

## LEGAL RESPONSIBILITY OF DIGITAL PLATFORMS FOR THE PROTECTION OF STOCK INVESTOR LOSSES IN THE E-COMMERCE ERA

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### Abstract

This article aims to analyze the legal responsibilities of digital platform companies in protecting stock investors in the era of e-commerce. This research uses a normative method with a legislative approach and case studies. The results show that the protection of stock investors is highly dependent on adaptive regulation and the implementation of strict legal responsibilities by digital platforms. It is recommended that companies improve transparency, technology security, and user education to strengthen investor confidence. What is the legal responsibility of digital platform companies in protecting stock investors from legal and technological risks in the e-commerce era? What are the regulatory efforts in Indonesia to ensure legal protection for stock investors who use digital platforms, and what steps need to be taken to overcome the regulatory loophole?

**Keywords:** Legal Liability, Company, Digital Platform, Stock Investor, E-Commerce

### Abstrak

*Artikel ini bertujuan untuk menganalisis tanggung jawab hukum perusahaan platform digital dalam melindungi investor saham di era e-commerce. Penelitian ini menggunakan metode normatif dengan pendekatan perundang-undangan dan studi kasus. Hasil penelitian menunjukkan bahwa perlindungan investor saham sangat bergantung pada regulasi yang adaptif dan implementasi tanggung jawab hukum yang ketat oleh platform digital. Disarankan agar perusahaan meningkatkan transparansi, keamanan teknologi, dan edukasi pengguna untuk memperkuat kepercayaan investor. Bagaimana tanggung jawab hukum perusahaan platform digital dalam melindungi kerugian investor saham dari risiko hukum dan teknologi di era e-commerce? Serta Apa Upaya regulasi yang ada di Indonesia mampu menjamin perlindungan hukum bagi investor saham yang menggunakan platform digital, dan apa langkah yang perlu diambil untuk mengatasi celah regulasi?*

**Kata kunci:** Tanggung Jawab Hukum, Perusahaan, Platform Digital, Investor Saham, E-Commerce

### INTRODUCTION

The development of digital technology has brought major changes in various aspects of human life, including the economic and financial sectors. In the era of e-commerce, technology has created new investment opportunities, where people can easily access the

capital market through digital devices such as online applications and platforms. This phenomenon has encouraged financial inclusion, allowing people from all walks of life, including the younger generation, to invest in stocks and other financial assets without having to go through complex procedures like in the past. According to the latest data, transactions through digital platforms in the financial sector have increased significantly, in line with the wider adoption of technology in Indonesia. In 2023, the Financial Services Authority (OJK) recorded a surge in the number of individual investors in the stock market, most of whom come from the millennial generation and Gen Z. This condition shows the great potential of digital platforms as a means to encourage public participation in the capital market. A digital platform is a technology-based system that allows digital interaction, collaboration, or transactions between users, both individuals and organizations. These platforms utilize the internet and information technology as the main infrastructure to provide services or products.

An investor is an individual, group, or organization that allocates funds or assets into an investment instrument in the hope of making a profit in the future. The main goal of investors is to develop their capital through management or investment in various forms of assets, such as stocks, bonds, property, or businesses. The relationship between digital platforms and investors is very close because both need each other to grow and achieve their respective goals. Digital Platforms Need Investors for Funding. Newly pioneered digital platforms need funds to develop technology, recruit workers, and market their services. Investors (both individuals such as angel investors and institutions such as venture capital) play an important role in providing this initial capital. When digital platforms are already running, investors can provide additional funds to expand market reach, improve technology infrastructure, or enter new segments. With funding, digital platforms can improve business performance, which will ultimately attract more investors.

However, this progress also brings serious challenges. One of the main challenges is security and legal protection for stock investors who use digital platforms. Phenomena such as investment fraud, market manipulation, personal data leaks, and non-transparent information often appear on digital platforms (Gai, Qiu, & Sun, 2017). For example, several cases of fraud involving fake investment apps have caused significant losses to investors. This shows that strong legal protection is urgently needed to maintain public trust in digital platform services. In addition, digital platform companies often operate within a legal framework that is not fully integrated with the dynamics of technology. Existing regulations, such as Law No. 8 of 1995 on the Capital Market and Law No. 11 of 2008 on Information and Electronic Transactions (ITE), provide a legal basis for digital transactions. However, this regulation does not fully cover the latest technological developments, such as the use of artificial intelligence, blockchain, and big data in investment platform services (Zetzsche et al., 2018). As a result, there are legal loopholes that can be exploited by irresponsible parties.

This condition has become more complex with the emergence of new business models in the e-commerce era. Digital platform companies now not only act as service providers, but also often take on the role of investment intermediaries, market analysis providers,

and even holders of investors' data. This dual role raises questions about the legal responsibilities they must carry, especially in protecting investors from losses arising from service failures or violations of the law (Philippon, 2019). On the other hand, investors often lack adequate financial and technological literacy to understand the risks of investing in digital platforms. This low literacy makes them vulnerable to fraud and unwise investment decision-making. This emphasizes the importance of the role of digital platform companies in providing education to investors, in addition to fulfilling their legal responsibilities (Schueffel, 2017). Taking into account these various dynamics, it is necessary to conduct a comprehensive study to analyze the legal responsibilities of digital platform companies in protecting stock investors in the e-commerce era. This study is not only relevant for the government in drafting more adaptive regulations, but it is also important for digital platform companies to improve governance and public trust in their services. In Indonesia, digital platforms for stock investment have experienced significant growth. Based on a report by the Financial Services Authority (OJK) in 2023, the number of individual investors in the capital market has increased by more than 50% in the last five years, with the majority of users coming from the digitally connected younger generation. Platforms such as stockbroking applications and fintech-based investment services are now the main entry point for novice investors (OJK, 2023). This phenomenon not only supports financial inclusion but also makes a positive contribution to the national economy through strengthening the capital market.

However, this ease of access is not without risks. Digital platform business models often rely on advanced technologies such as algorithms, artificial intelligence, and big data to analyze the market and provide recommendations to investors (Arner, Barberis, & Buckley, 2016). On the one hand, this technology helps users make more informed decisions; However, on the other hand, users often do not understand the working mechanism of the technology. As a result, there is a potential for misunderstandings that can be detrimental to investors, especially if the information provided by the platform is not transparent or misleading (Chuen & Deng, 2017). The digital era presents complex legal challenges. On the one hand, the law must be able to protect investors from risks arising from violations committed by digital platforms.

On the other hand, the law also needs to provide space for technological innovation to continue to develop. Some of the key challenges that arise include: Unclear corporate responsibilities: many digital platforms operate with a lack of legal certainty, as their roles and responsibilities are not specifically regulated in existing regulations (ESMA, 2022). Personal Data Security Risks: Digital platforms manage users' data, including sensitive financial data. Data leak cases involving large platforms are a serious concern in Indonesia, especially with the increasing cyber threats in the digital era (World Economic Forum, 2020). Fraud and Market Manipulation: Many cases of fraud involving fake investment platforms or Ponzi schemes have been reported. In many cases, it is difficult for the law to pursue perpetrators due to regulatory loopholes or a lack of adequate supervision (Indonesia Stock Exchange, 2023). To address this, it is necessary to develop specific regulations that govern algorithm transparency, conflict of interest mitigation, and investor data protection. Strengthening supervision using advanced technology

(RegTech) is also a solution to detect violations in real time (Zetzsche et al., 2018). With the right approach, investors can obtain stronger legal guarantees in investing in digital platforms.

## **METHOD**

The research method used in this study is a normative legal research method with a case study approach supported by empirical data. (Iswadi dkk., 2023). This research aims to explore and understand the phenomenon related to the legal responsibility of digital platform companies in protecting stock investors. A normative approach is used to analyze applicable regulations and legal doctrines related to the responsibility of digital platform companies. Meanwhile, a case study approach is carried out by examining relevant concrete cases to gain a more in-depth understanding of the implementation of these regulations. To strengthen empirical data, this study not only relies on secondary literature sources but also conducts interviews with at least two informants who have experience and understanding in the field of stock investment and digital platform regulations. One of the main informants is Jusman Siregar, a mentor and stock investor, as well as an additional informant from legal practitioners or regulators in the capital market sector. In addition, this research also involves the collection of statistical data from real cases relevant to the research topic. This data is collected from official reports, academic publications, and other credible sources. To clarify the research findings, the results of the analysis will be presented in the form of tables and graphs that illustrate trends, patterns, and the relationship between digital platform regulation and the protection of stock investors. With a combination of a normative approach and case studies reinforced with empirical data, this study is expected to provide a more comprehensive and representative analysis of the legal responsibility of digital platform companies in protecting stock investors.

## **RESULT AND DISCUSSION**

### **Legal Responsibilities of Digital Platform Companies in the Protection of Stock Investors**

This research shows that digital platform companies have a significant legal responsibility in protecting stock investors. These responsibilities include information transparency, prevention of market manipulation, protection against investment fraud, and security of investor data. However, the implementation of this responsibility still faces complex challenges.

#### **1. Transparency of Information and Investment Mechanism.**

**Lack of Clarity in Investment Algorithms** Many digital platforms use algorithms and artificial intelligence (AI) to provide investment recommendations to users. However, the study found that most investors do not understand how this algorithm works. In interviews with several investors, it was found that they often receive stock recommendations in the absence of detailed information regarding the methodology used by the platform. This lack of disclosure can cause investors to make decisions based on less transparent data.

**Incomplete or Misleading Information** Based on the results of observations, it was found that some digital platforms only display potential profits without explaining the risks that come with it. Additionally, hidden fees such as transaction commissions, taxes, and other fees are often not informed, which can be detrimental to investors. **Legal Implications and Solutions** The lack of transparency in the delivery of information has the potential to violate the Consumer Protection Law (Law No. 8 of 1999) and POJK No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector. Therefore, the Financial Services Authority (OJK) and Kominfo need to issue regulations that require digital platforms to explain their algorithmic working methods more openly. In addition, a mandatory policy of including risks in every investment product must be implemented.

## 2. Market Manipulation and Investment Fraud.

Market manipulation and investment fraud are still a serious threat in the digital age. The study found that investors often fall victim to schemes such as "pump and dump," "wash trading," and insider trading.

### a. Types of Market Manipulation

- 1) **Pump and Dump:** This scheme involves artificially increasing the price of a stock through aggressive promotion, then the perpetrator sells his shares after the price rises, leaving retail investors with huge losses.
- 2) **Wash Trading:** This practice involves fictitious transactions between the same or related accounts to create the illusion of high demand.
- 3) **Insider Trading:** Company insiders have access to non-public information and use it for personal gain before the information is made public.

**Investment Fraud Cases in Indonesia** According to the OJK report in 2023, many illegal investment platforms deceive thousands of investors by promising high profits without risk. Ponzi schemes are often used on platforms that do not have official permission. The existing legal implications and regulatory solutions, such as Law No. 8 of 1995 on the Capital Market and POJK on the supervision of digital platforms, are not enough to reduce the number of investment frauds. Therefore, the use of Regulatory Technology (RegTech) technology needs to be increased to detect suspicious transaction patterns in real-time. The OJK must also tighten supervision of digital platforms by developing a "sandbox regulator" mechanism that allows testing of services before they are launched to the public.

## 3. Data Security and Investor Protection from Cyber Risks.

**Investor data security** is a crucial issue in the digital platform ecosystem. Many investors experience data leaks due to the weak security system of digital platforms. **Investor Data Leak Cases** Several cases of data leaks in Indonesia were caused by cyberattacks targeting digital investment platforms. The leaked information includes sensitive data such as identity numbers, bank accounts, and transaction history. **Lack of Protection against Cyber Threats** The study shows that some digital platforms have not implemented strong

data encryption policies, making them vulnerable to cyberattacks. Interviews with cybersecurity experts also revealed that many companies still neglect the use of multi-factor authentication (MFA) in protecting investor accounts. Legal Implications and Solutions Law No. 27 of 2022 concerning Personal Data Protection (PDP) has regulated the obligation to protect user data, but its implementation is still weak. OJK and Kominfo must require digital platforms to implement stricter security standards, including the use of end-to-end encryption technology and mandatory cybersecurity incident reporting policies.

## **B. Regulatory efforts to ensure the legal protection of stock investors**

### **1. Existing Regulations and Their Implementation**

Indonesia has several main regulations that regulate the protection of stock investors, including:

- a. Law No. 8 of 1995 concerning the Capital Market – Regulates various aspects of the capital market, including issuer obligations, investor protection, and supervision by the Financial Services Authority (OJK).
- b. Law No. 25 of 2007 concerning Investment – It is the legal basis for investment in Indonesia, both Foreign Investment (PMA) and Domestic Investment (PMDN), as well as providing legal protection and certainty for investors.
- c. Law No. 11 of 2020 concerning Job Creation – Amending several regulations related to investment and capital markets to improve the ease of doing business and provide additional protection for investors.
- d. Law No. 27 of 2022 concerning Personal Data Protection – Regulates the governance of investors' data in electronic transactions to prevent misuse of information that can harm stock investors.
- e. Law No. 11 of 2008 concerning Electronic Information and Transactions (ITE), along with its amendments in Law No. 19 of 2016 – Regulating electronic transactions and providing legal protection for investors who conduct stock transactions online.
- f. Financial Services Authority Regulation (POJK) No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector establishes the principles of transparency, fairness, and accessibility for investors in investing in the capital market.

This regulation is implemented through strict supervision by the OJK and related agencies to ensure that stock investors, both domestic and foreign, get adequate legal protection and certainty in investing in Indonesia. However, interviews with regulators show that the implementation of this regulation still has weaknesses:

- a. Supervision of digital platforms is still reactive, not proactive.
- b. Investors lack understanding of their legal protection rights due to low financial literacy.



## 2. Existing Regulatory Gaps

- a. There is no regulation regulating the transparency of investment algorithms.
- b. Lack of regulation related to dispute resolution between investors and digital platforms.
- c. Lack of supervision of foreign digital platforms operating in Indonesia without a permit.

## 3. Recommendations for Improving Regulations

To strengthen the protection of stock investors on digital platforms, several steps that need to be taken include:

- a. **Require Transparency of Investment Algorithms:** Digital platforms should explain how the investment recommendation system works.
- b. **Establishing a Digital Arbitration Institution:** This institution will handle disputes between investors and digital platforms quickly and efficiently.
- c. **Implementing RegTech in Capital Market Surveillance:** This technology can help detect market manipulation and suspicious transactions in real time.

**Tightening Personal Data Protection:** Implementing stricter sanctions for platforms that fail to protect investor data.

## CONCLUSIONS

This research confirms that digital platform companies have an important role in the legal protection of stock investors in the e-commerce era. With the growing digitalization of the capital market, digital platforms are responsible for ensuring safe investments through information transparency, prevention of market manipulation, protection against fraud, and security of investor data. However, many challenges are still found, such as the lack of transparency of investment algorithms, rampant market manipulation, weak supervision, and the risk of data leakage due to a suboptimal protection system. Existing regulations often do not fully accommodate technological developments, so there are still legal loopholes that can be exploited by irresponsible parties. To overcome this problem, strategic measures are needed such as increasing the transparency of investment algorithms, establishing a digital dispute resolution mechanism, and strengthening regulations for digital platforms operating in Indonesia. In addition, technology-based surveillance (RegTech) needs to be implemented to detect suspicious transactions, accompanied by the implementation of stricter data security standards to protect investors from cyber threats. Increasing financial literacy and legal awareness for investors is also a crucial step so that they better understand the rights and risks of digital investments. Collaboration between regulators, industry, and academia is urgently needed to create adaptive regulations and more effective supervision. With these various efforts, it is hoped that legal protection for investors will be stronger, public trust in digital platforms will increase, and a safer, more transparent, and sustainable investment ecosystem can be realized.

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