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MARKET TRANSPARENCY AND PERSONAL DATA PROTECTION IN CAPITAL MARKETS: RECONCILING DISCLOSURE AND PRIVACY

Michael H. Hadylaya
Sekolah Tinggi Ilmu Hukum Litigasi
Email: mh.hadylaya@gmail.com

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Abstract

Capital markets depend on transparency to ensure fair pricing, investor protection, and market integrity, yet digitalization has expanded disclosure practices to include increasingly granular information that may identify individual investors or beneficial owners. This development creates tension between regulatory objectives of market transparency and the protection of personal data. This study examines how disclosure obligations in Indonesian capital market regulation interact with personal data protection law using a normative legal research approach based on statutory analysis and relevant literature. The findings indicate that the perceived conflict arises from the coexistence of two regulatory regimes pursuing distinct public interests: efficient markets and individual privacy. Existing legal provisions allow reconciliation by treating mandatory disclosure as lawful data processing grounded in statutory authority, provided that such disclosure remains proportionate and limited to information necessary for investor protection. The study concludes that effective governance in data-driven financial markets requires integrating transparency and privacy through calibrated disclosure practices rather than treating them as mutually exclusive objectives.

Keywords: ***Capital Markets; Transparency; Disclosure; Personal Data Protection; Governance***

INTRODUCTION

Capital markets rely on transparency as a foundational mechanism for maintaining investor confidence, ensuring fair pricing, and supporting efficient allocation of capital. Disclosure obligations imposed on issuers, shareholders, and market intermediaries are designed to reduce information asymmetry and prevent opportunistic behavior by insiders. As financial systems become increasingly global and interconnected, regulators have expanded reporting requirements to improve oversight, strengthen governance, and align domestic markets with international standards. At the same time, the digital transformation of financial markets has fundamentally changed the nature of information disclosure. Advances in data infrastructure enable rapid collection, processing, and dissemination of detailed investor and ownership information, making transparency more granular and real-time than ever before. However, the same developments also raise concerns about privacy, data security, and the potential misuse of personal financial information. As disclosure expands beyond corporate data to include identifiable information about individual investors or beneficial owners, regulatory frameworks must increasingly balance the objectives of market transparency with the protection of personal data.

Existing studies have examined multiple dimensions of transparency in capital markets, including how increased disclosure enhances the informational efficiency of prices (Krishnan et al., 2020), how competition among informed investors reduces but does not eliminate information asymmetry (Akins et al., 2012), and how asymmetric information can facilitate price manipulation and herding behavior among less informed traders (Yoo, 2008). Theoretical research further shows that the degree of transparency itself can alter trading behavior and market outcomes, potentially affecting liquidity and efficiency under asymmetric information (Fuchs et al., 2016). Regulatory analyses also indicate that expanded reporting requirements, particularly in emerging markets, may reveal commercially sensitive information and trigger unintended market reactions (Hadylaya, 2025). However, these strands of literature largely approach transparency as a problem of information structure or market design and pay limited attention to how expanding disclosure obligations interact with personal data protection frameworks that constrain the dissemination of identifiable information. As capital markets become increasingly data-driven, the coexistence of transparency mandates and privacy protections creates a governance dilemma that remains insufficiently explored in the existing literature. This paper addresses that gap by examining how expanding disclosure obligations interact with personal data protection frameworks in the context of capital market governance. Specifically, it asks how regulators can balance the need for transparency to support market integrity and investor protection with the need to safeguard personal data from excessive exposure. By analyzing the underlying regulatory principles and potential trade-offs between these objectives, the study seeks to clarify the governance challenges arising from their coexistence and to propose a conceptual approach for achieving a more proportionate balance in data-driven capital markets.

METHODS

This study adopts a normative legal research approach, involving the systematic examination of legal norms, principles, and authoritative sources to analyze how the regulatory framework governing capital market disclosure and personal data protection is formulated and applied (Olson, 2021). The research focuses on Indonesian regulatory instruments, particularly OJK Regulation No. 31/POJK.04/2015, OJK Circular Letter No. 10/SEOJK.04/2025, and Law No. 27 of 2022 on Personal Data Protection, assessed within the broader framework of Law No. 8 of 1995 on Capital Markets. Using secondary data consisting of statutory provisions, regulatory documents, academic literature, and relevant legal commentaries (Amiruddin & Asikin, 2020), the study applies qualitative doctrinal analysis to evaluate the coherence, overlap, and potential tension between disclosure obligations and data protection principles. The objective is to assess the governance implications of these interacting regulatory regimes for capital market functioning in an increasingly data-driven environment.

LITERATURE REVIEW

2.1. Disclosure and Transparency in Capital Markets

Disclosure is widely regarded as a central mechanism for improving market efficiency and investor protection because it enhances the information available for pricing and decision-making. Higher precision of public disclosure increases the informational content reflected in asset prices, thereby improving market efficiency (Zhang & Liu, 2023). Regulatory interventions mandating disclosure of specific information have also been shown to increase price informativeness and reduce information gaps among investors, reinforcing the role of disclosure rules in shaping market transparency (Sun & Du, 2024). By reducing information asymmetry between insiders and external investors, high-quality disclosure supports more accurate valuation of securities and influences the cost of capital through investors' risk perceptions and information processing. In this sense, transparency is not merely a reporting requirement but a core institutional mechanism for maintaining confidence in capital markets.

2.2. Information Asymmetry and Market Behavior

Despite these benefits, information asymmetry remains a persistent feature of financial markets even under enhanced disclosure regimes. Theoretical models show that investors may acquire information with different precision levels or rely on market prices as substitutes for private information, resulting in asymmetric equilibrium outcomes despite similar informational environments (Pan et al., 2025). Behavioral responses further complicate this dynamic, as experimental evidence demonstrates that investors often imitate traders perceived as successful, producing herding patterns that influence market dynamics even when no superior information is present (Chmura et al., 2022). Changes in information availability or precision can alter equilibrium outcomes, influencing price informativeness and welfare in complex ways that depend on information costs and market structure (Pan et al., 2025). These findings suggest that disclosure does not eliminate informational inequalities but interacts with investor behavior in complex ways that may amplify volatility or distort price formation.

2.3 Disclosure, Confidentiality, and Data Governance

Disclosure is also associated with economic costs because publicly released information may expose commercially sensitive details that competitors can exploit. Empirical evidence shows that firms face proprietary costs when disclosure reveals information such as customer relationships or strategic data that could weaken competitive advantages (Li et al., 2018). As a result, firms make strategic disclosure decisions based on incentives related to capital needs, signalling objectives, and agency considerations rather than adhering to a principle of full transparency (Shehata, 2014). Disclosure practices therefore reflect a balancing process between investor demands for information and the protection of proprietary interests. At the same time, the digital economy has transformed data into a critical strategic resource, prompting governments to develop regulatory frameworks governing its collection, use, and dissemination. Modern data governance regimes increasingly classify certain information as sensitive data whose release must be controlled to prevent misuse and economic harm (Huang, 2026). Regulatory developments likewise emphasize the need to protect personal data from unauthorized access, leaks, and cyber risks while still enabling legitimate data use (Razi et al., 2024). This shift introduces a new layer of constraints on disclosure, as information required for market transparency may simultaneously fall within categories of protected data, creating potential tension between transparency objectives and data protection principles.

RESULTS AND DISCUSSION

3.1 Mandatory Transparency in Capital Market Regulation

Indonesian capital market law treats disclosure as a foundational mechanism for investor protection and market integrity. Under OJK Regulation No. 31/POJK.04/2015 on Disclosure of Material Information or Facts (POJK 31/2015), issuers are required to report and publicly announce material information that may affect securities prices or investment decisions. Article 2 paragraph (1) POJK 31/2015 stipulates that issuers are required to report material information to the Financial Services Authority (OJK) and publicly announce such information to the market. Article 2 paragraph (3) POJK 31/2015 further requires that the report be submitted no later than the end of the second working day after the occurrence of the material event. These provisions establish a dual obligation to regulators and the public within a strict time frame, reflecting the regulatory assumption that rapid disclosure reduces informational advantages held by insiders and promotes fair price formation.

Transparency obligations also extend to ownership structures. OJK Circular Letter No. 10/SEOJK.04/2025 requires directors, commissioners, controlling shareholders, and parties holding at least five percent of voting shares in a public company to report ownership and any changes in ownership to OJK through an electronic reporting system (Section II point 1). Such reports must be submitted no later than three working days after the ownership change occurs (Section II point 4). These reports enable regulators and market participants to monitor shifts in control, potential conflicts of interest, and the distribution of ownership. By mandating disclosure of such information, capital market regulation treats ownership data as market-relevant information rather than purely private information.

3.2 Personal Data Protection as a Competing Legal Regime

In contrast, personal data protection law is grounded in the protection of individual rights over personal information. Personal data is defined broadly as any information relating to an identified or identifiable individual, whether directly or indirectly (Article 1, Law No. 27 of 2022). This definition potentially encompasses ownership information when it identifies natural persons. The law also establishes principles governing data processing, including lawful basis, specific purpose, proportionality, transparency, accuracy, security, and confidentiality (Article 16, Law No. 27 of 2022). In addition, data subjects are granted enforceable rights, including the right to access personal data, correct inaccuracies, request termination of processing or deletion, and seek compensation for unlawful processing (Articles 7–9 and Article 12, Law No. 27 of 2022). These provisions indicate that the Law No. 27 of 2022 prioritizes individual autonomy and protection against misuse of personal information.

3.3 Normative Tension Between Disclosure and Privacy

When applied simultaneously, these regulatory regimes generate a structural normative tension. Capital market rules compel disclosure of identities, ownership levels, and transactions because such information may influence investor decisions and market prices. However, the same information may constitute personal data when it identifies natural persons, thereby triggering confidentiality and purpose-limitation requirements under data protection law. Public dissemination through stock exchange platforms may therefore extend beyond regulatory supervision into broad public exposure. Personal data processing may be conducted without consent when necessary to comply with legal obligations or to serve legitimate public interests, including regulatory functions (Article 20, Law No. 27 of 2022). This provision implies that disclosure obligations under capital market law remain lawful when explicitly mandated by legislation. Nevertheless, the statute does not clearly delineate the boundary between disclosure necessary for regulatory oversight and unrestricted public dissemination. As a result, uncertainty arises regarding the permissible scope of disclosure of personal data in the context of market transparency, highlighting the need for a coherent framework to reconcile investor protection objectives with the protection of individual data rights.

3.4 Toward a Normative Reconciliation Framework

The apparent conflict between capital market disclosure obligations and personal data protection is not absolute but arises from the application of two regulatory regimes pursuing different public interests. Capital market law prioritizes market integrity, investor protection, and efficient price formation, while personal data protection law emphasizes individual autonomy, confidentiality, and risk prevention. Rather than treating these objectives as mutually exclusive, a reconciliation framework can be developed by interpreting disclosure obligations as a specific legal basis for processing personal data within the financial regulatory context. Indonesian personal data protection law expressly allows processing without consent where necessary to fulfill legal obligations or legitimate public interests (Article 20, Law No. 27 of 2022). Accordingly, disclosure mandated by capital market regulations may be viewed as lawful processing grounded in statutory authority. However, legality alone does not resolve the scope of permissible disclosure. Data protection principles require that processing remain proportionate and limited to specific purposes (Article 16, Law No. 27 of 2022). This suggests that while regulators may collect and process personal data for supervisory purposes, unrestricted public dissemination of such data must be justified by demonstrable necessity for market transparency. Capital market regulations themselves indicate that disclosure obligations are targeted at information capable of influencing securities prices or investor decisions, rather than all available data (Article 1, POJK No. 31/POJK.04/2015). A proportional interpretation would therefore support disclosure of ownership information to the extent required for monitoring control and preventing market abuse, while discouraging exposure of data that is not materially relevant to investors.

A functional distinction between regulatory access and public access may further mitigate the tension. Regulatory authorities require comprehensive information to perform oversight, enforcement, and risk monitoring, whereas the market may only require aggregated or context-specific disclosures. Ownership reporting obligations demonstrate this layered approach, as insiders and major shareholders must report holdings and changes to the regulator within defined time limits (Section II point 1 and point 4, SEOJK No. 10/SEOJK.04/2025). Interpreting these rules through a data protection lens suggests that full personal data disclosure should primarily serve supervisory functions, while public disclosure should be calibrated to the minimum necessary for investor protection. Ultimately, reconciling these regimes requires adopting a proportionality-based governance model in which transparency and privacy are treated as complementary rather than antagonistic objectives. Such a model recognizes that effective markets depend on reliable information flows, but also that excessive exposure of personal data may undermine trust, deter participation, or create new forms of risk. The proposed framework remains conceptual and may require further empirical or comparative research for practical implementation. By grounding disclosure practices in statutory authority, purpose limitation, and necessity, regulators can preserve market integrity while respecting the rights protected by personal data law. This approach shifts the debate from whether disclosure or privacy should prevail to how both can be optimized within a coherent regulatory framework.

CONCLUSION

This study shows that the relationship between capital market transparency and personal data protection is not a simple legal conflict but a structural interaction between two regulatory regimes pursuing different public objectives. Capital market rules require timely disclosure of material information and ownership data to ensure fair pricing, investor protection, and market integrity, whereas personal data protection law seeks to safeguard individual autonomy, confidentiality, and security of personal information. The tension arises when information necessary for market transparency simultaneously constitutes personal data subject to protection. Existing legal provisions allow reconciliation by treating disclosure obligations as lawful processing grounded in statutory authority, provided that such disclosure remains proportionate, purpose-specific, and limited to what is necessary for investor protection. Effective governance in data-driven financial markets therefore depends not on choosing between transparency and privacy but on integrating both through coherent interpretation, calibrated disclosure practices, and regulatory coordination, so that markets remain informative without undermining the rights of individuals whose data enables that transparency.

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