

A CRITICAL ANALYSIS OF SEOJK NUMBER 10/SEOJK.04/2025: BALANCING TRANSPARENCY AND EFFICIENCY IN THE INDONESIAN CAPITAL MARKET

Michael H. Hadylaya

STIH Litigasi, Jakarta

Email: mh.hadylaya@gmail.com

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Abstract

This study examines Financial Services Authority Circular Letter No. 10/SEOJK.04/2025 on Electronic Reporting of Share Ownership and Underwriting Activities by Public Companies (SEOJK 10/2025), with a focus on its alignment with the principle of information transparency and its implications for regulatory effectiveness. Using a normative legal research approach supported by policy analysis and comparative references, the study finds that while the regulation strengthens the formal structure of disclosure in Indonesia's capital market, its current design may raise proportionality concerns and affect investor protection. Without adequate flexibility, such as deferral mechanisms or differentiated reporting channels, the policy risks generating excessive compliance burdens and unintended strategic disclosures. The study recommends adopting a two-tier reporting system and risk-based exceptions to preserve regulatory legitimacy while protecting market integrity.

Keywords: *Capital Market Regulation, Information Disclosure, SEOJK 10/2025, Regulatory Proportionality, Investor Protection*

Introduction

Capital markets play a vital role in contemporary economies, acting as a bridge that links investors with companies seeking financial resources. It is essential for effective regulation to be in place to maintain market integrity, safeguard investors, and facilitate the efficient allocation of resources. Nevertheless, finding the appropriate equilibrium between regulation and market freedom continues to be a lasting challenge (La Porta et al., 2006). On June 5, 2025, Indonesia's Financial Services Authority (OJK) issued Circular Letter No. 10/SEOJK.04/2025 on Electronic Submission of Ownership Reports or Any Changes In Share Ownership of Public Companies and Reports on Share Pledging Activities of Public Companies ("SEOJK 10/2025"). This SEOJK 10/2025 mandates the electronic reporting of changes in share ownership and share underwriting activities by public companies. This regulation aims to enhance transparency and regulatory oversight in the Indonesian capital market. Increased transparency has the potential to enhance investor confidence by providing better access to essential information for making investment decisions. However, it also brings forth concerns regarding the possible revelation of commercially sensitive details. Announcing strategic changes in shareholding or underwriting might unintentionally reveal a company's internal strategy, leading to risks that such information could be taken advantage of by competitors or provoke unwarranted market reactions (Verrecchia, 2001). This underscores a fundamental tension where the aim of fostering transparency and efficiency may clash with a company's desire to safeguard its strategic confidentiality.

Technological advances have added further complexity to this landscape. Globally, innovations like algorithmic trading have improved liquidity but also introduced new concerns around volatility and transparency (Goldstein et al., 2014). In terms of reporting, technologies such as blockchain are being explored for their potential to increase the accuracy, speed, and reliability of disclosure while reducing compliance costs (Yermack, 2017). In Indonesia, early efforts to integrate supervisory technology within OJK's framework have shown promise in enhancing the detection of regulatory breaches and improving intervention capabilities (Widhianti et al., 2025). However, increased access to information is not without downsides. Studies have shown that excessive or poorly structured disclosure can lead to information overload, impairing rather than supporting decision-making (Paredes, 2003). Similarly, too much information may reduce market efficiency by increasing trading noise rather than clarity

(Hirshleifer et al., 2009). While international regulatory trends increasingly emphasize transparency and digital reporting, the Indonesian context presents its own legal and institutional considerations. SEOJK 10/2025 reflects an effort to strengthen the normative foundation of information disclosure in the capital market, particularly regarding changes in share ownership and underwriting activities. This paper focuses on analyzing the regulation from a normative perspective by assessing its consistency with the principles of disclosure, its position within Indonesia's regulatory framework, and its potential implications for balancing transparency with the legitimate interests of public companies. In the pursuit of modernizing Indonesia's capital market, it becomes increasingly important to ensure that regulatory instruments such as SEOJK 10/2025 maintain core legal principles while avoiding the imposition of unintended burdens. The transition to mandatory electronic reporting signifies wider changes in the regulation of disclosure, while simultaneously highlighting lingering conflicts between the ideals of transparency and the need for strategic confidentiality. In light of the limited academic scrutiny surrounding these issues within the Indonesian context, especially from a legal-normative perspective, a more thorough examination emerges as both timely and essential.

Formulation of the problem

This study seeks to examine the extent to which the provisions of SEOJK 10/2025 are consistent with the principle of information disclosure as mandated in Indonesia's capital market law. It also aims to identify the potential strengths and limitations of the regulation, with particular attention to its legal coherence and possible implications for public companies.

Research methods

This study adopts a normative legal research approach, which involves the systematic examination of legal norms, principles, and authoritative sources to analyze how the law is formulated and applied (Olson, 2021). The focus of this research is the SEOJK 10/2025, which is analyzed in light of the principles of capital market law, particularly the principle of information disclosure. As a normative study, this research examines the regulation as a legal text, interpreting its coherence with existing legal frameworks, including other OJK regulations and Law No. 8 of 1995 on Capital Markets. The data used is entirely secondary, consisting of statutory laws, regulatory documents, academic literature, and relevant legal commentaries or expert opinions (Amiruddin & Zainal Asikin, 2020). The aim is to assess the internal consistency and normative adequacy of the regulation while providing a critical evaluation of its legal implications for market participants.

Discussion

IV.1. Compliance of SEOJK No. 10/SEOJK.04/2025 with the Principle of Information Transparency

The principle of information disclosure is a foundational element of capital market regulation. It is grounded in the idea that fairness, efficiency, and investor confidence in securities markets depend on timely, accurate, and equal access to material information (Piwowar, 2015). In Indonesia, this principle is affirmed in Article 1 Paragraph 25 of Law Number 8 of 1995 concerning Capital Markets (Capital Markets Law), which states that information disclosure is a general guideline requiring issuers, public companies, and other parties to timely disclose all material information that could influence investment decisions or securities prices. Disclosure is not merely procedural since it reflects broader regulatory values such as market integrity, investor protection, and fairness. High-quality disclosure reduces information asymmetry between insiders such as controlling shareholders or executives and the general public, enabling more accurate pricing of securities and reducing the risk of insider trading or manipulation. The importance of disclosure regulations lies in their ability to provide consistent and timely information, as voluntary systems frequently fall short, leading to distorted markets and giving undue advantage to insiders (Healy & Palepu, 2001). Mandatory disclosure is needed because voluntary disclosure fails to eliminate informational advantages among insiders (Verrecchia, 2001).

Indonesia's Law No. 8 of 1995 on Capital Markets, Article 1(25), legally codifies this matter where issuers and public companies must disclose all material information that could affect investment decisions or securities pricing. SEOJK No. 10/2025 operationalizes this principle by mandating electronic reporting related to changes in share ownership and share pledging by major shareholders. These events are material because they may signal changes in corporate control, financial risk, or strategy, facts essential to decision-making (Botosan, 1997). From a doctrinal perspective, the disclosure duty also intersects with fiduciary responsibility. Insiders and issuers hold a responsibility to ensure that material facts, which the investing public deserves to be aware of, are not concealed (Fox et al., 2019). The requirement for electronic, timely reporting aligns with the norm that delayed or selective disclosure can distort market signals. Digital RegTech systems enhance both transparency and enforcement (Arner et al., 2017).

Thus, SEOJK 10/2025 can be regarded as a valid legal articulation of the disclosure principle within Indonesia's capital market framework. It demonstrates a regulatory intent to institutionalize transparency through timely, structured, and accessible reporting. At the same time, its prescriptive nature invites reflection on the limits of disclosure, particularly in balancing regulatory clarity with flexibility for market participants operating under varying strategic and operational conditions.

IV.2. Regulatory Implications and Trade-Offs of SEOJK 10//2025

As a regulatory instrument, SEOJK No. 10/2025 is intended to operationalize the principle of disclosure through specific and enforceable obligations. Its adoption reflects a broader shift toward regulatory transparency, modernization, and proactive oversight. However, while the regulation aligns with these normative goals, its implementation also gives rise to trade-offs, particularly concerning compliance capacity, information interpretation, and the protection of strategic confidentiality. This section examines both the intended regulatory objectives and the resulting tensions that may emerge from its application in practice.

IV.2.1 Intended Objectives and Policy Rationale

The regulation seeks to strengthen investor protection by reducing information asymmetry between insiders and public investors. By requiring prompt and standardized reporting of key shareholder actions, it enables more informed investment decisions and may contribute to market efficiency (Fama, 1970). Countries with higher levels of investor protection, including through information disclosure, tend to have more developed capital markets (La Porta et al., 2000). This regulatory move signals OJK's attempt to strengthen the structural integrity of the market, not just through enforcement but by shaping investor behavior through information access. However, while reducing asymmetry is important, it also depends on whether investors have the capacity to interpret such disclosures meaningfully. Transparency is necessary, but not sufficient on its own.

In the long term, standardized and timely disclosure may help reduce cost of capital (Christensen et al., 2016) thus and make Indonesia's capital market more globally competitive. Standardized reporting formats further support comparability across issuers and reduce ambiguity in regulatory interpretation. The push for comparability reflects not only a legal concern with fairness but also an economic one with predictability. Uniform disclosure allows investors to benchmark across firms, which in turn builds trust in the system. Yet, for comparability to be effective, enforcement consistency and data reliability become just as critical as the format itself.

In addition, the SEOJK mandates electronic reporting through systems aligning with global trends in RegTech using technology to improve regulatory compliance and oversight (Arner et al., 2017). The use of electronic systems also supports regulatory modernization, aligning Indonesia's infrastructure with international best practices such as the U.S. SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The move toward digital infrastructure is a strategic step toward institutional credibility. However, aligning with global practices should not overshadow domestic readiness. The capacity gap, especially among smaller issuers, may inadvertently turn modernization into a source of regulatory friction unless it's supported by adequate technical assistance and systems integration.

IV.2.2. Trade-Offs and Practical Consequences

Despite these benefits, the regulation imposes burdens that may disproportionately affect smaller issuers and individual shareholders. The tight reporting deadline (three business days) can be challenging for entities that may lack adequate resources or systems to process and report information quickly. Furthermore, mandatory disclosure of certain events can be misinterpreted by the market, leading to unnecessary volatility. Without contextualization, these disclosures may trigger reactions that are disconnected from their actual risk or intent. The costs of complying with disclosure regulations can be significant, especially for small companies (Leuz & Wysocki, 2016). This can create a disincentive for companies to go public or remain listed on the stock exchange. There is also no mechanism for deferral or exception in cases where immediate disclosure could harm legitimate business interests. This contrasts with jurisdictions such as the U.S., where Rule 12b-25 allows for delayed reporting in defined circumstances. The absence of such flexibility could create regulatory dilemmas, particularly when disclosures intersect with confidential strategic decisions. It raises a classic dilemma of trade-off between the benefits of information disclosure and the costs of proprietary information, namely the risk that the information could be exploited by competitors (Verrecchia, 2001). Excessively rigid disclosure requirements may unintentionally reduce the competitiveness of Indonesia's capital markets. Regulatory obligations that are perceived as disproportionate to the risks they are intended to address can discourage companies, particularly those with access to global financing, from listing or remaining on domestic exchanges. Firms facing high regulatory burdens often turn to private markets or foreign exchanges where disclosure

requirements are more flexible (Zingales, 2009). This kind of regulatory avoidance may lead to a decline in market liquidity and reduce the diversity of listed companies, ultimately weakening the overall depth of the capital market. Furthermore, excessive disclosure, especially when presented without adequate context, may generate information overload (Healy & Palepu, 2001). This can confuse rather than inform investors and increase the likelihood of misinterpretation. A disclosure regime that prioritizes volume over clarity, or formality over proportionality, risks undermining both market efficiency and the credibility of the regulatory framework. While transparency is a fundamental regulatory objective in capital markets, the legal effectiveness of disclosure rules depends not only on the breadth of information required but also on how those obligations interact with the strategic and operational context of market participants. A rigid disclosure regime, even if normatively aligned with statutory objectives, may produce unintended consequences such as reduced compliance incentives, reluctance to list, or a strategic reduction in ownership stakes by controlling shareholders seeking to avoid continuous reporting (Claessens & Yurtoglu, 2013).

Proportionality in regulatory design refers to the alignment between the intensity of a regulatory requirement and the nature, scale, or risk of the activity it governs (Black, 2008). In the context of disclosure, this means calibrating the reporting burden according to the materiality of the information, the potential impact on market integrity, and the reporting capacity of the regulated entities. Proportionality is not a relaxation of transparency, but rather a method to ensure that regulatory interventions remain both effective and legitimate. A disclosure framework that imposes uniform obligations without distinction risks generating compliance costs that are not justified by corresponding gains in market efficiency or investor protection. One policy alternative is the introduction of a two-tiered disclosure system, distinguishing between comprehensive reports submitted to regulators for supervisory purposes and simplified versions released to the public. This would allow regulators to access the full spectrum of relevant data while reducing the risk of misinterpretation or overreaction by the broader market. Additionally, legal mechanisms allowing for the temporary deferral of disclosure in narrowly defined circumstances, such as during ongoing merger negotiations or in cases of legitimate strategic sensitivity, would bring the Indonesian regime closer to comparative practices without abandoning the principle of transparency. Ultimately, effective disclosure regulation should aim for functional transparency, a regime that ensures material information reaches relevant stakeholders in a timely, accurate, and intelligible form. This requires a move toward risk-based regulatory approaches, which tailor obligations based on the likelihood and consequence of harm rather than applying uniform rules regardless of context (Baldwin et al., 2012). As Indonesia's capital markets continue to evolve, both in complexity and technological integration, a static and overly formalistic regulatory model may fall short of serving its underlying policy aims. An adaptive, proportionate framework can help ensure that transparency remains not only a legal ideal but also a practical and credible foundation for market governance.

Conclusion and Suggestions

SEOJK 10/2025 reflects a normative commitment to strengthening transparency in Indonesia's capital market, but effective regulation requires more than good intentions. As this study has shown, disclosure obligations must not only be clear and enforceable but also proportionate to the risks they address and sensitive to the strategic realities of public companies. A rigid, one-size-fits-all approach risks undermining the very confidence it seeks to build. To preserve the integrity of both oversight and business confidentiality, OJK should consider more flexible reporting structures, such as a two-tier disclosure model, and adopt clear criteria for deferred publication where immediate disclosure may cause unintended harm. In the end, regulatory legitimacy rests not only on enforcing disclosure, but on doing so in a way that earns the trust of those it governs.

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