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Corporate Investment Fraud: Exploring Criminal Liability and the Legal Framework in Indonesian Context

Rizaldy Anggriawan
University of Szeged, Hungary
rizaldyanggriawan@outlook.com

Muh. Endriyo Susila
Universitas Muhammadiyah Yogyakarta

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Corresponding Author:
Rizaldy Anggriawan
rizaldyanggriawan@outlook.com

ABSTRAK

Salah satu bentuk aktivitas penipuan yang umum terjadi dalam dunia bisnis adalah penipuan investasi, yang seringkali merugikan masyarakat. Penipuan investasi terjadi ketika individu atau entitas mengumpulkan dana dari masyarakat tanpa izin dari otorisasi yang berkaitan. Penelitian ini akan membahas tentang pendirian sistem tanggung jawab pidana korporasi untuk kejahatan ekonomi, khususnya yang terkait dengan investasi. Fokus utamanya adalah memahami bagaimana entitas korporasi dianggap bertanggung jawab dalam kerangka hukum untuk aktivitas tersebut. Metode Penelitian ini mengadopsi pendekatan normatif, memandang kerangka hukum sebagai sistem norma yang terdiri dari prinsip-prinsip, peraturan perundang-undangan, preseden hukum, perjanjian kontraktual, dan ajaran doktriner. Penelitian ini mengungkapkan bahwa pengawasan terhadap aktivitas penipuan dalam korporasi dan penipuan investasi menyoroti peran penting yang dimainkan oleh regulasi hukum dan definisi dalam menjaga integritas pasar keuangan dan standar etika. Analisis ini menyoroti signifikansi besar yang ditempatkan pada penanggulangan perilaku penipuan dalam kerangka hukum, sebagaimana yang terlihat dalam ketentuan dalam Kode Pidana. Ketentuan hukum ini menekankan sifat sengaja dari penipuan, penggunaan identitas atau posisi palsu, dan potensi pemberian sanksi berat, termasuk penjara dan denda, yang digunakan sebagai pendekatan efektif untuk mencegah perilaku penipuan. Selain itu, pemeriksaan tanggung jawab pidana korporasi mengkonfirmasi bahwa perusahaan, yang berfungsi sebagai entitas hukum yang berbeda, memiliki kapasitas pertanggungjawaban hukum terkait tindakan yang dilakukan oleh perwakilan mereka, termasuk yang terkait dengan penipuan investasi.

Kata kunci: Penipuan Investasi Korporasi, Tanggung Jawab Pidana, Kejahatan Ekonomi, Kejahatan Keuangan, Kerangka Hukum

ABSTRACT

A prevalent form of fraudulent activities in the business sphere is investment fraud, which often affects unsuspecting members of the public. Investment fraud occurs when individuals or entities collect funds from the public without the required permits or authorizations. This study investigates the establishment of a system of corporate criminal liability for economic crimes, particularly those related to investments. The primary focus is to comprehend how corporate entities are held liable within the legal framework for such activities. This research adopts a normative approach, viewing the legal framework as a composite system of norms encompassing principles, statutory regulations, judicial precedents, contractual agreements, and doctrinal teachings. The investigation reveals that the scrutiny of fraudulent activities in corporate and investment fraud highlights the vital role played by legal regulations and definitions in upholding the integrity of financial markets and ethical standards. This analysis sheds light on the substantial significance attached to addressing fraudulent behaviors within the legal framework, as evidenced by the provisions in the Criminal Code. These legal stipulations underscore the deliberate nature of deception, the use of false identities or positions, and the potential imposition of severe penalties, including imprisonment and fines, all employed as potent deterrents against fraudulent conduct. Furthermore, the examination of corporate criminal liability confirms that corporations, functioning as distinct legal entities, possess the capacity for legal accountability regarding the actions undertaken by their representatives, including those related to investment fraud.

Keywords: Corporate Investment Fraud, Criminal Liability, Economic Crime, Financial Crime, Legal Framework

INTRODUCTION

In the fiercely competitive world of business, entrepreneurs often find themselves facing immense pressure to succeed. This cutthroat environment can sometimes push individuals towards committing fraudulent or dishonest actions, with the aim of gaining an unfair advantage. One common form of misconduct in this context is the dissemination of incorrect or misleading information, which can ultimately lead to fraudulent practices (Wang, 2013). The consequences of such actions can be severe, affecting not only the perpetrators but also the broader business community and the public.

One prevalent manifestation of fraudulent activities in the business world is investment fraud, which frequently impacts unsuspecting members of the public. Investment fraud occurs when entities or individuals unlawfully gather funds from the public without the necessary permits or approvals (Dong et al., 2018). In a legal context, cases of investment fraud are often closely linked to corporate or company crimes, highlighting the complex web of criminal responsibilities that can arise in such situations. The unethical pursuit of financial gain through deceptive investment schemes jeopardizes not only the investors' hard-earned money but also the integrity of the financial sector (Cumming et al., 2016).

These cases of investment fraud can have far-reaching implications for both individuals and corporations involved. They not only erode trust in the financial markets but also pose legal and regulatory challenges that demand careful consideration. Corporate entities engaging in fraudulent investment activities not only face criminal liability but also risk reputational damage that can be devastating in today's interconnected world (Gupta & Gupta, 2015). It is imperative for both regulators and law enforcement agencies to remain vigilant in identifying and prosecuting such fraudulent activities to maintain the integrity of financial markets and protect the public from falling victim to investment scams.

For example, The Financial Audit Agency (BPK) has substantiated the presence of fraudulent activities in the financial and investment management of PT Asabri (Persero) spanning the years 2012 to 2019. The perpetration of this fraud materialized through the contravention of regulatory agreements, wherein investment funds were allocated to various corporate proprietors or equity holders in the forms of shares and mutual funds. In a press conference convened on May 31, 2021, held within the premises of the Attorney General's edifice, Chairman of the BPK, Agung Firman Sampurna, in collaboration with Attorney General ST Burhanuddin, expounded upon the inherent hazards and illiquidity associated with investments in shares and mutual funds. It was conclusively affirmed that these investments failed to yield profitable returns for PT Asabri. Chairman of the BPK, during this press conference, articulated that the irregularities, tantamount to unlawful acts, perpetrated in the stewardship of PT Asabri's financial assets and investment portfolios from 2012 to 2019, had resulted in a substantial loss to the state coffers, with an estimated value of IDR 22.78 trillion (BPK, 2021).

The issue of corporate fraud has gained several research as in the study conducted by Ikbal et al., a crucial finding emerges, indicating that small companies face a higher likelihood of engaging in fraudulent activities, primarily attributed to the presence of weak supervisors within these organizations, as compared to their larger, publicly listed counterparts. This susceptibility to fraud appears to be more pronounced in small companies than in family-owned firms or government-level organizations. Furthermore, the research highlights the significant impact of supervision on preventing fraud within government entities, as respondents noted that local government organizations with inadequate oversight are more prone to fraudulent behavior than those subject to closer scrutiny from urban communities. The study also delves into the role of auditors, revealing that while increased auditor experience may enhance their capacity to detect fraud and manipulation within organizations, this relationship remains relatively weak. However, auditors holding a Certified Fraud Examiner (CFE) certificate exhibit greater proficiency in identifying fraud within companies. These findings collectively underscore the multifaceted dynamics of fraud risk and the potential for specialized certifications to bolster fraud detection efforts (Ikbal et al., 2020).

Furthermore, The research conducted by Kusumaningtias et al. delves into the critical theme of corporate governance as a mechanism for preventing fraud within companies. Despite its recognition as an effective safeguard, corporate scandals persist annually. The article provides a comprehensive exploration of corporate governance, tracing its origins, examining its implementation, and delving into the underlying theoretical foundations. The study ultimately affirms the resilience of the corporate governance concept within the capitalist framework. Moreover, it highlights the potential for interdisciplinary exploration, suggesting that future research could expand its horizons by incorporating perspectives from fields such as philosophy and psychology to gain deeper insights into the dynamics of corporate governance. This research contributes to the ongoing discourse surrounding corporate governance's effectiveness and opens avenues for more holistic investigations into this crucial aspect of corporate management (Kusumaningtias et al., 2016).

Based on the background provided above, the research contributes novelty in several issues. It explores the intricate realm of investment fraud within the context of corporate crimes, shedding light on the complex web of responsibilities and consequences that arise in such scenarios. Unlike prior studies, this research delves into the legal and regulatory challenges posed by investment fraud and emphasizes the importance of corporate accountability. The research introduces the concept of a corporate criminal responsibility system for economic crimes related to investments, emphasizing the need for a legal framework that holds corporate entities accountable. This novel approach seeks to address the gap in current research by exploring mechanisms and regulations governing corporate liability in the specific context of investment fraud. By doing so, it offers a fresh perspective on tackling economic crimes and promoting the well-being of society at large, which represents a valuable contribution to the field of corporate governance, corporate responsibility, and financial regulation.

RESEARCH METHOD

This research adopts a normative approach wherein the legal framework is construed as a composite system of norms encompassing principles, statutory regulations, judicial precedents, contractual agreements, and doctrinal teachings. This normative investigation pertains specifically to the domain of criminal law and is circumscribed within the contextual purview of corporate involvement in investment fraud. As normative research, the study is confined to the meticulous examination of legal source materials, encompassing both primary legal sourcessuch as Penal Code, Law No. 1 of 2023, Supreme Court Regulation No. 13 of 2016, Law Number 40 of 2007, Law Number 10 of 1998, and Law Number 21 of 2008. Also secondary legal sources such as journal, proceedings, and government report. In the context of normative legal research, the utilization of secondary legal materials serves as the foundational basis for the exploration of overarching legal principles, doctrinal elucidations, and juridical foundations. To augment the scholarly inquiry, this research will undertake a comprehensive analysis of pertinent case that bear relevance to instances of investment fraud perpetrated by corporate entities.

RESULTS & DISCUSSION

Understanding the Criminal Aspects of Corporate Investment Fraud

The criminal offense of fraud, irrespective of its specific manifestation, including the facet of fraudulent investment (Soltani, 2014), is subject to regulation by both the extant Criminal Code, which remained in force at the time of this article's publication, and Law No. 1 of 2023 on the Criminal Code, which was slated to come into effect three years subsequent to its promulgation, i.e., in the year 2026. Article 378 of the Criminal Code delineates that individuals who, with the deliberate intent to illicitly accrue personal gain or benefit another party, resort to the use of a fictitious identity or counterfeit social standing, employing deceit or an array of false assertions to coax another person into surrendering property, extending a loan, or forgiving a debt, are liable to a maximum prison term of four years.

In parallel, Article 492 of Law No. 1 of 2023 establishes that any individual who, with the premeditated aim of illegitimately enhancing their own or another's interests, assumes a false identity or spurious position, employing deception or a sequence of fraudulent utterances to induce someone to relinquish an asset, extend a loan, acknowledge a debt, or waive receivables, is subject to legal retribution for fraud, which encompasses the imposition of a maximum prison sentence of four years or a maximum fine categorically designated as Category V, amounting to IDR 500 million.

As per the insights provided by Moeljatno, as quoted by Maksum et al, the regulation pertaining to fraudulent investments, particularly articulated in Article 378 of the Penal Code, defines fraudulent acts as those carried out with the intent and purpose of illicitly benefiting a corporation. These acts encompass various deceptive tactics, such as operating under a false name, misrepresenting one's identity or status, employing deceit, or weaving a web of falsehoods. These actions, when orchestrated to defraud, can result in significant legal consequences. Specifically, individuals engaged in such fraudulent activities can face imprisonment for a duration of up to four years (Maksum et al., 2022).

This legal provision underscores the gravity with which the law views fraudulent investments and their potential impact on the corporate sector and the wider economy. It serves as a deterrent to those contemplating engaging in deceptive practices to gain unjust advantages for their corporations, emphasizing the importance of ethical and lawful conduct in the realm of corporate finance and investment (Suprapti et al., 2022). The four-year prison sentence represents a significant penalty aimed at deterring individuals from participating in fraudulent investment schemes and upholding the integrity of financial markets.

Furthermore, As per the insights provided by Subekti, as quoted by Laturette, it offers a succinct explanation of fraud within the context of contract law. According to Subekti, fraud transpires when one party involved in a contractual agreement deliberately furnishes false information to the other party. This act of deception is driven by an explicit intention to influence the decision-making process of the opposing party. In essence, it involves the duplicitous presentation of facts or details with the objective of obtaining consent or permission from the other party. Subekti's definition underscores the importance of transparency, honesty, and the duty of good faith in contractual relationships, highlighting that any deliberate distortion of information with the aim of securing an advantageous outcome can be deemed fraudulent (Laturette, 2023).

Subekti's elucidation on fraud in contract law is instrumental in guiding legal practitioners, scholars, and individuals engaged in contractual agreements. It emphasizes the critical role of truthful and transparent communication between parties involved in contracts. By shedding light on the concept of fraud and its implications, Subekti's explanation underscores the significance of upholding ethical standards and fair dealing in contractual interactions, ultimately promoting trust and integrity in the field of contract law (Ningrum & Kusumasari, 2018).

In addition, in his explanation, Soesilo as quoted in Ananta's research outlines the key characteristics that define fraudulent actions. Firstly, fraud involves the act of persuading individuals to part with their goods, incur debts, or forgive receivables. This persuasion is driven by the ulterior motive of benefiting the perpetrators. This characteristic highlights the manipulative nature of fraudulent activities, where individuals are induced to take actions that are contrary to their best interests, all while the fraudster aims to gain an advantage (Ananta et al., 2021).

To execute fraud effectively, individuals often employ various methods of persuasion, which Soesilo details. One such method is the use of a fake name, where the fraudster adopts an identity different from their own and distinct from their real name. This tactic is employed to obfuscate their true identity and create a false sense of trust (Dewi Sartika Saimima & Gola Patria, 2021). Another method involves creating false circumstances, wherein the perpetrator claims to be acting on behalf of someone else and assumes the authority of that person. This misrepresentation can deceive individuals into making decisions they might not otherwise make. Furthermore, fraud may encompass deceptive actions that convince others of the truthfulness of the fraudulent activity, even though it is inherently false. This art of deception plays a crucial role in the success of fraudulent schemes, as it manipulates the perceptions and beliefs of those involved. Often, a series of lies is woven together to construct a convincing narrative, further misleading unsuspecting victims.

Soesilo's delineation of these characteristics offers valuable insights into the nature of fraud, shedding light on the tactics and strategies employed by perpetrators. Understanding these traits is essential for individuals, legal professionals, and authorities in identifying, preventing, and prosecuting fraudulent activities, ultimately safeguarding individuals and businesses from falling victim to fraudulent schemes.

Moreover, a legal entity constitutes fundamentally an entity or association vested with legal rights and the capacity to perform actions akin to those undertaken by natural persons (Bayern, 2016). Furthermore, such entities possess distinct assets and enjoy the legal standing to be parties to lawsuits, either as plaintiffs or defendants before a court of law. Notably, the distinction between the punitive measures applicable to corporate entities and individual human subjects resides in the inherent impossibility of subjecting corporations to criminal penalties that entail the deprivation of liberty, such as incarceration.

Pertinently, Article 23, paragraph (1) of Supreme Court Regulation No. 13 of 2016, delineates the authority of judges to mete out criminal sanctions in cases involving corporate entities, their management, or both. In the context of imposing criminal liability upon a corporation, the presiding judge is tasked with evaluating the culpability of the corporate entity, including factors such as whether the corporation derived pecuniary gains from the unlawful conduct or whether the criminal act was orchestrated for the corporate entity's benefit (Firdaus et al., 2020). Furthermore, the judge considers whether the corporation facilitated the commission of criminal acts or failed to undertake requisite measures for prevention, mitigation of adverse consequences, and adherence to prevailing legal provisions aimed at forestalling criminal conduct.

Additionally, Article 25, paragraph (1) of Supreme Court Regulation No. 13 of 2016 delineates the spectrum of sanctions or legal measures that can be imposed on corporate entities. These encompass primary criminal penalties and supplementary sanctions. The primary punitive measure that may be imposed on a corporate entity is a monetary fine. Concurrently, the supplementary penalties to be levied on corporate entities are in conformity with the parameters established within pertinent statutory regulations.

And within the context of fraud, it's crucial to recognize that the presence of material facts that are demonstrably false forms a central element. This means that fraudulent acts involve the intentional presentation of critical information that is knowingly untrue. These material facts, even though they are false, are presented in a manner that seeks to mislead others. In the specific realm of securities and financial markets, the regulations are particularly stringent. Article 90, letter c of the Capital Markets Law emphasizes that statements containing such false material facts are not merely inaccurate but are considered deliberately misleading. Moreover, these misrepresentations are typically made with the intention of furthering the perpetrator's self-interest, which often entails influencing the victim's decision to buy or sell securities.

This legal perspective underscores the severity with which fraudulent activities in the financial sector, especially those involving securities, are viewed. The deliberate dissemination of false material information not only undermines the integrity of the market but also poses significant risks to investors who rely on the accuracy of such data to make informed decisions. Regulations like Article 90, letter c serves to deter fraudulent behavior by imposing legal consequences for those who engage in such practices. By defining fraud in the context of material facts and its intention to deceive, the law seeks to uphold transparency and trust in the financial markets, ultimately safeguarding the interests of investors and the integrity of the industry.

The act of investment fraud, particularly when committed by corporations, is categorically defined as a form of fraud. Fraud, in essence, involves a deliberate and deceptive action aimed at gaining an unfair advantage or financial benefit at the expense of others. In the context of investment fraud, this entails corporations engaging in unlawful practices that not only harm individual victims but also have broader implications for the entire spectrum of investors. The impact of such fraud can range from financial losses for those directly affected to the erosion of trust and confidence in the financial markets.

When examining the characteristics of criminal acts of investment fraud committed by corporations, several key attributes come to the forefront. Firstly, there is typically a deliberate intent to deceive or mislead investors (Zainudin & Hashim, 2016). This deception can manifest in various forms, such as disseminating false or misleading information, concealing crucial facts, or engaging in manipulative trading practices. Secondly, these fraudulent actions often involve a corporate entity rather than an individual, highlighting the collective responsibility and accountability that corporations bear for their actions (Chen et al., 2006). Lastly, the harm caused by investment fraud extends beyond the immediate victims and impacts the broader investment community, as it undermines the integrity of the financial markets and erodes trust in corporate entities (Trompeter et al., 2014). In essence, criminal acts of investment fraud by corporations are characterized by intentional deception, corporate involvement, and the potential for wide-reaching repercussions within the financial ecosystem.

The elements of fraud, when applied to criminal acts by corporations, essentially retain the same fundamental principles. Fraud typically involves the intentional deception or manipulation of facts to gain an unfair advantage or financial benefit (Niu et al., 2019). When it comes to corporations, particularly within the context of investment fraud, these fraudulent activities are governed by specific legal regulations. In this regard, Supreme Court Regulation Number 13 of 2016, which outlines the Procedures for Handling Criminal Cases by Corporations, plays a crucial role. This regulation clarifies that criminal acts committed by corporations involve individuals acting either independently or collectively on behalf of the corporation, either within or outside the corporate environment. Essentially, it recognizes that corporate entities can be held responsible for the actions of individuals acting in their interests.

Furthermore, this legal framework acknowledges that these individuals, whether acting within or outside the corporate environment, can perpetrate criminal acts on behalf of the corporation, impacting various stakeholders. This recognition highlights the need for accountability and legal procedures to address corporate-related criminal activities effectively (Kumar & Langberg, 2009). By defining and regulating these criminal acts within the corporate context, such as investment fraud, the law aims to ensure that corporations are held responsible for the actions of those acting on their behalf, thereby safeguarding the interests of investors and maintaining the integrity of the financial markets.

In essence, corporations can indeed face criminal liability in accordance with the specific corporate criminal provisions outlined in statutory regulations above. These provisions establish a legal framework that holds corporations accountable for unlawful actions committed within or on behalf of the organization. Such accountability is essential for maintaining the rule of law and ensuring that corporations operate ethically and responsibly (Gupta & Gupta, 2015). By subjecting corporations to criminal liability, statutory regulations aim to deter fraudulent and illegal activities, thereby upholding the principles of transparency, fairness, and integrity in the corporate world. This legal approach also serves to protect the interests of stakeholders and the broader community, underscoring the importance of adherence to ethical and legal standards within the corporate sphere.

The Legal Framework for Corporate Criminal Liability

Sofian and Faraswati highlighted the crucial legal concept that corporations and business entities can indeed be held criminally responsible for their actions, particularly when those actions result in harm or detriment (Sofian & Faraswati, 2023). This principle underscores the accountability that corporations bear for the activities conducted in their name and on their behalf. Moreover, it emphasizes that corporate agents, acting as representatives of the corporation, can be held accountable for criminal activities such as investment fraud committed under the corporate banner. This legal perspective serves as a deterrent against unscrupulous behavior within corporate structures and underscores the need for ethical and lawful conduct in the corporate world.

Alexander Dyck's statement underscores the complex web of corporate responsibility, particularly in cases involving investment fraud. By recognizing that corporate agents can be held accountable for their actions, it reinforces the importance of integrity, transparency, and ethical decision-making within corporations (Dyck et al., 2010). Furthermore, this legal framework aims to protect the interests of stakeholders and the broader community, ensuring that corporations operate in a manner that upholds the law and ethical standards. Ultimately, the concept of corporate accountability underscores the need for corporations to promote responsible conduct and prevent criminal actions, safeguarding both their reputation and the integrity of the business environment.

In the context of criminal liability for corporations, it's essential to identify the specific subjects who can be held accountable for their actions. One group subject to accountability comprises corporate management, including those who play a role in the creation and execution of criminal acts. These individuals, often in positions of authority, bear the responsibility for the actions taken by the corporation. Their decisions and actions can significantly impact the corporation's conduct, making them liable when criminal activities occur under their supervision (Engelhart, 2014).

Additionally, corporations themselves can be held accountable for their actions as responsible entities. This extends to the corporation's overall management and its role in creating and implementing policies or practices that facilitate criminal conduct. The recognition of corporations as responsible entities acknowledges their collective responsibility for the actions carried out in their name. This multifaceted approach to accountability ensures that both individuals within the corporate structure and the corporation as a whole can be held legally responsible for criminal acts. It serves as a deterrent, encouraging corporations and their management to adhere to legal and ethical standards, thereby promoting corporate integrity and lawful conduct (Nwafor, 2013).

Corporate responsibility is a complex legal concept, but it is not without its limitations. One significant legal principle that addresses these limitations is the "piercing the corporate veil" doctrine (Yu & Krever, 2015), which is articulated in Law Number 40 of 2007 concerning Limited Liability Companies. This doctrine essentially allows for the accountability of corporate management, including commissioners and directors, when it can be demonstrated that they are directly responsible for actions carried out in the name of the corporation. In essence, it pierces the legal protection that typically shields individuals within a corporation from personal liability for the company's actions.

The application of the piercing the corporate veil doctrine is typically reserved for cases where there is clear evidence of misconduct or wrongful actions by corporate management. It signifies that in certain circumstances, individuals within the corporation cannot hide behind the corporate entity to evade personal responsibility for their actions. This legal concept ensures that when corporate leaders are directly involved in or responsible for criminal acts, they can be held personally accountable, thereby promoting a culture of ethical conduct and integrity within corporations (Schall, 2016).

In addition, Article 46 paragraph (2) of Law Number 10 of 1998 concerning Banking holds significant implications for entities such as limited liability companies, unions, foundations, or cooperatives that engage in the collection of funds from the public in the form of savings. This provision mandates that such entities must obtain a business permit from the leadership of Bank Indonesia to operate legally. Failure to secure this permit can lead to legal consequences. When prosecutions are initiated against these entities, the focus is often on those who authorized or ordered the unlawful act, as well as individuals who assumed leadership roles in carrying out the act. In some cases, both parties may be held accountable under the law.

This legal framework underscores the importance of regulatory compliance and responsible financial practices within the banking and financial sector. By requiring entities to obtain permits and authorizations, it aims to safeguard the interests of the public and maintain the stability and integrity of the financial system (Ayadi et al., 2016). Legal actions taken against those responsible for non-compliance serve as a deterrent, emphasizing the need for adherence to the established regulations to prevent unauthorized collection of funds from the public, which could have serious consequences for both investors and the broader financial market.

In accordance with Article 59 paragraph (2) of Law Number 21 of 2008 concerning Sharia Banking, the law is clear regarding legal entities engaged in sharia banking activities, Sharia Business Units, or any fund-raising endeavors following sharia principles. These entities are required to obtain a business license from Bank Indonesia to operate lawfully. Failure to secure the necessary permit can result in legal consequences. When legal action is taken against these entities, it is typically directed at individuals who either ordered the unlawful acts or assumed leadership roles in carrying out such activities. In some cases, both parties may be held accountable under the law. And by mandating the acquisition of permits and licenses, it aims to ensure that financial activities carried out in accordance with sharia principles are conducted transparently, responsibly, and within the boundaries of the law. Prosecutions against those responsible for non-compliance serve as a deterrent (Yusuf & Ekundayo, 2018), emphasizing the need for adherence to established regulations to protect the interests of investors and maintain the integrity of sharia-based financial services.

The regulations mentioned above establish corporate criminal liability, particularly targeting corporate management with full authority and responsibility for orchestrating and ordering fraudulent investment schemes, which involve the unauthorized collection of funds or investments through deceitful practices. These legal provisions underscore the significance of holding those in positions of power and leadership within corporations accountable for their actions when they engage in fraudulent activities, thereby promoting ethical conduct and responsible financial practices within the corporate sector (Tiedemann, 2014).

In addition to addressing corporate transgressions, individuals who have entrusted their capital can pursue reparation for fraudulent investments pursuant to Article 20 of Supreme Court Regulation No. 13 of 2016. This particular provision stipulates that losses incurred by victims due to criminal infractions perpetrated by corporate entities may be redressed through two distinct mechanisms: firstly, through a restitution process governed by extant statutory provisions, and secondly, through the initiation of civil litigation.

In light of this, a pertinent query that may arise concerns the feasibility of recovering funds from fraudulent investments. To this inquiry, the affirmative response is proffered. Specifically, restitution may be sought through civil avenues (Zhu, 2020). even when the aggrieved parties comprise a considerable number of individuals, each of whom has executed a documented agreement with the corporate entity (Yuan & Zhang, 2015). In such instances, the grounds for seeking compensation may be rooted in a breach of contract, thereby imposing an obligation upon the debtor, i.e., the corporate entity, to indemnify for the losses incurred as a consequence of being deemed delinquent in fulfilling prescribed obligations, as codified in Article 1243 of the Civil Code. Given the multitude of affected parties, the pursuit of compensation can be effectuated through the initiation of a class action lawsuit (Barko et al., 2023).

Illustratively, the Garut District Court, in its Decision No. 12/PDT.G/2013/PN.GRT, meticulously evaluated the admissibility of a proposed class action in accordance with the procedural tenets delineated in Supreme Court Regulation No. 1 of 2002, which governs the protocols surrounding Class Action Procedures. Central to the Plaintiffs' contentions was the assertion that the Defendants had breached their contractual obligations. It is noteworthy that the Plaintiffs represented a collective body of customers who had engaged with a locally-owned financial institution operating in the capacity of a people's credit bank.

The gravamen of the Plaintiffs' argument lay in their inability to access savings or term deposits, despite the entitlement thereto as stipulated within their contractual arrangements. Consequently, the Court, in its disposition, partially endorsed the Plaintiffs' class action petition on grounds of the Defendants' breach of contractual obligations, as codified under Article 1243 of the Civil Code. Among its findings, the Court established that the Defendants bore a fundamental obligation to restitute or disburse the sum of IDR 3,807,200,000 as remuneration for all deposits in the form of time savings to the Plaintiffs, and further to disburse the sum of IDR 150,186,372 as compensation for the savings denominated in the form of standard savings, both sums constituting the rightful entitlements of the Plaintiffs (Ayu, 2018).

CONCLUSION

The analysis of fraudulent activities, particularly in the context of corporate and investment fraud, underscores the critical role that legal regulations and definitions play in preserving the integrity of financial markets and upholding ethical standards. The examination of relevant legal provisions, such as Article 378 of the Criminal Code and Article 492 of Law No. 1 of 2023, reveals the gravity with which fraudulent acts are treated under the law. These provisions emphasize the deliberate intent to deceive, the use of false identities or positions, and the potential for significant penalties, including imprisonment and fines, as mechanisms to deter fraudulent behavior. Furthermore, the discussion on corporate criminal liability elucidates that corporations, as legal entities, can indeed face legal consequences for the actions of individuals acting on their behalf. Statutory regulations, such as Supreme Court Regulation No. 13 of 2016, establish a framework for holding corporations accountable for criminal acts, including investment fraud. This legal approach underscores the importance of corporate responsibility, transparency, and adherence to ethical and legal standards in maintaining trust in the corporate sector and safeguarding the interests of stakeholders. In summary, the legal framework discussed here is designed to promote corporate integrity, ethical conduct, and responsible financial practices while providing mechanisms for individuals to seek justice in cases of financial misconduct. It underscores the importance of legal accountability in maintaining trust and fairness within the corporate and financial sectors, thereby contributing to a robust and ethical business environment.

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