

## A COMPARISON OF ISLAMIC CAPITAL MARKET SUPERVISION IN INDONESIA AND MALAYSIA



**Febbyanti Agustina Eka Putri<sup>1</sup>**

**Institut Agama Islam Negeri Palangka Raya, Palangka Raya, Indonesia**

[febbyput08@gmail.com](mailto:febbyput08@gmail.com)

**Wahyu Akbar<sup>2</sup>**

**Institut Agama Islam Negeri Palangka Raya, Palangka Raya, Indonesia**

[wahyu.akbar@iain-palangkaraya.ac.id](mailto:wahyu.akbar@iain-palangkaraya.ac.id)

**Haidi Hajar Widagdo<sup>3</sup>**

**Institut Agama Islam Negeri Palangka Raya, Palangka Raya, Indonesia**

[haidihajarw@iain-palangkaraya.ac.id](mailto:haidihajarw@iain-palangkaraya.ac.id)

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### Abstract

This research provides a comparative analysis, namely a comparison of Islamic capital market regulations in Indonesia and Malaysia. This study highlights the role of Indonesia's Financial Services Authority (OJK), which has largely been discussed in the existing literature, but has not had a comprehensive review of the effectiveness of the Islamic Capital Market. This research builds on previous research, emphasizing the role of the OJK in market regulation, This study uses a library research approach combined with a comparative approach to analyze the comparative governance framework and regulatory practices in the two countries. The survey results show that as of April 2019, Indonesia had 629 issuers on the Indonesia Stock Exchange (IDX), of which Islamic stocks accounted for 65% of the total shares, while Malaysia had 911 issuers in 2018, and Islamic stocks accounted for 76%. This shows a significant difference in the development and acceptance of the Islamic capital market between the two countries. Furthermore, this study highlights the importance of a coordinated, independent and accountable OJK to improve the effectiveness of sharia compliance in the Indonesian capital market. Overall, both indicate that Shariah supervision and compliance in capital markets in Indonesia and Malaysia have been well implemented, but there is still room for improvement. In addition, there is a strong commitment to improving market integrity and transparency, but challenges in terms of supervision, financial literacy, and fatwa consistency need to be overcome to achieve maximum implementation.

**Keywords:** Capital Market, Supervision, OJK

## INTRODUCTION

The capital market can be briefly defined as the field of business in trading securities (Pakpahan et al. 2020). The Islamic capital market in Indonesia has shown significant growth in recent years, with an increasing number of sharia-compliant investment products. Indonesia's Sharia stock index rallied by 6.02% year to date as of the first semester of 2022 (Keuangan 2021). At the end of June 2022, the JCI (Composite Stock Price Index) reached the level of 6,911.58 or an increase of 5.02% compared to the end of 2021. In line with the JCI, the Sharia Stock Index also experienced positive growth when compared to the end of 2021. The Indonesia Sharia Stock Index (ISSI) experienced a growth of 6.02% to touch the level of 200.39 after previously being at the level of 189.02 at the end of 2021 (Keuangan 2021). However, this growth also brings its own challenges, especially in terms of supervision and implementation of sharia compliance in the Islamic capital market.

The capital market in Indonesia operates and is regulated based on a strong legal foundation, which includes the Law of the Republic of Indonesia Number 8 of 1995 concerning Capital Markets (Republik Indonesia 2016), which provides the basic framework for capital market activities in general. In addition, there is Law of the Republic of Indonesia No. 21 of 2011 on the Financial Services Authority (Republik Indonesia 2011). The Republic Act No.04 2023 on the Development and Strengthening of the Financial Sector (Republik Indonesia 2023). Furthermore, there is Financial Services Authority Regulation (POJK) No. 15/POJK.04/2015 on the Application of Sharia Principles in the Capital Market (OJK 2015), which regulates in detail how Sharia principles are implemented in various capital market transactions and products. The latest POJK No. 33/POJK.04/2024 concerning the Development and Strengthening of Investment Management in the Capital Market (OJK 2024). Also, Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) No. 40/DSN-MUI/X/2003 concerning Capital Markets and General Guidelines for the Application of Sharia Principles in the Capital Market Sector (DSN-MUI 2003), and Fatwa DSN-MUI Number 157/DSN-MUI/VII/2024 concerning the Application of Sharia Principles in the Protection of Capital Market Investor Assets (DSN-MUI 2024).

The relationship between a country and other countries can affect the economy, cooperation between nations in the field of Islamic capital markets that can advance all global

economies. No exception to the countries in the ASEAN region, one of which is the neighboring country of Malaysia. The Islamic capital market in Malaysia is of great interest to Malaysians because it has developed to create a more transparent and fair capital market system according to Sharia rules (Yuliana dan Fakhruddin 2024). This is shown by the Malaysian government regulations stipulated in the Capital Market and Service Act 2007 (CMSA) on regulating the overall capital market cooperatives in Malaysia (Syakirah dan Sayyidah 2024) and Guidelines for Islamic capital market products on establishing principles and requirements that must be adhered to by sharia-based products and services. Referring to IDX data, if the portion of sharia stocks in the Indonesian capital market has only reached 65% of the total number of issuers, then in Malaysia the portion of sharia stocks has reached 76% of all shares. As of April 12, 2019, there are 629 issuers on the IDX, compared to 911 issuers in Malaysia in 2018, based on ceicdata data (Monica Wareza 2019).

Based on Article 12 POJK 15/POJK.04/2015, the Financial Services Authority (OJK) is authorized to conduct an examination of the fulfillment of Sharia principles in the capital market carried out by each party carrying out Sharia activities in the Capital Market (OJK 2015). On the other hand, there are internal institutions that also have the function of supervising the sharia aspects in each related company. As is known, every party carrying out sharia activities in the capital market is required to have a sharia supervisor (DPS) (Khasanah 2022). DPS ensures that all products and services offered by Islamic financial institutions are in accordance with sharia principles. DPS also acts as an advisor to the management of Islamic financial institutions in all matters relating to Sharia compliance. To form a national economy that can grow stably and sustainably, activities in the financial services sector are required to be organized in an orderly, accountable, transparent and fair manner. Therefore, an OJK is needed that operates in an integrated, independent and accountable manner (Pakpahan et al. 2020).

Some previous studies that support this research include research from Fahad Rifkhy Assofy (2023) which examines the role of the OJK in implementing supervision of creditor institutions in online-based money loans. This research has similarities in examining the role of the OJK as a supervisory party. However, the difference is that this research focuses more on the implications of Sharia compliance on the stock market (Assofhy 2023a). Then

Research from Elvira Fitriyani, Eric Kurniawan, Kelvin Candra, and Silvi Yanti (2020) examines the role and authority of the OJK on Transaction Security in the Capital Market. This research has similarities in examining the role of the OJK, but the difference is that this research focuses more on supervision in the Islamic capital market carried out by the OJK and the implications of Sharia compliance (Pakpahan et al. 2020). Then research from A. Kharisma Yura Putra, Titin Agustin Nengsih, and Eri Novriza (2023) which examines the analysis of the application of Sharia principles to the development of the Islamic capital market and encourages public literacy and the growth of the Islamic capital market so that sharia principles are applied in the Islamic capital market (Kharisma et al. 2023). Then Research from Hayyu Fikrianto (2021) examines the application of Sharia Compliance to the Sharia Online Trading System (SOTS) in the Indonesian Sharia Capital Market. This research has similarities in examining Sharia compliance in the Islamic capital market. however, the difference is that this research does not only focus on Sharia compliance but also supervision of the Islamic capital market (Fikrianto 2021). Syafiq M. Hanafi's research, examines the comparison of sharia criteria on the Indonesian, Malaysian, and Dow Jones sharia stock indices. The research has similarities in examining the comparison of sharia criteria in Indonesia and Malaysia. Egi Arvian Firmansyah's research examines the comparison between the Indonesian and Malaysian stock exchanges. The research has similarities in examining the comparison of Sharia stock screening criteria (Firmansyah 2017).

So far, existing studies only look at the role of the OJK as an institution responsible for capital market supervision, so they do not respond to aspects of capital market supervision by the OJK in Indonesia, especially on sharia compliance in the Capital Market. Two trends in existing studies can confirm the lack of optimization of the duties of each supervising institution. First, many studies focus only on the role of OJK in supervision conducted by Elvira et al 2020, Uswatun Khasanah 2021, and Fahad R 2023. Fahad, for example, shows OJK's duties and functions as supervisor (Assofhy 2023b). Second, the understanding and application of Sharia compliance in the Islamic capital market A.Kharisma et al 2023 and Hayyu 2021. Of the seven studies above, five studies mention that issues related to supervision in Indonesia are not discussed thoroughly, which only discusses its role. But no one tried to discuss comparisons with other countries.

This study is based on an argument that supervision in the Islamic Capital Market is not only the sole responsibility of the OJK. In its operational activities, many parties also have the responsibility of implementing the Sharia principles required by the Capital Market institution itself, such as the Sharia Supervisory Board (DPS). So, the purpose of this research is to find out the extent of supervision in the Indonesian Sharia capital market and compare it with supervision in Malaysia. In addition, this research is also examined to determine the application of sharia compliance in the Islamic capital market.

## **REVIEW OF LITERATURE**

### **Supervision**

Supervision is one of the important management functions and needs to be carried out in every company, because without supervision there is a possibility of fraud, irregularities, or the implementation of activities carried out not in accordance with what has been planned (Putra 2015). Supervision is the process of observing the leader of all employee work in accordance with the work that has been determined. Then supervision is progress to determine what work should be done, assess it, and correct it, if necessary, with the intention that the implementation of the work in accordance with the plan. supervision is the process of observing the implementation of the entire organization to ensure that all work is being carried out following the desired plan (Mitra Ronia Situmorang 2020). According to Sule and Saefullah, there are four objectives of supervision, namely environmental adaptation, minimizing failure, minimizing costs, and anticipating the complexity of the organization (Takaendengan 2018). From the above opinion, it can be interpreted that supervision is the course of an observation by the leader to evaluate an activity or system to ensure that all elements function in accordance with established standards, rules, or policies.

### **Capital Market**

Based on the Republic Act Number 8 Year 1995 on Capital Market (UUPM) (Panigrum 2021). As the Republican law Number 21 of 2011 concerning the Financial Services Authority (Republik Indonesia 2011) and continued with law No. 4 of 2023 on Strengthening and Developing the Financial Sector (Pasar Modal 2023) is an activity related to the public offering and trading of securities, public companies related to the securities they

issue, as well as institutions and professions related to securities (Panigrum 2021). The capital market is the trading of long-term financial instruments (securities), including in the form of equity (stock) and debt (bonds). Either issued by the government (Public authorities) or by private companies (private sector) (Malkan, Indra Kurniawan, Nurdin 2018). The capital market is an activity related to the public offering and trading of securities, public companies related to the securities they issue, as well as institutions and professions related to securities (Andi Firdha Muafiah 2019). It can be interpreted that the capital market is a place or system where securities, such as stocks and bonds, are traded. Capital markets play an important role in the economy by providing a mechanism for investment.

Meanwhile, the Islamic capital market is a place or means of meeting sellers and buyers of Islamic financial instruments, which in interaction are guided by Islamic teachings and stay away from prohibited things, such as fraud, ribawi, and embezzlement. The Islamic capital market is a muamalah economic activity that trades securities. The Islamic capital market was developed to accommodate the needs of Muslims in Indonesia who want to invest in capital market products that are in accordance with the basic principles of sharia (Malkan, Indra Kurniawan, Nurdin 2018). According to the terminology of the Islamic capital market, it can be interpreted as activities in the capital market as regulated in the Capital Market Law that do not conflict with Sharia principles. therefore, the Islamic capital market is not a separate system from the capital market system as a whole. In general, Islamic capital market activities have no difference from conventional capital markets, but there are several special characteristics of Islamic capital markets, namely that the products and transaction mechanisms do not conflict with Sharia principles (Panigrum 2021). The capital market is a part of the capital market that operates according to Islamic sharia principles. It offers financial instruments that do not involve *usury*, *gharar*, and investment in businesses that are considered haram.

## **RESEARCH METHOD**

This research uses library research. This research reviews books, articles, theses, or theses as well as magazines and the internet that are relevant to the above problems (Akbar et al. 2022). The research method used in this research uses a descriptive qualitative approach

by processing secondary data (Lindasari 2020). The method used in this research is the normative method, which views religion from God's basic and original teachings, without human reasoning (H. Aswan 2015). This research also uses the comparison method, which compares two or more objects. In this case, it compares the regulation of the Islamic Capital Market from one country with the regulations of other countries (Farakhatul Fadhila 2023). This method was chosen because it allows researchers to collect, analyze, and synthesize information from various relevant literature sources to form a comprehensive understanding (Widagdo et al. 2024). So this research aims to find out the aspects of supervision and comparison of Indonesia's capital market regulations with Malaysia.

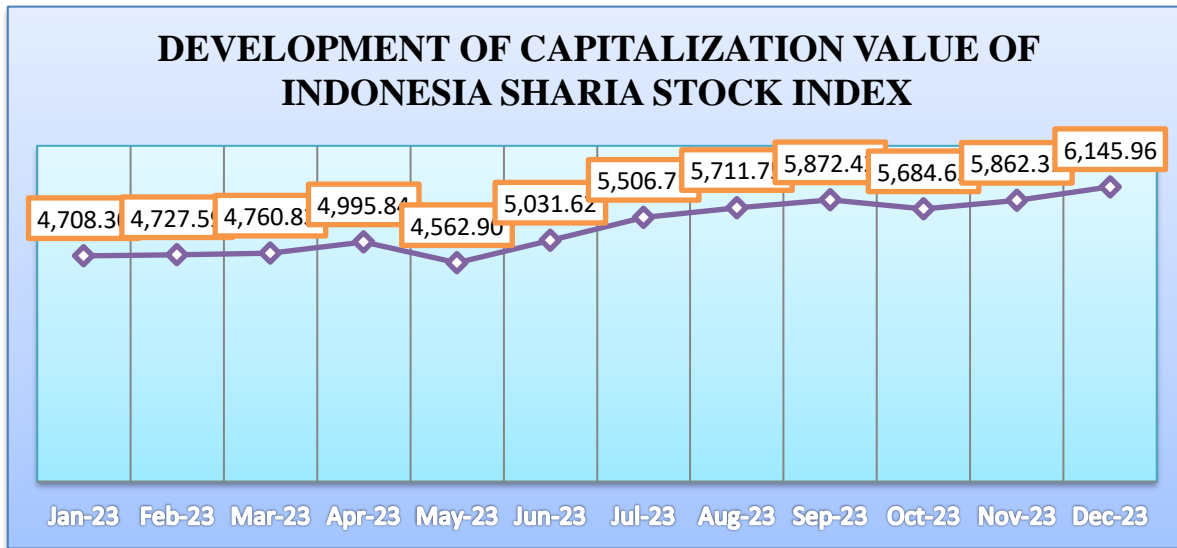
## **RESULTS AND DISCUSSION**

### **A Comparison of Islamic Capital Market Supervision in Indonesia and Malaysia**

The Islamic capital market in Indonesia is experiencing positive developments, especially in the Islamic stock sector (Wardana 2024). According to the Financial Services Authority (OJK) over the past few decades, the capital market has experienced steady growth (Anggraini et al. 2024). The development of the Islamic capital market in Indonesia after going through various processes and stages, the prospect of its development is very prospective, finally giving birth to various Islamic investment products or instruments in the Islamic capital market and the increasing number of companies listed in the Islamic securities list. Economic growth influenced by the Islamic capital market comes from investment because investment activities are part of the country's income, and when the country's income increases, the economic level of a country also increases (Mohamad Toha, Agnes Cahyatria Manaku, n.d.).

The existing regulatory framework in Indonesia in supervising the Islamic capital market in Indonesia involves the Financial Services Authority (OJK) as the one responsible for regulating all capital market activities, including the Islamic capital market. Then the National Sharia Council (DSN) is the one who issues sharia fatwas which become guidelines for sharia investment products and services. and the Sharia Supervisory Board (DPS) as an internal supervisor for actors who carry out sharia activities, because every issuer that carries out sharia activities is required to have a DPS.

**Graphic 1**  
**Development of Capitalization Value of Indonesia Sharia Stock Index**



Source: Processed by Researcher 2025

As illustrated in the graph, the capitalization value of ISSI increased by 28.41% (yoy) in 2023 to reach IDR 6,145.96 trillion. The outstanding value of corporate sukuk through public offerings increased by 6.75% compared to the end of 2022. The value of State sukuk outstanding increased by 7.59% from Rp 1,446.40 trillion at the end of 2023. The NAV of Islamic mutual funds increased by 5.34% at the end of 2023, to IDR 42.78 trillion (Keuangan 2022).

Islamic capital market activities are included in halal muamalah activities carried out by the Islamic community as long as there is no prohibition according to Sharia. (Setiawan 2023), where the main principle of the Islamic capital market in running its business is free of MAGHRIB (Mayshir, Gharar, Haram, Riba, and Bathil) (Harahap dan Ali 2022). The existence of the Islamic Capital Market refers to the Republic Act No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector. The Financial Services Authority (OJK) as the capital market regulator in Indonesia, has several specific regulations related to the Islamic capital market.

The Indonesian Ulema Council (MUI) is an institution that has a function in dealing with issues in Islam, including the regulation of sharia economic law. MUI in terms of taking care of questions about Sharia economic law considers the importance of establishing a national Sharia Supervisory Board (DPS). The National Sharia Council (DSN) plays a role

in determining sharia fatwas. all Islamic capital market products must obtain a fatwa from the DSN to ensure compliance with sharia principles. The purpose of the establishment of the Sharia Supervisory Board (DPS) is to oversee economic operations according to Sharia. The Sharia Supervisory Board is also a board that was deliberately formed to oversee the course of the Islamic economy so that it is always in accordance with Sharia guidance (Setiawan 2023). Shariah compliance in Indonesia's Islamic capital market is maintained through strict regulations, fatwas from the DSN, shariah screening and auditing processes, and strict enforcement by the OJK. All these measures aim to ensure that the Islamic capital market in Indonesia operates following sharia principles, protects the interests of investors, and maintains market integrity.

In line with Indonesia, in Malaysia the Islamic capital market is also growing along with the growth of the conventional capital market (Monica Wareza 2019). The Islamic Capital Market in Malaysia is of great interest to Malaysians as it has evolved to create a more transparent and fair capital market system according to Sharia rules (Yuliana dan Fakhruddin 2024). The government is considered very good at utilizing the financial crisis in Asia by focusing on developing the Islamic capital market. By issuing product innovations, providing supporting infrastructure facilities (trading system), policy incentives, human resource development, and more in-depth Islamic financial regulations. Malaysia was also able to create an organized and efficient Islamic capital market when it established the Islamic Capital Market Department (ICMD) and the Shariah Advisory Council (SAC). Referring to IDX data, if the portion of Islamic shares in the Indonesian capital market has only reached 65% of the total number of issuers, then in Malaysia the portion of Islamic shares has reached 76% of all shares. As of April 12, 2019, the number of issuers in Malaysia is 911 issuers compared to Indonesia, which is 629 (Monica Wareza 2019). According to the temporary movement of the average stock price in Malaysia, it increased from 2020 to 2021 but decreased from 2022 to 2023 (Yuliana dan Fakhruddin 2024).

The existing regulatory framework in Malaysia in the supervision of the Islamic capital market in Malaysia involves the Securities Commission (SC), which is a supervisory body or state agency responsible to the Malaysian finance minister (Syakirah dan Sayyidah 2024). The SC is responsible for regulating and supervising all capital market activities,

including the Islamic capital market. The Shariah Advisory Council (SAC) is an independent advisory body established by the SC. Then the SAC which has a function similar to the DSN in Indonesia, namely the SAC is responsible for issuing resolutions and guidelines on sharia principles in the Islamic Capital Market. The FTSE Bursa Malaysia Emas Syariah index is one of the Islamic stock indices on the Malaysian stock exchange which is designed as a benchmark for investors in investing according to Sharia principles (Oceania dan Ardiansyah 2023).

Supervision of the Islamic capital market in Malaysia covers the regulatory aspects of the Capital Markets and Services ACT 2007 (CMSA), Malaysia's capital markets act (Syakirah dan Sayyidah 2024) which provides the legal framework for the capital market, including specific provisions for Islamic products. The Islamic Capital Market (ICM) Guidelines issued by Suruhanjaya Securities Malaysia, as a guide for setting standards and criteria for Islamic securities. The Syariah Supervisory Board (DPS) is responsible for providing advice and guidance to all Islamic banks. The DPS is also authorized to validate all Islamic banking and insurance products, to ensure their compliance with sharia principles (Hardiati dan Nugroho 2024). Malaysia has a more structured system in terms of Shariah compliance, with more institutions involved in supervision. Education and socialization on Islamic investment are more advanced, with government-supported programs.

**Table 1**  
**Comparison of Indonesian and Malaysian Capital Market Laws**

Country	Institution	Regulation
Indonesia	Otoritas Keuangan (OJK) Jasa	1. POJK No.33/POJK.04/2024: Development and Strengthening of Investment Management in the Capital Market
		2. POJK No.15/POJK.04/2015: Sharia Principles in the Capital Market
		3. POJK No.53/POJK.04/2015: Akad used in the Issuance of Sharia Securities in the Capital Market
		4. POJK No.35/POJK.04/2017: Criteria and Issuance of Islamic Securities List
		5. POJK No.20/POJK.04/2015: Issuance and Requirements of Sharia Asset-Backed Securities

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	<ol style="list-style-type: none"><li>6. POJK No.19/POJK.04/2015: Issuance and Requirements of Islamic Mutual Funds</li><li>7. POJK No.18/POJK.04/2015: Sukuk Issuance and Requirements</li><li>8. POJK No.17/POJK.04/2015: Issuance and Requirements of Sharia Securities in the Form of Shares by Sharia Issuers or Sharia Public Companies</li><li>9. POJK No.16/POJK.04/2015: Capital Market Sharia Expert</li></ol>
Dewan Syariah Nasional- Ulama Indonesia (DSN-MUI)	<ol style="list-style-type: none"><li>1. Fatwa DSN No.40/DSN-MUI/IX/2003: Capital Market and General Guidelines for the Application of Sharia Principles in the Capital Market Sector</li><li>2. Fatwa DSN No.80/DSN-MUI/III/2011: Implementation of Sharia Principles in the Trading Mechanism of Equity Securities in the Regular Market of the Stock Exchange</li><li>3. Fatwa DSN No.124/DSN-MUI/XI/2018: Implementation of Sharia Principles in the Implementation of Securities Depository and Settlement Services and Management of Integrated Investment Infrastructure</li><li>4. Fatwa DSN No.135/DSN-MUI/V/2020: Shares</li><li>5. Fatwa DSN No.157/DSN-MUI/VII/2024: Application of Sharia Principles in Capital Market Investor Asset Protection</li></ol>
Bank Indonesia (BI)	<ol style="list-style-type: none"><li>1. Law of the Republic of Indonesia Number 8 of 1995: Capital Markets</li><li>2. Law of the Republic of Indonesia No. 21 Year 2011: Financial Services Authority</li><li>3. Law of the Republic of Indonesia Number 4 of 2023: Development and Strengthening of the Financial Sector</li></ol>
Malaysia Securiti Commission (SC)	<ol style="list-style-type: none"><li>1. SC-GL/4-2015 (R4-2019): Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework</li><li>2. SC-GI/ETF-2005 ( R5-2024): Guidelines on Exchange Traded Funds</li><li>3. SC-GL/GUTF-2008 (R5-2021): Guidelines on Unit Trust Funds</li></ol>

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		4. SC-GL/2-2021: Guidelines for Shariah Advisors
		5. SC-GL/1-2022: Guidelines on Islamic Capital Market Products and Services
		1. SAC-01/2005: Resolution on Islamic Capital Market Instruments
Majlis Syariah (Shariah Council) (SAC)	Penasihat (MPS) Advisory	2. SAC-02/2005: Resolution on Sukuk
		3. SAC-03/2005: Resolution on Sharia Fund Management
		4. SAC-04/2005: Resolution on Sharia Derivative Products
		5. SAC-05/2005: Resolution on Aspek Corporate Governance
Bank Malaysia (BNM)	Negara	2. Bank of Malaysia Act 1958: establishes the framework for the supervision of the financial sector.

In terms of regulations and policies, Indonesia has the Financial Services Authority (OJK), an institution responsible for the regulation and supervision of capital markets regarding the issuance of shares, bonds and other financial products. Regulation aims to protect investors and maintain market stability (Noesti et al. 2024). Some important regulations include OJK Regulation No. 35/POJK.04/2014 regarding the issuance and approval of issuers' financial statements (Otoritas Jasa Keuangan Republik Indonesia 2015). OJK Regulation No.14/POJK.04/2019 regarding the amendment to OJK regulation No. 32/POJK.04/2015 regarding the capital increase of public companies by providing pre-emptive subscription rights (Dewan Komisioner Otoritas Jasa Keuangan 2019). The regulation of the Islamic stock market is governed by the National Sharia Council (DSN), which issues fatwas that serve as a reference for Islamic products. such as fatwa No. 40/DSN-MUI/IX/2003 concerning Guidelines for the Application of Sharia Principles in the Capital Market Sector (DSN-MUI 2003). Despite regulations, supervision of Shariah compliance is sometimes sub-optimal, especially in smaller institutions. Not all financial institutions apply the same Shariah compliance standards, which can lead to uncertainty in the market is the definition of Shariah compliance risk (Syafitri, Ulfa, dan Aulia 2021). Although a fatwa is not binding, it is a legal opinion that is considered a reference to mandatory rules that do not

include legislation and in practice the DSN-MUI fatwa is one of the references in developing Indonesia's Islamic capital market.

Meanwhile, Malaysia is considered a pioneer country that introduced a complete and comprehensive Islamic governance framework for Islamic financial institutions (Tunnisa 2023), which guides financial institutions in applying sharia principles. Unlike Indonesia, the structure of the Sharia Supervisory Board in Malaysia is divided into the Shariah Advisory Council (SAC) which is the sole authority of the shariah supervisory board located only in the Malaysian State bank and the shariah committee within each Islamic financial institution (Poundrianagari 2021). Malaysia has a Securiti Commission (SC) which is responsible for limiting fundraising, conducting reviews of platform status, ensuring compliance of parties, regulating termination or cancellation, and reporting and transparency standards (Syakirah dan Sayyidah 2024). Define SC as one that issues strict regulations, including guidelines for capital market transactions, investor protection, and regulation of financial products. The SC has a Shariah Advisory Council that ensures financial products comply with Shariah principles. Sharia Governance Framework which governs sharia compliance in the capital market.

Overall, sharia supervision and compliance in the capital markets in Indonesia and Malaysia have been well implemented, but there is still room for improvement. Both have shown a strong commitment to enhancing market integrity and transparency, but challenges in terms of supervision, financial literacy and fatwa consistency need to be addressed to achieve maximum implementation. Continued efforts in education, regulation and stricter supervision will be essential to improve the effectiveness of Sharia supervision and compliance in both countries.

## **CONCLUSION**

The Islamic capital market in Indonesia has shown significant growth, with increasing public interest in investing halal. The basic regulation in Indonesia is the Law of the Republic of Indonesia Number 8 Year 1995 on Capital Market and the regulation in Malaysia is the Capital Market and Service Act 2007 (CMSA) on regulating the overall cooperative capital market in Malaysia, which provides the basic framework for capital market activities in

general and Malaysia. The Financial Services Authority (OJK) plays an important role in regulation, but supervision of Shariah compliance is sometimes less than optimal. On the other hand, there is the DSN-MUI which forms the Sharia Supervisory Board and as an institution that issues fatwas on the Islamic capital market. Meanwhile, Malaysia has a more structured and transparent Islamic capital market system, with a higher portion of Islamic shares and a stronger regulatory framework. The existence of institutions such as the Securities Commission (SC) which issues regulations and the Shariah Advisory Council (SAC) is equivalent to Indonesia's DSN-MUI which issues fatwas and provides solid support for sharia compliance.

A comparison between the two countries shows that Malaysia has developed a more effective sharia supervision and compliance system, while Indonesia has great potential to improve regulation and public education. Continued efforts in improving transparency, financial literacy, and rigorous supervision are needed to improve the effectiveness of the Islamic capital market so that Indonesia can benchmark Malaysia in the supervision and implementation of sharia compliance in the Islamic capital market.

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