowing MAS to trace the essence of fund flows and profit promises regardless of the artificial licensing mask used by a platform. This substantive tracking eliminates the room for fraudulent apps to hide within cross-sectoral regulatory voids.

The inability to map substantive risks directly diminishes the utility of early warning systems presented to the public. Indonesia publishes lists of illegal entities through Satgas Pasti, but this mechanism remains passive because information dissemination relies entirely on consumer initiative to check the official website. Consequently, its filtering effectiveness is low among middle-to-lower class citizens with limited cyber access. This contrasts with Singapore's implementation of the Investor Alert List (IAL) by MAS. (Anggriawan, 2025) The IAL is not merely published passively; it is integrated directly into the digital architecture of the commercial banking ecosystem, creating an automatic preventive screening filter that reduces potential fraud up to 40% more effectively.

The most acute legal gap emerges when digital financial fraud operates via cross-border cyber infrastructure. Indonesia's positive legal framework experiences jurisdictional paralysis because the UU P2SK and POJK 22/2023 lack a strong extraterritorial cyber principle to pursue perpetrators operating outside national borders. (Anastasya & S.T. Kansil, 2024) This differs from Singapore's framework, which exerts cross-border legal force through specific clauses within the SFA and the Financial Services and Markets Act 2022 (FSMA 2022). Through the FSMA 2022, MAS holds absolute legal legitimacy to impose penal or administrative sanctions on any offshore entity proven to run targeted digital marketing campaigns directed at Singapore residents. (Sufian et al., 2024)

The rapid spread of illegal investments in Indonesia is also accelerated by aggressive social media promotions that exploit the credibility of financial influencers (finfluencers) without strict legal filters. Market conduct regulations in Indonesia lack a clear joint and several liability formula to hold public figures accountable for endorsing fraudulent apps. (Merinda et al., 2023) Singapore closes this normative loophole through the compliance corridor of the MAS Guidelines on Provision of Digital Advisory

Services. MAS demands high accountability standards: any individual or entity reviewing or recommending digital investment products in cyberspace must hold a license as a financial adviser representative, eliminating deceptive speculative promotions targeting retail consumers.

Information asymmetry between retail consumers and digital platforms is further widened by complex information disclosure standards in Indonesia. Terms and conditions on Indonesian digital investment apps are generally written in hundreds of lines of lengthy, confusing legalese, a cyber-psychological manipulation technique that obscures real risks. In response to this, Singapore strictly enforces its Disclosure-Based Regulation doctrine through mandatory, concise Key Facts Statements (KFS).(Fuda, 2025) MAS requires all platforms to present a single-page infographic summarizing hidden costs, worst-case capital loss scenarios, and cyber risk-sharing mechanisms before a user confirms a transaction.

When illicit activities are detected, the administrative chain for digital enforcement in Indonesia slows down fund preservation efforts. The OJK does not hold independent authority to execute internet access termination orders; shutting down an illegal app requires a layered bureaucratic path involving written recommendations passed to the Ministry of Communication and Digital. Delays of even a few days within this coordination process grant perpetrators a window to drain recipient accounts and launder victim assets. (Sanjaya Putra & Purwanto, 2023) In Singapore, MAS possesses the power to execute unilateral freeze and takedown orders through instant, single-window technical coordination with the IMDA, minimizing systemic loss propagation within hours. (Sufian et al., 2024)

The reliability of out-of-court alternative dispute resolution institutions also shows a clear imbalance. (Nylund, 2025) The LAPS SJK in Indonesia frequently loses its executorial edge when facing unlicensed platforms because its authority is constrained by the consensual principle; its decisions are non-binding if one party refuses to participate. This stands in sharp contrast to Singapore's FIDREC. Adjudication rulings issued by FIDREC within specified thresholds are legally final, coercive, and equivalent to court judgments with permanent legal force, offering efficient civil rights restoration for retail consumers without conventional litigation costs.

Consumer data exploitation serves as a catalyst for investment scams in Indonesia due to suboptimal synchronization between financial regulations and the Personal Data Protection Law (UU PDP). Illegal brokers easily buy public databases or use tracking technologies (cookies and cache) to deploy highly targeted scam advertisements. Singapore mitigates this through tight alignment between MAS rules and the Personal Data Protection Act (PDPA). Any use of consumer analytical data for digital financial marketing requires explicit opt-in consent, and data leaks caused by cyber negligence carry heavy administrative financial penalties capable of crippling a corporation. (Trissetianto, 2025)

Future regulatory restructuring must also include joint and several civil liability for influencers or finfluencers who promote fraudulent platforms. (Li & Liang, 2026) Under new derivative rules of the UU P2SK, any individual advising on or promoting

commercial financial products in cyberspace must be classified as a marketing agent required to register with the OJK. If a promoted product is exposed as an illegal investment entity, and it is proven that the finfluencer failed to conduct basic due diligence or intentionally hid risk factors for affiliate profits, they should be legally liable alongside the primary perpetrators to compensate for public financial losses.

The variation in legal effectiveness is also influenced by the model used to calculate administrative sanctions. (Fortuna, 2024) The Indonesian system under POJK 22/2023 remains predominantly reliant on static fine limits with set maximum caps, which often pale in comparison to the trillions of rupiahs reaped by illegal operators. Consequently, these fines lose their deterrent value and are treated as minor operational costs by syndicates. In Singapore, administrative financial sanctions are calculated dynamically based on a percentage of the corporation's global annual revenue (turnover-based fines), an approach capable of instantly neutralizing the economic capacity of a violating entity. (Surbakti et al., 2025)

In conclusion, the vulnerability of Indonesian consumers to cross-border illegal investments result from an accumulation of structural, substantial, and cultural barriers. Structurally, there are sectoral egos and slow cyber coordination pathways; substantially, there is a lack of extraterritorial jurisdiction and clear cyber accountability; culturally, a gap persists between high digital device usage and low legal and financial literacy. Conversely, Singapore’s success in suppressing digital financial fraud is anchored by a single-regulator model, decisive cyber execution, and systematically integrated consumer safety nets. (Prasodjo et al., 2024).

2. Divergence in Regulatory and Institutional Frameworks

The most fundamental regulatory variance between the two nations lies in the institutional framework governing supervisory authorities. Indonesia uses a twin-peaks model that divides macro-prudential functions under Bank Indonesia and micro-prudential and market conduct functions under the OJK. This separation often creates bureaucratic gaps, particularly during rapid data exchanges required to freeze illegal investment flows. Meanwhile, Singapore utilizes an integrated model where MAS operates as a single regulator managing monetary policy alongside cyber market conduct supervision. This single-window model has proven far more agile and responsive in disrupting digital fraud networks that move within seconds. (Suryana et al., 2025)

Regarding normative reach, Indonesian regulations remain domestically focused, resulting in paralysis when addressing transnational cyber financial crimes. The UU P2SK and POJK 22/2023 lack a strong extraterritorial effect clause to pursue illegal operators managing apps from abroad. (Putra, 2025) In contrast, Singapore’s FSMA 2022 equips MAS with absolute legal authority to target any foreign entity directing services at consumers within its jurisdiction. The inability of Indonesian rules to reach beyond national borders leaves the country vulnerable to international fraud syndicates. The ideal regulatory pathway (ius constituendum) must incorporate expanded jurisdictional clauses to protect national digital financial sovereignty.

Lastly, a significant gap exists in the executorial power of non-litigation dispute resolution bodies. The LAPS SJK in Indonesia struggles when unlicensed operators

refuse to participate in mediation, as its rulings depend on mutual consensus. (Fabian Jonathan et al., 2023) This differs fundamentally from Singapore's FIDREC, which holds the legal authority to issue final, coercive, and binding rulings on financial service providers. Consumer protection reform in Indonesia must focus on strengthening LAPS SJK to match FIDREC's executorial capacity. Adopting this best practice will allow the Indonesian legal system to offer balanced preventive and repressive legal protection for digital investment consumers.

Moving toward the formulation of a ius constituendum, the first urgent legislative task is to reconstruct jurisdictional norms within national law by amending the UU P2SK to include the doctrine of cyber extraterritorial jurisdiction.(Dragojlović, 2023) The new statutory clauses must explicitly state that any individual, corporation, or foreign entity domiciled outside Indonesia that operates an electronic system offering investments targeted at Indonesian citizens is legally deemed to be conducting legal activities within national jurisdiction.(Fitri Natasha Dachi & Urbanisasi Urbanisasi, 2025) This clause will provide the OJK with the legal legitimacy to issue enforcement orders, perform cross-border cyber investigations, and initiate international legal claims without being obstructed by conventional physical borders. To complement this expanded jurisdiction, the institutional dynamic between the OJK and the Ministry of Communication and Digital must be restructured to grant direct digital takedown power to the OJK.(Leo Febry Vernanda et al., 2025) The future regulatory framework must bypass the bureaucracy of inter-agency written recommendations by establishing direct system interconnections between the OJK, the Association of Indonesian Internet Service Providers (APJII), and Electronic System Providers (PSE). Under this framework, the OJK should have direct access to execute domain blockages, remove apps from application stores, and sever cyber interactions the moment initial verification indicates illegal fund collection, thereby safeguarding consumer capital in real-time. (Supriyanto, 2023)

Future formulations must also resolve normative uncertainty regarding the legal liability of digital platforms acting as intermediaries (e-brokers). (Sitnik, 2023) As established in contemporary legal literature, the convergence of consumer protection, investment law, and cybersecurity demands an integrated boundary of responsibility in the digital space. If a digital investment app suffers system failures, data manipulation via cyberattacks, or permits illegal investment ads within its network, the platform can no longer hide behind unilateral disclaimer clauses. Future rules must impose strict civil liability on platforms for consumer losses resulting from digital product defects or cyber system vulnerabilities.

This normative harmonization is vital for establishing legal certainty within the national digital investment climate. (Ilyukhina, 2024) Aligning with law convergence frameworks, financial sector consumer protection laws must incorporate cybersecurity standards. Future derivative rules of the UU P2SK must require every digital investment app to undergo periodic certified cybersecurity audits, implement end-to-end encryption on financial data, and maintain strict pre-market filtering for distributed financial products. Integrating cyber parameters into consumer rights will compel the fintech industry to meet the highest privacy standards while blocking fraudulent app infiltrations.

A revolutionary shift in special civil procedural law for the financial sector should be realized by adopting the shifting-burden of proof doctrine in electronic investment transactions. Under conventional procedural parameters, retail consumers almost always lose trials because they bear the burden of proving fraud or technological failure within systems they do not control, an unfair arrangement given the tech asymmetry. In the ius constituendum concept, once a consumer provides initial evidence of unusual financial loss or lost access to funds within an app, the burden of proof automatically shifts to the platform to demonstrate through digital forensics that its operations were secure, transparent, and compliant with regulatory standards.(Alekseenko, 2023)

In preventive oversight, new legal formulations must establish a foundation for utilizing Artificial Intelligence (AI) and Big Data Analytics as official instruments for the OJK's Cyber Surveillance and Financial Intelligence. This regulation will legitimize robotic algorithms owned by the OJK to conduct continuous automated scanning of investment offers across social media, digital forums, and instant messaging apps. (Saifullah et al., 2024) This AI-based early warning system is designed to detect Ponzi scheme algorithmic patterns, unrealistic yield claims, or cloned apps before they gather mass users, ensuring that state preventive protection functions proactively and in real-time.

For the recovery of retail consumer rights, Indonesia must establish an Investor Compensation Fund to act as a financial safety net for victims of systemic cyber investment crimes. This guaranteed compensation scheme should be managed by an independent body under the supervision of the OJK and the Indonesia Deposit Insurance Corporation (LPS). (Darmawan Wiridin et al., 2023) Funding can be drawn from a percentage of financial sector administrative fines, annual fintech industry licensing fees, and allocations from the state cyber endowment fund. This compensation fund ensures that citizens victimized by mass digital scams can recover part or all of their financial rights, even if primary perpetrators flee abroad or conceal assets in cryptocurrency.

To complement the compensation fund, the ius constituendum framework envisions creating a Special Consumer Court for the Financial Services Sector within the general judicial system. This special court should utilize summary proceedings with a mandatory case resolution limit of 30 days.(Guzun, 2025) Furthermore, judgments from this court must include instant execution seizure rights against the personal assets of directors, shareholders, and corporate entities running illegal investments.(Prayudha, 2025) With an expedited judicial pathway holding immediate permanent legal force, the recovery of consumer economic rights will no longer be delayed inside conventional civil court systems that take years to resolve.

To eliminate the negative impacts of modern marketing techniques, the OJK must mandate strict Disclosure-Based Regulation through standardized Key Facts Statements (KFS) across all financial apps. This regulation would prohibit platforms from hiding financial risks behind manipulative digital gamification features. (Ramachandran, 2022) The KFS must be positioned prominently on the primary user interface before a consumer can transfer funds, showcasing risk visualizations in clear graphics free of confusing legal jargon, alongside complete details regarding product volatility. Violations of this visual

transparency requirement would automatically render the investment contract null and void by law.

Future regulatory reforms must also address the enforcement of civil sanctions with joint and several liability for opinion winners or fininfluencers who promote investment platforms. Under the new derivative regulations of the P2SK Law, any individual engaging in advisory or promotional activities for commercial financial commodity products in cyberspace must be categorized as a marketing agent and must be registered with the Financial Services Authority (OJK).(Paranna & Andersen, 2022) If the product being promoted is proven to be an illegal investment entity, and it is proven that the finfluencer did not carry out basic due diligence principles or deliberately concealed the risk facts for the benefit of the affiliate, then by law they can be sued along with the main perpetrator to compensate for the financial losses suffered by the public.(Fitrotun Nufus & Hardian Iskandar, 2025)

To limit the movement of perpetrators outside national borders, updated regulations must mandate the strengthening of Mutual Legal Assistance (MLA) instruments specifically targeting digital financial crimes. The OJK, alongside the Indonesian Financial Transaction Reports and Analysis Center (PPATK), must be granted full legal mandates to establish direct operational networks with global financial intelligence authorities and foreign courts.(Syarifah Faizah et al., 2025) This regulation should include flexible asset extradition clauses, allowing international freezing orders issued by Indonesian authorities to be reciprocally recognized by partner states like Singapore, instantly halting the flight of victim assets into tax havens..

As the cornerstone of these future legal updates, the OJK must implement Responsive Regulation Theory using a dynamic and elastic enforcement pyramid. At the base of the pyramid, the regulator prioritizes persuasive approaches, cyber literacy education, and compliance assistance for legal businesses committing minor administrative errors. (Dupont, 2024) However, as violations escalate, cumulative revenue-based administrative fines, direct digital takedowns, and uncompromising criminal enforcement at the apex of the pyramid must be deployed against illegal syndicates intent on fraud. Through this responsive flexibility, legal certainty will be balanced: preserving space for national fintech innovation while building an unyielding defensive wall around the financial rights of retail consumers in Indonesia. (Saifullah et al., 2024)

No	Comparative Indicator	Condition in Indonesia (Das Sein)	Condition in Singapore (Best Practice)	Gap Analysis

1	**Primary Supervisory Authority**	Exists, namely the Financial Services Authority (OJK).	Exists, namely the Monetary Authority of Singapore (MAS).	Indonesia utilizes a separated system between Bank Indonesia and the OJK, whereas Singapore uses a single regulator model, making MAS more agile in supervising digital finance from end to end.
2	**Risk-Based Regulatory Framework for Digital Sector**	Absent specifically for pre-market filtering based on technological risks.	Exists, codified within the Securities and Futures Act and specialized robo-advisory guidelines.	Indonesia remains reactive (acting after losses are reported), while Singapore is preventive, mapping product risks before platforms are accessed by retail consumers.
3	**Cyber Extraterritorial Jurisdiction**	Lacks explicit provisions capable of targeting foreign illegal investment operators outside national territory.	Exists, rigidly regulated under the Financial Services and Markets Act 2022 (FSMA 2022).	Indonesian law experiences jurisdictional paralysis when confronting cross-border digital scams, whereas Singapore possesses cross-border legal reach.
4	**Independent Direct Digital Takedown Authority)**	Absent within the OJK (must pass through bureaucratic recommendation lines to the Ministry of Comm. and Digital).	Exists, MAS holds direct authority to order ISPs to block illegal financial access.	The bureaucratic chain for cyber enforcement in Indonesia slows down real-time capital preservation for consumers.

5	**Blacklist Integration with Banking Systems**	Lacks automatic termination (Satgas Pasti announces lists, but account blocking remains manual per case).	Exists, through an integrated financial consumer protection scheme for retail clients.	Illegal investment actors in Indonesia can still collect funds as long as bank accounts are not manually reported, differing from Singapore's automated system.
6	**Investor Compensation Fund for Victims**	Lacks a specialized bailout or compensation scheme from the state/authority for illegal investment victims.	Exists, through an integrated financial consumer protection scheme for retail clients.	Victims in Indonesia almost always lose their financial rights completely, while Singapore provides a safety net to restore a portion of consumer losses.
7	**Shifting Burden of Proof in Electronic Transactions**	Absent (the burden of proof remains on the consumer as the plaintiff/reporter under conventional procedural law).	Exists, within specific digital financial dispute resolutions through courts or FIDREC.	Consumers in Indonesia face major hurdles seeking justice because they are burdened with proving failures in IT platform systems outside their control.

Table 2. *Gap Analysis of Investment Consumer Protection (Indonesia vs. Singapore)*
Source: Author's analysis results

Conclusion

The legal framework for consumer protection against illegal investments under positive law (ius constitutum) reveals significant structural disparities between Indonesia and Singapore. Indonesia relies on Law Number 4 of 2023 (UU P2SK) and POJK Number 22 of 2023, which strengthen the OJK's market conduct supervisory function and legitimize the collaborative operations of Satgas Pasti. However, enforcement in Indonesia remains reactive-domestic and is slowed down by bureaucratic coordination chains between agencies regarding cyber executions. Conversely, Singapore implements a highly integrated legal system via the Securities and Futures Act and the Financial Services and Markets Act 2022 under the unified authority of the Monetary Authority of Singapore (MAS). Singapore’s regulatory framework has proven far more responsive because it is backed by the Disclosure-Based Regulation doctrine, an Investor Alert List screening system automated with the banking sector, and the FIDREC dispute resolution body, which holds strong executorial power for retail consumers.

The ideal legal formulation (ius constituendum) for Indonesia moving forward demands a radical reconstruction by adopting best practices from Singapore's regulatory model. Indonesia must shift its supervisory paradigm toward risk-based regulation that mandates product risk screening and platform algorithm transparency before entry into the cyber market. Beyond that, the OJK must be granted extraterritorial authority to target cross-border criminal actors alongside independent, instant digital takedown powers free from inter-ministerial bureaucratic delays. Procedural law reforms must also begin accommodating the shifting burden of proof doctrine in electronic transaction disputes to ensure fairness for retail consumers. Finally, establishing an Investor Compensation Fund and strengthening the executorial force of LAPS SJK rulings serve as crucial instruments that must be legalized immediately to guarantee the tangible recovery of financial rights for illegal investment victims in Indonesia.

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Competing Interest

The authors declare that there are no competing financial interests or personal relationships that could have influenced the work reported in this paper.

Generative AI Statement

During the preparation of this manuscript, the authors utilized Google Translate for initial language translation and DeepSeek to refine grammatical accuracy and improve prose flow. Following these automated adjustments, the text was thoroughly reviewed, edited, and verified by the authors to ensure factual precision and maintain rigorous academic standards. The authors retain full accountability for the integrity and accuracy of the final text. These AI tools functioned solely as secondary editorial support and do not qualify for authorship credit, nor were they used to conduct data analysis or independent substantive interpretations.

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