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Market conducts supervisory phenomenon in Indonesia

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Abstract

Our study aims to contribute to the research literature in market conduct supervision as a global and fundamental component in financial consumer protection, especially the post-2008 Global Financial Crisis. The international regulatory institutions had agreed on the need for a robust framework for market conduct supervision. However, the actual implementation of market conduct supervision by the Indonesia Financial Services Authority is lacking behind other topics. General research articles of market conduct supervision in Indonesia rarely discuss the economic aspects of the phenomena, emphasizing the analysis of the legal dynamics of the phenomena. Therefore, using focus group discussion, literature review, and Social Fabric Matrix, we try to visualize the overall landscape of the market conduct supervision in Indonesia.

Keywords: Market conducts, financial consumer protection, Indonesia Financial Services Authority

1. Background

The importance of consumer protection in the financial service sector after the 2008 global crisis that had a significant impact on the social, economic, and the mainstreaming of behavioral economics and the fundamental of consumer protection regulation have been discussed through various research findings (Lefevre and Chapman, 2017; Johnston et al., 2015; Lunn, 2014; Mazer et al., 2014; R, Van Bavel et al., 2013; Campbell et al., 2010; Agarwal et al., 2009). These studies have identified the general behavioral biases shown by the individual in financial decision-making. They also found that the implementation of behavioral economics in consumer protection regulation could provide a low-cost alternative for more effective regulation in the financial sector customer protection that protects customers' interests.

Before the 2008 global financial crisis, the regulation in the financial sector was dominated by prudential regulation that focused on a firm's financial health. In its development, the principle of customer protection in the financial service sector became the regulator's primary attention in various countries, especially the G-20governments. Based on the high social and economic cost caused by the global financial crisis, it is effecting on goods and labor market, financial market, and coping mechanism path in a private or public crisis (Ötker-Robe and Podpiera, 2013), International institutions and standard-setting institutions in global financial regulation supported the development of universal customer protection. An emphasis is put on the policies that protect financial products and services

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customers, improve households' risk management, and create a more competitive financial market and better financial stability (Financial Stability Board, 2011),

The lack of prudential regulation to support financial sector stability shaken by the 2008 global financial crisis was identified by the Basel Committee on Banking Supervision (BCBS), International Association of Insurance Supervisors (IAIS), and International Organization of Securities Commissions (IOSCO). The BCBS-IOSCO-IAIS Joint Forum (2010) concluded that a formulation of appropriate principles on the market conduct and customer protection that benefit and improve customer's trust is needed.

In Indonesia, the implementation of customer protection in the financial sector by a specific regulator or the Financial Service Authority (OJK) is regulated in Law No.21 of 2011 regarding the Financial Service Authority (OJK). Technical regulation on financial sector customer protection is mentioned in OJK Regulation No.1/POJK.07/2013 on Financial Service Sector Customer Protection (POJK No. 1/2013). However, improvement is needed on its implementation; for example, World Bank (2014) argued that the Indonesian financial sector supervision system has not fully reflected the market conduct supervision regulation. Thus, OJK improved the financial service sector customer protection, even though there is no independent regulation on market conduct supervision up to this day.

Our study describes the background on the regulation and supervision of market conduct in the Indonesian financial service sector. We also close the gap on the limited Indonesian literature on (i) customer protection in the financial service sector and (ii) regulation and supervisory framework for market conduct from a neoclassical economy point of view and heterodox point of view. The practical and theoretical knowledge gap will be closed through Social Fabric Matrix(SFM) instrument analysis to explain the market conduct supervisory phenomenon, which falls under ex-ante customer protection in the financial services sector (Fullwiler, 2009). Therefore, our study is expected to strengthen the comprehension of market conduct supervision in Indonesia, opening an opportunity to study this phenomenon from an economic perspective.

2. Theoretical Framework and Research Questions

Market Conduct Definition and Market Conduct Supervision

The precise definition of market conduct and market conduct supervision is vital ontologically to support future studies. In Indonesia, market conduct definition is explained in Financial Service Authority Regulation (POJK) No. 1/2013 as "a behavior of financial service business in designing, formulating, and delivering information, offering, making an agreement, for products and/or services, and dispute resolution and handling of reports ."The emphasis on financial service business behavior in this definition aligns with the global perspective to differentiate between market conduct and financial service sector customer protection. Market conduct focuses on the framework and institutional supervision, sales and marketing practices, cost and expenses, lack of transparency and disclosure, and responsible lending. In comparison, customer protection focuses on financial literacy and awareness for customers and the efforts to provide assistance and compensation (redress) (Alliance for Financial Inclusion, 2015 and Hargarter and Van Vuuren, 2017).

The legal definition of market conduct supervision has not been mentioned in the existing regulations. The Master Plan for Financial Service Sector 2021-2025 defines market conduct supervision as “supervision on Financial Service Business behavior in designing, preparing and delivering information, offering, creating agreement, providing services for the use of products and/or services, and handling of complaint and dispute resolution to achieve customer protection” (Otoritas Jasa Keuangan, 2020).

The definition of market conduct is generally elaborated into several objectives (Otoritas Jasa Keuangan, 2017a). Figure 1 below shows the importance of taking the balance between financial service business interests and customer interests into consideration in the market conduct practice. A limit for

market conduct supervision through prudential supervision in the internal twin peak system is not clearly mapped conceptually and in reality.

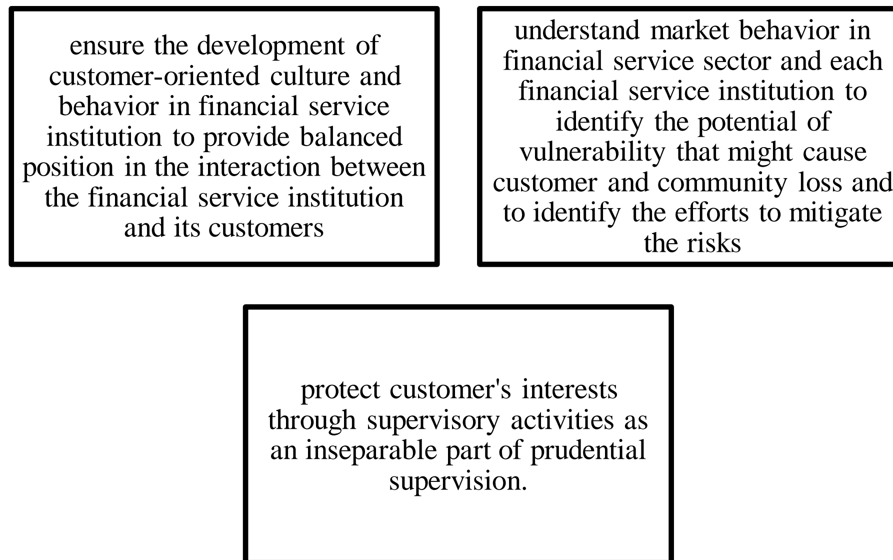

Figure 1. The Objective of Market Conduct Supervision. Source: Otoritas Jasa Keuangan (2017)

The targeted outcome of market conduct supervision continues to develop. Market conduct supervisory activities target is to ensure the integrity of financial service business by implementing customer protection principles in the product or service life cycle. Therefore, the supervisory efforts will increase customers' and community's trust toward the financial service sector (market confidence) and level the playing field among the businesses. Through these efforts, customer and community protection supporting financial system stability will be achieved (Otoritas Jasa Keuangan, 2017b)

Market conduct and market conduct supervisory also can be defined through negative definition construction or the definition of reality if there is no expected theoretical interaction from market conduct and market conduct supervisory phenomenon. The market conduct in a financial service business will still occur according to their economic objectives and the market competition. However, the failure of inserting market conduct supervision as an institutional innovation into the existing system will create a conduct risk. The practitioner definition of conduct risk is “the risk that harms the bank, customers, clients or partners due to inappropriate business activities” (Barclays, 2012).

Empirically, the sources and general weaknesses of financial service sectors and the economic impact of conduct risk have been concluded in several studies (see Table 1). The interaction between market conduct phenomenon performed by financial service business and market conducts supervisory performed by the OJK could be implemented following the standard mentioned in the existing legislation and regulation.

Table 1. The connection between conduct risk sources and general weaknesses of financial service sector activities and their economic impact.

Conduct risk sources	General weakness of financial services sector activities	Financial impact
Inherent factor: • Information asymmetry • Weak financial literacy	• Selling low-value products to consumers • Fail to meet & manage expectations • Obstacles in carrying out consumer rights • Prices focuses instead of product values	• Low savings rates inhibit economic growth • Lack of consumer confidence, distrust • Low financial inclusion and inhibit economic inclusion and poverty handling • Continued low financial literacy cycles
Environmental factor: • Low income consumers • New technology	• Predatory/reckless lending • High lapse level in the insurance & pension fund • Products are sold through an online channel without adequate disclosure • Fraud, violation of privacy	• Over-indebted consumers, low-income households • Inability to monitor the risk of a new canal
Structural factor: • Concentrated market, dominant business actors • Interrelated business models • Problematic incentive structure • Burdensome and limited access regulation • Regulatory gaps	• Price fixing and market manipulation • Consumers exploitation • Low rate product substitution • Bundling offers with improper benefit components • Inappropriate sales incentives • Illegal operation • Products are out of the regulation framework	• Ineffective competition • The increasing of contagion risk • Poor prices formation • Wholesale risk is forwarded to consumers • Disruption of the transition process from the informal sector to formal • The increasing of financial crime risk
Specific factors of business actors: • Governance & control weaknesses • Product design practice weaknesses • Inappropriate distribution model • Consumer service weaknesses	• Conduct Risk is not early detected • Inappropriate financial advice, mis-selling • Poor customer complaints management • Complex products with risk and unclear costs • Unfair requirements, hard to compare and to understood • High costs & low value products	• Distrust & consumer dissatisfaction due to individual bad experiences • Weak financial services institutions, with the possibility of Contagion risk • Inappropriate price formation and insufficient assessment of risk factors in the product causing Systemic Risk

Source: Adapted from Agarwal et al. (2009); Campbell et al. (2010) and other sources

3. Methodology

Research Method and Data Analysis

Considering the limited studies on market conduct supervision in Indonesia under the economic perspective, our study adopted a qualitative method with inductive and exploratory paradigm (Jemna, 2016). Under a heterodox economy, the observed phenomenon is inseparable from its surrounding context. Therefore, each analysis on the phenomenon is conducted under the system-wide perspective, even though this approach will make our conclusion could not be implemented directly to other research objects. Additionally, due to the continuous development of market conduct regulation in Indonesia, a qualitative method that allows the use of on-going design is considered as more appropriate to adjust with the regulation development and the implementation of market conduct supervisory.

Then, the data analysis technique at the exploratory stage started with a literature study followed by data analysis in a focus group session. The focus group session is a means to explore the unfamiliar fields (Mishra, 2016), resulting in collective comprehension and several distinct perspectives on a topic if implemented by training and efficient researchers (Dilshad and Latif, 2013). The data is analyzed by studying the interview results through the focus group, observation during the focus group, and documentation of the focus group in a qualitatively descriptive record. Data analysis started during data collection, then data reduction, presentation, and conclusion from the focus group interview and verification.

Focus Group Discussion

Focus group, discussion on market conduct supervisory, were held on 10 June 2021, presenting one OJK officer and four experts in economics, law, and communication/marketing, which aligns with market conduct supervisory context. The focus group discussion was led by a moderator who has a comprehension of the discussed topic. We explained the overview on the theory regarding market conduct supervisory phenomenon and then provided an opportunity for each participant to deliver their perspective over the topic according to their expertise. The focus group discussion was also attended by several observers with academic backgrounds relevant to the discussed topic. We then performed an independent observation on the session. The focus group discussion resulted in audiovisual recording with a duration of 3 hours and 7 minutes.

Social Fabric Matrix (SFM) Instrument Analysis

To ensure the consistency and relevancy of the approach adopted for the existing economic system and to meet the institutional economic paradigm, we employed the SFM instrument analysis. This instrument is expected to map the studied phenomenon systematically (Fullwiler, 2009). SFM is a "map or matrix of effect as a systematic effort to identify a series of relevant effect that formed behavior of a system. This tool is a reflection of a system" (Gill, 1996). Consistent with the system approach, SFM provides an appropriate method to think of a specific problem or issue from which usable information and efficient solutions can be generated.

Fullwiler (2009) uses SFM to prepare an in-depth description of the daily operation of the Federal Reserve in the global financial crisis 2007-2008. The application SFM analysis framework on the Federal Reserve operation resulted in the key components - key norms, institutions, and technology, as relevant components in preparing a grounded theory on the Federal Reserve activities. SFM is then employed to analyze the normative system (Hayden, 1998) to present the articulation of the key norms through the sub-criteria, rules, regulations, and requirements that significantly impact the institutional behavior involved in the Federal Reserve operation. SFM is also used as an analysis tool on the implementation of state debt management in the US Ministry of Finance (Treasury Debt Operation) to map the components of the phenomenon (Fullwiler, 2011).

On its implementation, we need to map the institutions outside of their focus study (in this case, OJK) to understand the limitation and institutions that interact and affect the observed phenomenon, for example, the institution's stakeholders. According to Alemanno (2015), if the primary purpose of regulation is to ensure that the rule protects the public's interest, the effectiveness of such a rule could be identified and supported by the parties affected by such laws. In this case, the stakeholders include citizens, businesses, consumers, NGOs, public sectors, international trades, and partners (Alemanno, 2015).

4. Discussion

Neoclassic economy perspective on customer protection regulation in the financial service sector

The neo-classic economy literature focuses on the market's role and tends to emphasize the free contracts among economic actors (*laissez-faire*) than the regulation because regulation is generally expensive and tends to be inefficient. However, in its development, various financial crises that occurred show that market failure could happen, and various neo-classical economic assumptions are not applicable in the situation. This phenomenon is the result of agency conflict in the form of poor financial suggestions for customers, the bankruptcy of service providers before fulfilling their commitment, a mismatch between customer's expectations on the provided products or services, fraud on the name of a financial institution, inability to provide services under the expected standard, misunderstanding on the types of products or its risks by the customers, and the tendency of behavior that reduce rational decision making by customers.

Many market fails to encourage the need for regulation on consumer protection in the financial service sector (Campbell et al., 2010). These factors including the certainty in enforcing consumer protection regarding the rights mentioned in the financial contract, externalities of individual behavior towards other individuals, cost of finding alternative products and institutional market power which complicate the process of finding an alternative, and the absence of sufficient public information that falls under information asymmetry category between financial institutions and customers.

In addition, the financial market complexity continues to grow and getting more vulnerable toward information asymmetry and agency problems. Therefore, market actors' self-regulation through contracts and law enforcement is no longer sufficient to ensure that the market runs appropriately. Thus, regulation intervention is needed under such a phenomenon (Enriques and Hertig, 2011).

Besides considering customers' interests, the neo-classic economy also considers the impact of consumer protection regulation from financial services institutions' point of view. According to Jabotinsky and Cohen (2019), several vital costs are incurred for regulated firms. First, the issue of competition distortion that occurs when consumer protection regulation has the potential of disturbing market stability among financial service institutions. Second, fragmentation cost of regulation because the fragmentation of consumer protection regulation into several regulating authorities incurred additional cost for the supervised party. The fragmentation issue usually occurs in a country with twin peak supervision that separates prudential supervision and market conduct supervision into two regulators. Developing new consumer protection regulations will also incur a new administrative cost for the regulator to implement the new provisions. This administrative cost will directly or indirectly affect the supervised parties. On the other sides, developing consumer protection regulation will incur human resource costs and additional costs for financial institutions. There is also a possibility of financial institutions developing new products or innovations to avoid the coverage of the prevailing supervisory instruments. The last is that rigid regulation could bring a moral hazard in which strict, detailed, and protective regulators remove the responsibility of financial institutions' employees and move it into regulator's employees, making financial institutions' employees act recklessly.

Heterodox economy perspective on consumer protection regulation at financial service sector

Shiller (2005), in their study, said that based on the historical analysis, behavioral and institutional economies fall under the heterodox economy theory that usually appears after an economic crisis. The development of these heterodox economy approaches is caused by the shift in the primary economic paradigm that focuses on capitalistic profit optimization in line with the neo-classical perspective to a new perspective that criticizes the capitalism dynamics and its discrepancy with reality, especially on people who suffers due to the economic crisis caused by the failure of social provisioning role of the economy (Tae-Hee, 2016).

The connection between two branches of heterodox economy and their function in this study can be assessed from the central role of framing concept as the basic principle of the behavioral economy (Tversky and Kahneman, 1980). This approach is strongly related to the institutional framework in which human behavior is strongly affected by the frames of reference. On the other hand, the institutional structure available in the community is a framework for all decision-making. Economic shocks such as economic crisis often lead to institutional innovation, including the development of new institutions for consumer protection in the financial service sector and market conduct supervision based on behavioral economics, which had not been introduced before the 2008 global financial crisis (Lefevre and Chapman, 2017; Shiller, 2005).

Under the behavioral economic perspective, there are several considerations on the consumer protection regulation. First, the formulation of financial service contract between financial service institution and customer. In this stage, financial institutions often benefit from analytical sophistication and will try to utilize the behavioral bias of their customer to maximize their profit through the information asymmetry in the contract. Therefore, financial regulation is needed to mitigate this abuse of such bias (Badarinza et al., 2016; Jabotinsky and Cohen, 2019).

The rapid development of retail finance after the 2008 financial crisis was supported by technological development. The competition in the financial market brings various alternatives for consumers. The general issue that follows this phenomenon is product complexity and financial services that are hard to understand by consumers, besides the overflow of choices. Product comparison is hard to perform because each product offers specific features, and price structures are often secretive (Lefevre and Chapman, 2017). A financial option often has a vital role in a customer's life involving emotional elements, such as investing lifesaving, planning for pension, and purchasing life-related insurance (Agarwal et al., 2009). Therefore, the effect of such a decision is long-term, which means risk and uncertainty play a vital role in the decision-making. Customers will also face difficulties learning from their experience because financial products often involve one-time purchasing (Financial Conduct Authority, 2013; Lunn, 2014).

Campbell et al. (2010) also offer a consumer cognitive limitation perspective, which encourages the creation of regulation through present-biased preference (Agarwal et al., 2009), cognitive limitation, and financial illiteracy (Agarwal et al., 2009; Badarinza et al., 2016; Campbell et al., 2010). Customer with cognitive limitation tends to distrust financial products and choose to avoid financial products altogether. Another perspective is due to the lack of self-knowledge, in which customers do not understand their needs, inconsistent time preference, and cognitive limitation (Christelis et al., 2009; Cole and Shastry, 2009)

A more comprehensive study is conducted by Badarinza et al. (2016) by studying literature that compares household financial situation globally based on the statistics of the household balance sheet for 13 developed countries. Their study focuses on the proportion of pension saving, investment in risky assets, unsecured debt, and mortgages to discuss the general features and inter-country differences. Also, they employ high-quality administrative data and probe deeper into the uniqueness of household financial systems in various countries and their changes from time to time. In a nutshell, they confirmed the existing literature on household finance which shows that several households made a better financial

decision than other households and that poor financial performance might have significant consequences on the household's lifelong welfare.

Therefore, we may conclude that economic actors' rationality has limitations, and there is a possibility that a financial decision taken by customers is not their best decision for their personal interests. Therefore, three behavioral economic principles must be emphasized in the preparation of consumer protection regulation. The first principle is choice is affected by the information simplicity and coverage of available choices. The second option is customer tends to be interested in a more comfortable option, especially concerning default. Third, the salience of preferences or attributes might affect how the choices are considered in decision making (Lunn, 2014).

Based on the historiographic perspective, the efforts and regulations on consumer protection are often promoted after systemic issues, like economic crisis (Shiller, 2005). Industrial structure contributes to the root of consumer protection issues, with consumer protection activities that focus on *lex general* regulation and tend to be *ex-post* in nature and adhere to the "imperfectly informed regime" (Remolina, 2020). Therefore, it is possible that consumers do not receive complete information on the risks of their decision. However, in the end, they are protected using various *ex-post* mechanisms (judicial system and alternative dispute resolution). Different perspectives started to be implemented in the regulatory regime in consumer protection in the financial service sector, especially regarding *ex-ante* consumer protection through market conduct supervision.

The Issues Faced by Financial Service Customers in Indonesia

In line with the description of conduct risk sources (see: Table 1), the demographic condition of Indonesia as a developing country leads to the potential of problems that have not been discussed in the previous studies on consumer protection or market conduct supervision. Based on the population census 2020 (Badan Pusat Statistik, 2020), 25.87% of the Indonesian population are Millennials, and 27.94% are Generation Z, who have limited purchasing power and option for financial products. As many as 9.78% of the population are the elderly who have a probability of decreasing cognition ability and difficulty in making a financial decision. Additionally, 12.23% of the population are below 18 years old, and 8.65% of the population older than 18 years old live below the national poverty line. Therefore, affordable financial services are expected to support poverty alleviation efforts and improve people's welfare (Badan Pusat Statistik, 2020; Otoritas Jasa Keuangan, 2017; Otoritas Jasa Keuangan, 2017a; Republik Indonesia, 2016, 2020).

The spatial issue is reflected from the proportion of the population that live outside Java with only 43.90% and have uneven financial access. Around 56.10% of the population living in Java faces economic disparity between districts/cities but has better financial access. The financial service branches and offices are also concentrated in Java. Around 43.3% of the Indonesian population lives in rural areas and experiences issues regarding communication access and limited supporting facilities (Badan Pusat Statistik, 2020; Otoritas Jasa Keuangan, 2017; Otoritas Jasa Keuangan, 2017a;Otoritas Jasa Keuangan, 2019). There is also uneven financial inclusion and literacy among provinces due to various socio-economic and geographical factors. The level of financial literacy and inclusion in the urban area reached 41.41% and 83.60%, while in the rural area, it is only 34.53% and 68.49% (Otoritas Jasa Keuangan, 2019)

A survey held by OJK reveals that financial inclusion and literacy in Indonesia is dominated by the banking sector (Otoritas Jasa Keuangan, 2019). Although various consumers' needs according to their life cycle are more appropriate to be fulfilled by various financial service products offered by other financial service sectors (Agarwal et al., 2009; Badarinza et al., 2016). Therefore, the potential of collaboration among the banking sector, capital market, and other non-bank financial industries (e.g., insurance), such as the bancassurance distribution channel and the marketing of other capital market

products through banking, might cause further complexity in the consumer protection in the financial service sector.

Meanwhile, the technology development in the financial service sector that encourages innovation and strategy development for financial institutions leads to marketing strategy and customer services that reduce the level playing field between the financial service businesses and their customers (Otoritas Jasa Keuangan, 2017; Otoritas Jasa Keuangan, 2017a).

With the level of internet usage penetration in 2019-2020 that reached 73.7%, increased by 64.8% from 2018 (Asosiasi Penyelenggara Jasa Internet Indonesia, 2020), digital financial services will experience mainstreaming and take a larger market share. Therefore, the potential of market conduct issues from financial service businesses will increase. Especially from businesses that provide internet-based services, digital financial services using digital marketing based on customer preference, more complex marketing mix, and the use of user interface and algorithms that have the potential of exploiting and disturbing user's privacy.

The market conduct supervision performed by OJK between 2016 and 2020 includes market intelligence, thematic surveillance, and consumer protection activities (Otoritas Jasa Keuangan, 2020). OJK has monitored the advertisement of the financial service sector during the period with the statistic summarized in Table 2.

Social Fabric Matrix Analysis Results

Based on the literature review, content analysis, and the result of focus group discussion, the SFM was prepared through several stages: (i) formulate convergency of social beliefs as the reason for the observed phenomenon. In this stage, the previous discussion has covered several principles of consumer protection and market conduct supervision, which correlate with the social belief of the economic actors that cause the phenomenon (in this case, the OJK).

The content review process on the legislation documents, regulations and official publications from OJK is conducted to ensure that the social belief in the SFM is the most relevant to the studied phenomenon. This process aims to draw the most relevant social belief with the observed phenomenon. Based on Table 3, we can conclude that the principles mentioned in Law No. 21 of 2011 concerning OJK are the social belief in implementing market conduct supervision. These values are the most relevant values to connect the principles as the fundamental of this research context. These principles include independence, legal certainty, public interests, openness, professionalism, integrity, and accountability.

The result of social beliefs convergence is then employed as the key component in the SFM. Its relationship with other system components, such as criteria and rules, institutions, and technology, was used to explain the studied phenomenon's systematic visualization. A clear comprehension of the social beliefs will make it easier to understand the connection between the components of criteria and rules that define the regulatory boundaries of market conduct supervision by financial service authorities.

SFManalysis result is the setting of general principles to understand the market conduct supervision by the OJK. The principles consist of the social beliefs and criteria and rules that underline the market conduct supervisory activities, institutional design, and the context of market conduct supervision activities, including other institutions besides OJK that provide a suggestion or get affected by the implementation of market conduct supervisory activities.

Table 2. Social Fabric Matrixfrom Market Conduct Supervision in Indonesia by Financial Service Authority.

Delivering & Receiving Components of the System		B1	B2	B3	B4	B5	B6	B7	C1	C2	C3	C4	C5	C6	C7	C8	IN-1	IN-2	IN-3	IN-4	IN-5	T-1	T-2	T-3	T-4	T-5
Beliefs	B1 - Independence								1	1		1	1	1	1	1			1	1						
	B2 - Legal Certainty								1	1		1	1	1	1	1	1	1	1	1	1					
	B3 - Public Interest								1	1	1	1	1	1	1	1	1	1	1	1						
	B4 - Openness								1		1	1	1	1	1	1	1	1	1	1	1					
	B5 - Professionalism								1		1	1	1	1	1	1	1	1	1	1	1					
	B6 - Integrity								1		1	1	1	1	1	1	1	1	1	1						
	B7- Accountability								1		1	1	1	1	1	1	1	1	1	1	1					
Criteria and Rules	C1- Financial Service Authority Act	1	1	1	1	1	1	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	C2-Consumer Protection Act	1	1	1					1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	C3-POJK No.1/2013-Consumer Protection			1	1	1	1	1	1	1		1	1	1	1	1			1	1	1	1	1	1	1	1
	C4-POJK No.61/2020-Alternative Institutions Settlement of Financial Services Sector Disputes	1	1	1	1	1	1	1	1	1	1		1	1	1	1			1	1	1	1	1	1	1	1
	C5 - SE OJK	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1	1	1	1	1	1	1	1
	C6 - PDK	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1	1	1	1	1	1	1
	C7 - SE DK	1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1	1	1	1	1	1
	C8 - Guidelines and Guidance	1	1	1	1	1	1	1			1	1	1	1				1	1	1	1	1	1	1	1	1
Institutions	IN-1 - Indonesian Parliament		1	1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1					
	IN-2 - President & Ministry		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1					
	IN-3 - Financial Service Authority	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1	1
	IN-4 - Financial Industry Association		1		1	1			1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1
	IN-5 - Financial services business actors		1		1	1		1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1
Technology	T-1- Consumer Protection Portal Application										1		1	1	1	1			1	1	1					
	T-2- Consumer Education and Protection Reports (SiPeduli)								1	1	1	1	1	1	1	1			1	1	1					
	T-3- Information System for Market Intelligence Reports (SPIKE OJK)								1	1	1	1	1	1	1	1			1	1	1					
	T-4-Mystery Shopping								1	1	1	1	1	1	1	1			1	1	1					
	T-5- Thematic Surveillance								1	1	1	1	1	1	1	1			1	1	1					

Sources: Otoritas Jasa Keuangan, (2017b) , further analysis by authors.

Table 3. Convergence between the Social Beliefs in the Financial Service Sector Consumer Protection Principles and Related Legislation and Regulation Principles

Law No.30 of 2014 regarding Governmental Administration	Law No. 8 of 1999 regarding Consumer Protection	Law No. 21 of 2011 regarding Financial Service Authority	G-20 High-Level Principles on Financial Consumer Protection	POJK No.1/POJK.07/2013 regarding Consumer Protection
Impartiality Legal Certainty	Balance Legal Certainty	Independence Legal Certainty	Competition Legal, Regulatory and Supervisory Framework	
Public Interests Usefulness	Justice Benefit Consumer safety and security	Public Interest	• Equitable and Fair Treatment of Consumers, • Protection of Consumer Data and Privacy, • Protection of Consumer Assets against Fraud and Misuse, • Financial Education and Awareness	Fair treatment, consumer data/information confidentiality, and safety
Openness		Openness	Disclosure and Transparency	Transparency
Accuracy and Good services		Professionalism	Responsible Business Conduct of Financial Services Providers and Authorized Agents,	Reliability
Not abusing authority		Integrity	Complaints Handling and Redress	Handling complaints and consumer dispute resolution using simple, timely, and affordable methods
		Accountability	Role of Oversight Bodies	

Sources: Otoritas Jasa Keuangan, (2017b); Republik Indonesia (1999, 2011, 2014), further analysis by authors

5. Conclusion

Our study draws several conclusions based on the study performed and described in the previous chapters on the Market Conduct phenomenon in Indonesia by the OJK. From the phenomenon point of view, the formulation of the regulatory structure, organizational framework, business process, regulatory limits, and market conduct supervisory acts at OJK is based on the working principles and framework regulated in Law No. 21 of 2011 regarding the Financial Service Authority.

We traced the theoretical background of the market conduct supervisory implementation. The SFM formulated in our study capture the interrelation of various components in the systematic phenomenon of market conduct supervision. Thus, providing a clearer picture of the observed phenomenon. Social belief alignment will be used to perform systematic construction adjustment in the future. A further adjustment will be conducted following the actors' criteria and rules - environment dynamics. Pragmatically, the development of market conduct supervision in the future that focuses on

the regulation will be limited following the perimeter set in the regulatory boundaries mentioned in Law No. 21 of 2011. The adjustment of these regulatory boundaries requires a cost and benefit analysis as a consideration that will balance out consumers' and supervised firm's interests.

Without regulatory boundaries adjustment, the effectiveness of market conduct supervision will depend on the harmonization between the coverage and authority in prudential supervision according to the OJK Law. Based on this factor, our suggestion is the need for a more detailed and in-depth observation for legal discourses in financial service consumer protection and market conduct supervision and the economic aspects of such phenomenon. The use of legal and economic analysis paradigm might bridge the exploratory aspects of the phenomenon, enriching and supporting the use of SFM analysis. The heterodox perspective is expected to connect future multidisciplinary studies on market conduct supervision in line with the legal-economic viewing institutional economics and socio-psychologic view in behavioral economics. The analysis will also allow legal research literature and other social fields to extend its analysis on market conduct supervisory phenomenon by the Financial Service Authority in Indonesia.

As a qualitative study, our analysis results and conclusion are only applicable for this study and cannot be generalized into a broader situation without an appropriate quantification process. The use of research methods that facilitate such a process will clarify observation on the phenomenon and strengthen the validity of such studies.

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