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Governing Cross-Regime Bank–Fintech Syndicated Financing and Corporate Defaults

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Abstract

Background: The development of bank–fintech corporate financing raises legal concerns regarding creditor identification, contractual coordination, and fragmented prudential supervision across different regulatory regimes.
Objective: This study examines regulatory gaps between conventional syndicated lending and information technology-based joint funding services (*Layanan Pendanaan Bersama Berbasis Teknologi Informasi* or LPBBTI) and proposes a legal governance framework for coordinated corporate financing.
Methods: This normative legal research employs statutory, conceptual, case-law, and limited comparative approaches. It examines Indonesian banking, LPBBTI, and insolvency regulations alongside selected regulatory perspectives from Singapore and the European Union.
Results: The findings identify gaps in institutional eligibility, creditor coordination, exposure reporting, information exchange, and default resolution. LPBBTI operators function as intermediaries, whereas funders hold the rights to repayment under the applicable financing arrangements. Contractual freedom may facilitate lawful cooperation but cannot replace licensing requirements or prudential safeguards. The Sritex bankruptcy illustrates conventional corporate credit failure without establishing fintech participation. The study proposes a three-layer Hybrid Syndication Governance Framework comprising institutional eligibility, contractual safeguards, and prudential supervision through combined-exposure reporting.
Conclusion: The proposed framework provides a normative basis for strengthening legal certainty and supervisory coordination in cross-regime corporate financing. Combined-exposure reporting may support risk identification without replacing existing bank-specific exposure limits. Comparative insights from Singapore and the European Union inform the proposal but do not establish directly applicable regulatory thresholds. Further regulatory assessment and empirical validation are necessary before implementation.

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INTRODUCTION

The development of financial technology has transformed corporate financing by creating opportunities for collaboration between conventional banking institutions and technology-based funding services (Abad-Segura et al., 2020; Tian et al., 2019). In Indonesia, syndicated lending has traditionally enabled banks to distribute substantial credit exposures among multiple participating institutions while maintaining compliance with prudential requirements and the Legal Lending Limit (Chu et al., 2019; Suroso, 2022). The Financial Services Authority (*Otoritas*

Jasa Keuangan, OJK) reported commercial bank credit growth of 10.92% year over year in October 2024 and corporate credit growth of 16.19% year over year in November 2024. Although these figures reflect different reporting periods and do not establish the existence of hybrid syndicated financing, they highlight the continuing importance of corporate credit governance. As financing arrangements become increasingly interconnected with digital financial services, questions arise concerning creditor identification, institutional responsibilities, contractual coordination, and the supervision of financial risks across different regulatory regimes (Ramya, 2026).

The principal legal challenge arises from the distinction between conventional syndicated lending and *Layanan Pendanaan Bersama Berbasis Teknologi Informasi* (LPBBTI), or information technology-based joint funding services. Conventional syndication generally involves banks operating under banking regulations, with contractual arrangements governing credit participation, facility administration, and the allocation of responsibilities. In contrast, LPBBTI operates under a separate regulatory framework in which platform operators facilitate funding transactions between funders and funding recipients without automatically becoming creditors themselves. Indonesian LPBBTI regulation has evolved through OJK Regulation Number 77/POJK.01/2016, OJK Regulation Number 10/POJK.05/2022, and OJK Regulation Number 40 of 2024. However, these regulatory developments do not expressly establish an integrated framework for coordinated corporate financing involving banks and funders participating through LPBBTI platforms. Consequently, legal uncertainty may arise concerning permissible institutional functions, financing exposures, information disclosure, and creditor coordination.

These challenges become particularly significant when corporate debtors experience financial distress or default. In conventional syndicated lending, the facility agent coordinates administrative functions, payment arrangements, and creditor communications in accordance with the relevant agreement. Sriwati (2023) demonstrate the importance of contractual provisions governing the authority of participating creditors when debtors default, particularly when creditors seek remedies without acting through the facility agent. In a potential hybrid financing arrangement, coordination may become more complicated because participating institutions and funders operate under different legal and supervisory requirements. Differences in credit assessment, data accessibility, restructuring procedures, and the legal status of financing claims may create uncertainty in collective decision-making. These circumstances warrant an examination of whether existing contractual principles and sector-specific regulations can adequately address the legal relationships arising from coordinated bank–fintech corporate financing.

Previous studies have examined several legal dimensions relevant to these developments. discusses the obligations and legal consequences of creditors participating in syndicated lending, while Sriwati (2023) investigate creditor remedies under syndicated credit agreements when debtors default. Akbar (2024) examine the application of prudential principles in international syndicated lending, highlighting regulatory considerations arising from financing arrangements involving different jurisdictions. In the context of banking supervision, Abubakar (2018) emphasizes the importance of credit policies as instruments for implementing prudential principles. Meanwhile, Jasman & Susanto (2025) addresses credit risk management in fintech lending under OJK Circular Letter Number 19/SEOJK.06/2023, Satrio Ronggo Buwono et al. (2022) discuss regulatory and institutional challenges associated with digital transformation in banking. Collectively, these studies provide a foundation for understanding syndicated lending, prudential supervision, and technology-based financing, although they approach these subjects from different institutional and regulatory perspectives (Macchiavello, 2018).

Research concerning insolvency and creditor protection also contributes to the discussion of corporate financing risks. Yunianti et al. (2025) examine the legal implications of security rights for secured creditors in bankruptcy proceedings, while Oktaviani (2026) address creditor protection in cases involving defaults under project financing agreements. These studies highlight the importance of creditor classification, contractual enforcement, and insolvency procedures in determining available legal remedies. The bankruptcy of PT Sri Rejeki Isman Tbk (Sritex) provides a relevant illustration of these concerns within conventional corporate financing. Following the cancellation of its debt restructuring agreement in October 2024, the Supreme Court rejected its cassation petition in December 2024. Although the case demonstrates the complexity of corporate

debt restructuring and creditor claims, it does not establish the participation of LPBBTI operators or funders. Accordingly, its relevance to hybrid syndication is illustrative rather than evidence of an existing bank–fintech syndicated financing arrangement (Hayati, 2021).

The urgency of this research lies in the potential fragmentation of legal responsibilities and prudential supervision when financing obligations involving the same corporate debtor extend across banking and LPBBTI channels. Banking regulations establish lending limits and risk management obligations applicable to regulated banks, whereas LPBBTI regulations govern technology-based funding activities under a distinct supervisory framework (Brighi & Mussoni, 2025; de Castro, 2018; Van Greuning & Brajovic Bratanovic, 2020). Without an adequately coordinated approach to information concerning debtor exposures, participating financing providers may face difficulties obtaining a comprehensive understanding of obligations distributed across different channels. Such circumstances may create opportunities for regulatory arbitrage, information asymmetry, and inconsistent responses to corporate financial distress. Comparative regulatory experiences offer additional perspectives: Singapore maintains distinct supervisory arrangements for banking and relevant financial technology activities, while Regulation (EU) 2020/1503 establishes a regulatory scope threshold for certain crowdfunding offers. Nevertheless, the European threshold cannot be directly interpreted as a combined lending limit applicable to Indonesian hybrid syndication.

Against this background, the research gap addressed in this article concerns the limited integration of institutional eligibility, contractual governance, and prudential supervision in the legal analysis of coordinated bank–LPBBTI corporate financing. The studies discussed above provide important insights into syndicated lending, fintech regulation, and creditor protection but do not collectively establish an integrated framework for examining these dimensions within a cross-regime financing structure. The novelty of this study therefore lies in proposing a three-layer Hybrid Syndication Governance Framework encompassing institutional eligibility, contractual safeguards, and supervisory coordination. Its principal conceptual contribution is the proposed combined-exposure approach, which considers the aggregate outstanding financing obligations of a corporate debtor across relevant financing channels. This approach is presented as a normative regulatory proposal rather than an existing statutory requirement or an empirically validated quantitative threshold.

This study aims to analyze the regulatory gaps between conventional syndicated lending and LPBBTI-based financing, examine the legal position of coordinated bank–fintech financing arrangements, and formulate a regulatory reconstruction that accommodates contractual freedom while respecting institutional authorization and prudential requirements. Using statutory, conceptual, case-law, and limited comparative approaches, the analysis considers Indonesian banking, LPBBTI, and insolvency regulations alongside selected regulatory perspectives from Singapore and the European Union. Theoretically, the study contributes to legal scholarship by connecting contractual governance, creditor identification, and cross-regime prudential supervision within a single analytical framework. Practically, it offers a structured basis for assessing the legal responsibilities of financing participants and the safeguards required when corporate financing involves institutions operating under different supervisory regimes.

The findings are expected to inform regulatory discussions concerning the coordination of banking and LPBBTI supervision, the development of appropriate contractual safeguards, and the reporting of corporate debtor exposures across financing channels. For regulators, the proposed framework provides a conceptual basis for evaluating institutional eligibility, information-sharing arrangements, and potential supervisory reforms without displacing existing bank-specific prudential limits. For banks, LPBBTI operators, and funders, it highlights the importance of clearly identifying creditor rights, permissible institutional functions, and procedures for responding to defaults. These implications remain normative recommendations that require further regulatory assessment and empirical validation. By integrating these considerations, the study seeks to support a more coherent legal approach to financial innovation, creditor protection, and corporate financing stability.

METHOD

This study employed normative-comparative legal research using statutory, conceptual,

case-law, and limited comparative approaches. Its units of analysis were legal norms, judicial decisions, and contractual relationships. The Sritex bankruptcy served solely as an illustration of conventional corporate financing failure, rather than as evidence of LPBBTI participation. Singapore and the European Union served as conceptually relevant comparators rather than as the subjects of an exhaustive comparative analysis.

Primary legal materials included legislation governing banking, information technology-based financing, and bankruptcy, namely Law Number 10 of 1998 on Banking; Law Number 37 of 2004 on Bankruptcy and Suspension of Debt Payment Obligations; Law Number 4 of 2023 on Development and Strengthening of the Financial Sector; OJK Regulation Number 32/POJK.03/2018 on Legal Lending Limit; OJK Regulation Number 22 of 2022 on Equity Participation Activities by Commercial Banks; OJK Regulation Number 26 of 2024 on Expansion of Banking Business Activities; OJK Regulation Number 40 of 2024 on Information Technology-Based Joint Funding Services; Regulation (EU) 2020/1503; Singapore's Securities and Futures Act; and decisions of the Semarang Commercial Court and the Supreme Court in the Sritex bankruptcy case. Secondary legal materials included textbooks, scientific journal articles, and research findings concerning syndicated lending, fintech lending regulation, bankruptcy law, and comparative digital finance regulation.

Legal materials were collected through a selective doctrinal document review rather than a systematic literature review. Materials were selected based on their relevance to syndicated lending, LPBBTI, bankruptcy, financial supervision, and comparative crowdfunding regulation. Legislation and judicial decisions were assessed in terms of their legal authority and relevance, while academic works were evaluated for their conceptual contributions. No reproducible database search log, screening counts, or fixed publication-year cutoff was claimed. Legal norms were compared according to the regulated actors, permitted activities, supervisory authorities, risks, and legal consequences.

For analytical purposes, hybrid syndication was defined as the coordinated financing of a single corporate debtor by a bank and funders using an LPBBTI platform, whether through a single agreement or interconnected agreements. The LPBBTI operator was understood to facilitate transactions between funders and funding recipients; it was not automatically considered the creditor or owner of receivables. Combined exposure was defined as the aggregate outstanding obligations of the debtor to the relevant financing providers. This concept was treated as a proposed supervisory metric rather than an existing statutory lending limit.

RESULTS AND DISCUSSION

Results

This analysis identifies nine dimensions of potential regulatory gaps: participant identity, lending limits, facility agency, credit assessment, restructuring, insolvency, data protection, supervision, and equity participation, as summarized in Table 1.

Table 1
Gap between Conventional Syndicated Credit Regulation and Fintech-Based Corporate Financing Practices

No	Aspect	Normative Regulation (Conventional Syndicated Credit)	Fintech-Based Practice Reality	Legal Implications
1	Position of Participants	Commercial banks incorporated in Indonesia, subject to the Banking Law	Funders using LPBBTI platforms may potentially finance the same corporate debtor alongside banks, while LPBBTI operators act as intermediaries	No explicit legal basis for hybrid bank-fintech participation

			rather than automatically becoming creditors.	
2	Legal Lending Limit	Strictly regulated through POJK 32/2018, including exemption mechanisms for syndication	LPBBTI funding limit calculated per platform to one fund recipient, not the combined corporate debtor exposure	Potential regulatory arbitrage and undetected concentration risk
3	Position of Facility Agent	Trust position based on banking institutional capacity	No equivalent capacity standard for fintech operators	Governance vulnerability if fintech is appointed as facility agent
4	Debtor Feasibility Assessment	5C/7P principle, thorough verification before disbursement	Business model relies on speed and algorithmic assessment, minimal collateral	Prudential standards not uniform among creditors
5	Restructuring of Non-Performing Credit	Restructuring POJK places banks as the main subject	No coordinated restructuring mechanism across bank-fintech	Restructuring coordination potentially fragmented
6	Failure/Bankruptcy Resolution	Bankruptcy Law classifies separatist, preferential, concurrent creditors based on material collateral	Fintech generally without collateral, potentially automatically becoming concurrent creditors in large numbers	Potential to widen inequality in bankruptcy estate distribution
7	Debtor Data and Privacy Protection	Bank customer data confidentiality strictly regulated in the Banking Law	Debtor exposure data scattered across various platforms, subject to the PDP Law	No cross-bank-fintech exposure data sharing mechanism for prudential purposes
8	Institutional Supervision	OJK supervises banks through the prudential banking regime	OJK supervises fintech through the separate LPBBTI regime	Combined bank-fintech exposure data not integrated
9	Ownership/Equity Participation Relationship	Law P2SK, POJK 22/2022, and POJK 26/2024 open and expand the space for commercial bank equity participation while still requiring prudential principles	Banks can have ownership relationships with financial technology companies, the digital financing ecosystem is developing towards cross-institutional relations	Need for clear separation between ownership relationships and credit relationships, as well as management of conflicts of interest, risk concentration, and regulatory arbitrage in hybrid syndication

Source: Author's construction based on regulatory analysis and literature on syndicated credit and fintech lending (2025).

The application of the 5C and 7P principles, traditionally used by banks, was developed in a context involving face-to-face interactions and physical document verification, both of which can be time-consuming. By contrast, the algorithmic assessment models commonly used by fintech operators are designed to accelerate funding decisions (Jasman & Susanto, 2025). These two

models, which reflect different operational philosophies, must nevertheless inform a coordinated financing decision. This raises the question of which model should serve as the principal reference or whether both should operate in parallel, potentially producing conflicting assessments of the same debtor's creditworthiness.

The Sritex case illustrates how fragility can arise in corporate financing, even though the financing structure in that case was conventional. As shown in Table 2, the chronology extended over approximately three years, from the filing of a petition for the suspension of debt payment obligations in January 2022 to the cessation of operations in March 2025.

Table 2
Chronology of the Bankruptcy of PT Sri Rejeki Isman Tbk and Syndicated Debt Structure

No	Date/Period	Event	Instrument/Legal Basis
1	January 2022	CV Prima Karya filed a Suspension of Debt Payment Obligations petition against Sritex	PKPU petition at the Semarang Commercial Court
2	2022	Peace agreement (homologation) reached; syndicated debt of US$344 million restructured into a 12-year Unsecured Term Loan	Homologation Decision Number 12/Pdt.Sus-PKPU/2021/PN Niaga Smg
3	August 2024	PT Indo Bharat Rayon filed a petition to cancel the peace agreement because Sritex was considered negligent in fulfilling its obligations	Petition to cancel homologation
4	October 2024	Semarang Commercial Court granted the cancellation of homologation and declared Sritex and three subsidiaries bankrupt	Decision Number 2/Pdt.Sus-Homologasi/2024/PN Niaga Smg
5	18 December 2024	Supreme Court rejected Sritex's cassation; bankruptcy status has permanent legal force	Decision Number 1345 K/Pdt.Sus-Pailit/2024
6	February 2025	Curator announced the final list of receivables: 94 concurrent creditors, 349 preferential creditors, 22 separatist creditors	Announcement of the Sritex bankruptcy curator
7	1 March 2025	Sritex officially ceased all factory operations	Bankruptcy creditors meeting

Source: Processed from Semarang Commercial Court Decision Number 2/Pdt.Sus-Homologasi/2024/PN Niaga Smg, Supreme Court Decision Number 1345 K/Pdt.Sus-Pailit/2024, and Tempo.co and Kompas.com news (2024–2025).

The restructuring of Sritex's debt and its subsequent bankruptcy illustrate challenges associated with conventional syndicated corporate financing. However, the case does not establish fintech participation. The reported chronology and claim figures should be treated as secondary-source descriptions pending verification against the complete court decisions. Similarly, allegations arising from criminal investigations should not be treated as judicial findings of guilt.

Of the total claims of Rp26.2 trillion, 94 concurrent creditors, 349 preferential creditors, and 22 secured creditors were recorded. Claims held by secured creditors amounted to only Rp716.7 billion, substantially less than the Rp25.3 trillion in concurrent creditor claims. This distribution illustrates a pattern identified in Indonesian bankruptcy literature: concurrent creditors may hold a substantial proportion of total claims while remaining in a residual position in the distribution of the bankruptcy estate. This problem arises among bank creditors and nonbank financial institutions operating within a relatively uniform supervisory environment. If fintech-related funders subsequently participate in comparable financing structures, the absence of a clear legal framework governing their status and the priority of their claims could increase

existing uncertainty rather than reduce it.

Indonesia and Singapore maintain distinct regulatory frameworks for fintech lending and bank credit syndication without an explicit regulatory mechanism connecting the two. By contrast, the European Union has established a quantitative threshold defining the scope of the crowdfunding regime in relation to other financial regulatory requirements. This difference in regulatory approach is examined further in the Discussion section as a comparative reference for the combined-exposure threshold proposed in this study.

Discussion

The Position of Fintech as a Participant in a Syndication Structure: An Unresolved Regulatory Gap

The legal framework requires a distinction between an LPBBTI operator, which facilitates funding, and the funders who hold the corresponding financing claims. Any proposed role for a fintech-related entity as a syndication participant or facility agent must therefore identify the actual creditor and independently establish whether the entity is legally authorized to perform the proposed function.

The legal complexity increases when an LPBBTI operator is considered for an administrative or coordinating role within a hybrid financing arrangement. Unlike funders that hold financing claims, an LPBBTI operator primarily facilitates transactions between funders and recipients. Consequently, its appointment as a facility agent cannot be presumed lawful merely because the parties agree contractually. Such an appointment requires an independent assessment of the operator's licensed activities, legal authority, institutional capacity, and applicable prudential requirements. Without an appropriate regulatory basis, assigning functions traditionally performed by banking facility agents to LPBBTI operators may create uncertainty regarding contractual accountability, financing administration, and creditor protection.

This risk arises on both sides. Participating banks may lose control over disbursement administration if the agency function is assigned to an entity without adequate banking-level compliance infrastructure. Meanwhile, a fintech operator performing that function without sufficient institutional preparation may face legal liabilities extending well beyond its original business model. This two-sided tension underlies the tiered role classification proposed in this study, rather than a categorical prohibition on fintech participation in syndication. A categorical prohibition could restrict access to economically beneficial financing, whereas the absence of appropriate rules would leave the associated risks unmanaged.

The Position of Hybrid Syndication in Contract Law: Freedom of Contract and Its Limits

Freedom of contract under Articles 1320 and 1338 of the Indonesian Civil Code may provide a legal basis for agreements between parties that satisfy the applicable requirements of contractual validity. However, it does not independently authorize an LPBBTI operator to lend as principal, hold financing receivables, or act as a facility agent. These functions remain subject to applicable licensing, business-activity, and prudential requirements.

The central issue concerns the normative limits of contractual freedom. Article 1337 of the Indonesian Civil Code provides that a contractual cause is unlawful if prohibited by law or contrary to morality or public order. In financial law, public order encompasses interests associated with financial-system stability, an objective reflected in the legal lending limit (LLL) applicable to banks. If a hybrid syndication arrangement results in aggregate exposure to a debtor exceeding the limit that would apply if all participating creditors were banks, the contractual validity of the arrangement does not automatically resolve the prudential concern arising from the excessive exposure. Such an arrangement may create opportunities for regulatory arbitrage: it may be contractually valid while remaining problematic from a public-policy perspective, depending on the applicable rules and circumstances.

The necessary reform is therefore not to eliminate freedom of contract but to establish public-law constraints that frame its exercise. The LLL provides an analogy: it limits banks' lending activities without abolishing their contractual freedom. The Hybrid Syndication Governance Framework proposed at the end of this Discussion follows the same logic. Its purpose is not to prohibit fintech participation but to establish appropriate institutional, contractual, and

prudential safeguards.

Bank Equity Participation in Fintech Companies: Relevance to Hybrid Syndication

Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (the P2SK Law) expands the regulatory framework governing banking activities and provides a basis for adjustments to the rules on commercial bank equity participation. Previously, OJK Regulation No. 22 of 2022 governed commercial bank equity participation in companies operating in the financial sector, including certain companies that use information technology to develop financial products as their principal business. Following the enactment of the P2SK Law, OJK Regulation No. 26 of 2024 expanded the scope of eligible recipients of such equity participation while further addressing relationships between commercial banks and companies supporting banking activities, particularly those using information technology for financial products or transaction facilities. The Explanation to Article 3 specifically identifies financial technology companies as an example.

These regulatory developments are relevant because they demonstrate increasing recognition of institutional relationships between banks and financial technology companies. Nevertheless, equity participation and hybrid syndicated financing involve distinct legal relationships. Equity participation establishes an ownership interest in another company, whereas hybrid financing, as conceptualized in this study, involves coordinated funding of the same corporate debtor by banks and funders using LPBBTI platforms. An ownership relationship does not automatically authorize an LPBBTI operator to become a creditor, co-arranger, facility agent, or security agent. Each proposed function must be assessed independently against the applicable licensing, business-activity, contractual, and prudential requirements.

This distinction also reveals an imbalance in regulatory development. With respect to institutional relationships, the regulator has established an increasingly clear framework for collaboration between banks and financial technology companies. However, with respect to credit relationships, no explicit framework integrates bank LLL standards with LPBBTI funding limits, establishes cross-regime exposure-data-sharing arrangements, or determines how conflicts of interest should be managed when a bank holds an equity interest in a fintech company that participates in financing the same debtor. This situation may produce risk concentration that is formally distributed across two entities but remains economically concentrated within a single ecosystem of related interests. Accordingly, the Hybrid Syndication Governance Framework proposed at the end of this Discussion incorporates ownership relationships into exposure assessment and governance rather than considering only the nominal credit provided by banks and funders using LPBBTI platforms to the same debtor.

Prudential Principles and the Legal Lending Limit in Bank–Fintech Hybrid Syndication

OJK Circular Letter No. 19/SEOJK.06/2023 strengthens credit-risk management requirements for digital funding operators. However, the relevant risk-management framework addresses credit risk from the operator's perspective and does not, by itself, establish an integrated measure of a corporate debtor's aggregate exposure to all creditors. Abubakar argues that the obligation to formulate and implement a bank credit policy is an essential component of prudential banking because the policy provides an internal framework for consistently assessing debtor creditworthiness rather than serving merely as an administrative formality (Abubakar, 2018). An equivalent obligation has not necessarily been established for fintech operators in the context of hybrid syndication. Consequently, consistency in risk assessment among participants may depend on voluntary coordination rather than a binding cross-regime requirement. The LLL is designed to address concentration risk within its applicable scope, but it does not automatically consolidate exposures across banks and LPBBTI-related funding arrangements.

The absence of an integrated cross-regime exposure-assessment mechanism may create supervisory challenges when a corporate debtor obtains financing from banks and funders using LPBBTI platforms. Bank-specific lending limits and LPBBTI funding requirements operate within their respective regulatory frameworks and do not necessarily provide a consolidated assessment of a debtor's obligations across financing channels. This fragmentation may increase the risk of incomplete exposure information and inconsistent credit-risk assessments. Accordingly, this

study proposes combined-exposure reporting as a potential supervisory instrument for identifying aggregate corporate financing obligations. The proposed mechanism would complement, rather than replace, existing prudential requirements. Its implementation would require further assessment of legal authority, reporting obligations, data protection, and institutional readiness.

This condition may also give rise to information asymmetry and moral hazard. Banks participating in a syndication and subject to LLL-related reporting obligations may lack access to information about the same debtor's exposure through LPBBTI platforms. Their risk assessments may therefore rely on incomplete information. Conversely, debtors aware of this information gap may have an incentive to exploit it by obtaining financing through multiple channels without adequate disclosure. This situation reflects a potential moral-hazard problem in principal–agent relationships, in which a party with superior information may act to the detriment of less-informed parties in the absence of effective disclosure mechanisms.

Modern Corporate Credit Failure: Lessons from the Sritex Case

Although the Sritex bankruptcy does not demonstrate LPBBTI participation, it provides a relevant illustration of the legal and financial consequences of corporate credit distress. The restructuring process, subsequent annulment of the homologated composition agreement, and bankruptcy proceedings highlight the importance of credit assessment, contractual compliance, and creditor coordination. Allegations concerning irregularities in unsecured credit disbursement must be distinguished from judicially established findings and should not be treated as proof of criminal liability. For the purposes of this study, the case illustrates the challenges that may arise when substantial corporate financing obligations require collective restructuring or insolvency resolution. These challenges provide a conceptual basis for considering additional contractual and supervisory safeguards in potential hybrid financing arrangements, without implying that such arrangements caused or contributed to the Sritex bankruptcy.

The Sritex case may inform recommendations for strengthening creditor protection and promoting more accountable corporate governance. These recommendations may be extended to the standardization of risk assessment across creditor types, including fintech-related funders. The case also demonstrates that a homologated composition agreement may be annulled when the debtor fails to fulfill its obligations. Accordingly, a legal framework for hybrid syndication should anticipate failures at multiple stages, rather than focusing exclusively on the initial disbursement of funds.

The consequences also extend beyond the creditor–debtor relationship. The Sukoharjo regional government expressed concern about the livelihoods of tens of thousands of Sritex workers, whose families could bring the number of people affected into the hundreds of thousands. Such externalities strengthen the argument that hybrid syndication regulation concerns broader public interests, not merely the allocation of risk among creditors. Proportionate regulatory intervention may therefore be justified not only to protect creditors but also to reduce the risk that financial distress spreads to the real economy.

Comparison with Regulation in Singapore and the European Union

A comparison with Singapore and the European Union further clarifies Indonesia's position within the spectrum of available regulatory approaches, as summarized in Table 3.

Table 3

Comparison of Syndicated Credit and Fintech Lending Regulation in Indonesia, Singapore, and the European Union

Aspect	Indonesia	Singapore	European Union
Legal Basis for Fintech Lending	OJK Regulation Number 40 of 2024 on LPBBTI	Securities and Futures Act & Financial Advisers Act (special P2P legislation)	Regulation (EU) 2020/1503 on European Crowdfunding Service Providers
Legal Basis for	OJK Regulation Number	Monetary Authority	Varies according to

Syndicated Credit	32/POJK.03/2018 on LLL	of Singapore supervisory framework for commercial banks	the national law of member states, outside the ECSPR scope
Exposure/Funding Threshold	Regulated per platform to one fund recipient (Article 1 number 29 POJK 10/2022)	No explicit threshold; depends on Capital Markets Services licence requirements	Five million euros per project owner per twelve months (Article 1 ECSPR)
Relationship between Fintech and Syndication Regimes	No explicit regulatory bridge	No explicit regulatory bridge	Threshold functions as an implicit bridge to the MiFID II/prospectus regime
Opportunity to be Adopted by Indonesia	—	Less relevant because it replicates the gap that already exists	Relevant as a model of cross-regime combined exposure threshold

Source: Author's construction based on OJK Regulation Number 32/POJK.03/2018, OJK Regulation Number 10/POJK.05/2022, Regulation (EU) 2020/1503, and Chambers and Partners, Fintech 2026: Singapore.

Singapore illustrates that the separation of supervisory frameworks for fintech lending and bank credit syndication is not unique to Indonesia. However, the specific regulatory arrangements in Singapore differ from those in Indonesia, and the absence of an explicit combined-exposure mechanism should not be taken to mean that the two jurisdictions have identical regulatory gaps. Singapore's framework for securities offerings and digital lending operates under its own licensing and supervisory requirements. The relevant comparison is therefore not that Singapore necessarily replicates Indonesia's legal position, but that its framework does not, on the basis of the instruments considered here, establish the particular cross-regime combined-exposure mechanism proposed in this study. This limits its suitability as a direct model for the proposed reform while preserving its value as a comparative jurisdiction.

Regulation (EU) 2020/1503 establishes a EUR 5 million threshold over a 12-month period for the scope of crowdfunding offers by a project owner under the ECSPR. Exceeding that threshold does not automatically subject every transaction to MiFID II or prospectus requirements. The applicable regime depends on the financial instrument, the nature of the offering, and the relevant legal circumstances. The threshold therefore provides a conceptual analogy for the combined-exposure measure proposed for Indonesia, not a directly transferable legal rule.

Cross-Jurisdictional Issues in Cross-Border Hybrid Syndication

The problem extends beyond the domestic level. Cross-border credit syndication has long involved questions of choice of law and choice of forum. When a participant in a hybrid syndication is a fintech operator conducting cross-border activities or affiliated with foreign capital, the legal complexity increases. The arrangement may engage not only Indonesian and foreign law but also banking and fintech supervisory regimes with different jurisdictional requirements (Napitupulu, 2025). The European Union addresses cross-border crowdfunding through a single-market framework under which crowdfunding service providers authorized under the ECSPR may provide services across member states in accordance with the applicable passporting requirements. Indonesia does not have an equivalent mechanism for LPBBTI operators. Consequently, the participation of foreign fintech-related entities in hybrid syndication requires careful consideration of licensing, applicable law, jurisdiction, and dispute-resolution arrangements rather than reliance solely on contractual clauses (Widiana Purnawan, 2025).

Article 18 of the *Algemene Bepalingen van Wetgeving* (General Provisions on Legislation) is relevant to the historical development of Indonesian private international law. However, its application should not be treated as establishing an unrestricted, universally applicable principle of *lex loci contractus* or an unconditional freedom to choose the governing law. The validity and

effect of choice-of-law and choice-of-forum clauses must be assessed under the applicable Indonesian conflict-of-laws principles, mandatory rules, and public-policy limitations. Although contractual choice-of-law provisions are used in conventional international syndicated lending, their existence does not eliminate the need for public-law rules governing cross-border prudential supervision. Choice of law and choice of forum primarily address the legal framework for contractual relationships and dispute resolution; they do not, by themselves, establish preventive mechanisms for monitoring risk accumulation. That distinction is central to the Hybrid Syndication Governance Framework proposed in this study.

Reconstruction of the Hybrid Syndication Governance Framework

Based on the regulatory-gap analysis, case study, and jurisdictional comparison above, this article proposes a Hybrid Syndication Governance Framework. Unlike approaches that treat banks and fintech-related financing as entirely separate regimes, the framework recognizes that both may participate in financing the same corporate debtor without necessarily holding equivalent legal positions. It adapts the general logic of threshold-based regulation observed in the European Union to the more complex, multi-regime context of Indonesian corporate financing.

The framework consists of three mutually reinforcing layers. The Institutional Layer establishes minimum capacity requirements concerning capital, risk-management systems, and compliance track records for fintech-related entities seeking to participate in corporate financing syndication. It also classifies permissible functions—ordinary participant, co-arranger, or facility agent—according to verified institutional capacity and applicable legal authority. The Contractual Layer provides for standardized clauses in hybrid syndicated credit agreements, including removal provisions, protocols for sharing debtor-exposure data, and step-in rights when a participant fails to fulfill its funding commitment. The Prudential Supervision Layer integrates the assessment of a corporate debtor's aggregate exposure to bank and fintech-related creditors into a reporting framework accessible to the regulator, subject to applicable legal authority and data-protection requirements. This layer provides the basis for considering a combined-exposure threshold across supervisory regimes, as outlined in Table 4.

Table 4

Hybrid Syndication Governance Framework as Reconstruction of Fintech-Based Syndicated Credit Regulation

No	Layer	Main Indicators	Novelty Dimension	Implementation Instrument	Legal Implications
1	Institutional	Capital adequacy, risk management system, compliance track record of fintech operators	Tiered role classification (ordinary participant/co-arranger/agent) based on verified capacity	OJK capacity certification before participation in corporate syndication	Prevents operators that are not sufficiently capable from occupying high-trust functions
2	Contractual	Explicit removal clause, exposure data sharing protocol in real time, step-in right	Standardisation of mandatory clauses in hybrid syndicated credit agreements	Standard clauses in hybrid syndicated credit agreements	Legal certainty for all participants when one party defaults
3	Prudential Supervision	Combined exposure threshold of a single debtor to all bank and fintech	Concept of cross-regime combined exposure threshold, adapting the ECSPR threshold	Integration of LLL exposure reporting and LPBBTI in one OJK supervision system	Detects and prevents concentration risk and regulatory arbitrage

	creditors	model to the multi-creditor context

Source: Author's construction, developed from the synthesis of Djumhana (2012), OJK Regulation Number 32/POJK.03/2018, OJK Regulation Number 40 of 2024, and Regulation (EU) 2020/1503.

An Institutional Layer without a Contractual Layer would screen eligible participants but would not adequately govern their interactions when a default occurs. Conversely, a Contractual Layer without a Prudential Supervision Layer would regulate private relationships but would not necessarily prevent systemic risks from remaining outside the regulator's view. The framework's principal conceptual contribution is the proposed cross-regime combined-exposure threshold. This study advances it as a regulatory-design proposal for Indonesian syndicated credit and fintech lending, which are generally addressed under separate supervisory frameworks. It should not, however, be interpreted as proof that no related threshold or comparable mechanism exists in any other jurisdiction.

Distributed ledger technology and smart contracts may support implementation of the Contractual and Prudential Supervision Layers by improving the traceability of exposure data and compliance with contractual covenants. However, these technologies cannot replace the legal clarity required to establish participants' status, authority, and obligations. According to Satrio Ronggo Buwono et al. (2022) banks' digital transformation continues to face obstacles involving regulatory harmonization, technological infrastructure, and human-resource readiness. Accordingly, the additional complexity of cross-regime bank–fintech supervision must be assessed against the actual capabilities of regulators and industry participants, rather than solely against a normative design. Abubakar & Handayani (2022) argue that regulatory support for banks' digital transformation should be accelerated through a measured approach. This perspective is consistent with the three-horizon roadmap proposed in this study. The Hybrid Syndication Governance Framework is therefore conceived as a regulatory roadmap rather than merely a technical specification. A potential starting point would be a targeted review of OJK Regulation No. 32/POJK.03/2018 on the LLL and OJK Regulation No. 40 of 2024 on LPBBTI to assess whether a common definition and reporting treatment of combined exposure could be established.

Policy Implications and Regulatory Reform Roadmap

The analysis above supports a three-horizon regulatory reform roadmap designed for gradual implementation without undermining the stability of the banking sector or the development of the fintech sector. The roadmap should also be aligned with the regulatory framework for bank equity participation. Accordingly, reporting on nonbank participants in syndication should, where legally justified, include relevant ownership and affiliation relationships between banks and fintech operators. This would allow combined-exposure supervision to consider not only nominal credit but also potential conflicts of interest and risk concentration within a single corporate group or financing ecosystem.

1. Short term (0–1 year): The Financial Services Authority (OJK) could introduce an appropriate reporting requirement for banks involved in syndicated lending to disclose the participation of nonbank entities, including relevant fintech-related funders, in periodic LLL reports. This would provide an initial basis for mapping combined exposure without requiring a comprehensive restructuring of POJK No. 32/POJK.03/2018. The legal authority and proportionality of the proposed reporting requirement would need to be assessed.
2. Medium term (1–3 years): A targeted revision of OJK Regulation No. 40 of 2024 could be considered to address LPBBTI-related participation in multi-creditor financing structures involving corporate debtors. The proposed provisions could establish minimum institutional-capacity requirements corresponding to the Institutional Layer and specify standardized contractual safeguards corresponding to the Contractual Layer, subject to the applicable statutory and regulatory framework.
3. Long term (3–5 years): OJK could develop an integrated combined-exposure

reporting system linking relevant banking debtor-information systems with LPBBTI reporting arrangements. This could be accompanied by a legally binding combined-exposure threshold for relevant bank and fintech-related financing of the same corporate debtor, informed by—but not directly replicating—the threshold logic of Regulation (EU) 2020/1503.

These three horizons are mutually reinforcing. The short-term measures would generate data needed to formulate an appropriate threshold; the medium-term measures would establish contractual and institutional safeguards; and the long-term measures would provide the integrated reporting and regulatory basis needed to implement and enforce the threshold effectively.

Practical Recommendations for Industry Participants

Alongside regulatory reform, banks and fintech operators considering joint financing arrangements for corporate debtors may adopt risk-mitigation measures using contractual instruments available under the existing civil-law framework, subject to applicable licensing and regulatory restrictions.

Banks acting as arrangers should conduct due diligence on prospective participants' institutional capacity, including their audited financial statements, risk-management arrangements, and compliance history under the applicable OJK regulations. This due diligence could serve as a contractual counterpart to the proposed Institutional Layer before formal capacity-assessment requirements are introduced. Hybrid syndicated credit agreements should also include appropriate removal provisions, exposure-data-sharing clauses, and step-in rights consistent with the proposed Contractual Layer. These measures would strengthen legal certainty among participants without making coordination depend entirely on good faith when a default occurs.

Corporate debtors considering hybrid syndication should provide prospective creditors with accurate and sufficiently comprehensive information about their total financing exposure across relevant sources, subject to applicable law and contractual obligations. Even where no specific disclosure obligation applies, incomplete or misleading information may create reputational and legal risks, particularly if it contributes to a subsequent credit failure. The Sritex case illustrates the importance of credit assessment, creditor coordination, and contractual compliance, although it does not establish that hybrid financing or fintech participation contributed to that bankruptcy.

CONCLUSION

This study concludes that the Indonesian legal framework governing conventional syndicated lending and information technology-based joint funding services (*Layanan Pendanaan Bersama Berbasis Teknologi Informasi*, or LPBBTI) remains fragmented in addressing coordinated corporate financing across different supervisory regimes. The principal regulatory gaps concern institutional eligibility, creditor identification, contractual coordination, exposure reporting, information exchange, and mechanisms for resolving corporate defaults. Although freedom of contract provides a legal foundation for financing arrangements, it does not independently authorize LPBBTI operators to perform banking functions or override applicable licensing and prudential requirements. LPBBTI operators primarily act as intermediaries, whereas funders hold the relevant financing claims. Furthermore, the Sritex bankruptcy illustrates the complexity of corporate debt restructuring and creditor protection in conventional financing arrangements but does not establish fintech participation. These findings demonstrate the need for regulatory coordination that accommodates financial innovation while maintaining legal certainty, creditor protection, and prudential accountability.

To address these gaps, this study proposes a three-layer Hybrid Syndication Governance Framework integrating institutional eligibility, contractual safeguards, and prudential supervision through a proposed combined-exposure reporting mechanism. The framework seeks to improve the identification of aggregate corporate financing obligations, strengthen coordination among relevant financing participants, and reduce potential regulatory arbitrage without replacing existing bank-specific lending limits. Comparative perspectives from Singapore

and the European Union provide conceptual references rather than directly transferable regulatory standards. Accordingly, the proposed framework should be understood as a normative recommendation requiring further regulatory assessment and empirical validation. Future research should examine the availability of integrated financing data, the institutional readiness of the Financial Services Authority (OJK), and actual bank–LPBBTI financing practices to evaluate the framework's legal feasibility and practical effectiveness. These considerations may inform the gradual development of a more integrated, accountable, and proportionate regulatory approach to corporate financing in Indonesia.

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AUTHOR CONTRIBUTION STATEMENT

Ulhaq and Lastuti Abubakar contributed to the development of this research on the legal governance of bank–fintech syndicated financing and corporate defaults. Their respective contributions to conceptualization, methodology, legal analysis, manuscript preparation, and final approval should be specified and confirmed by both authors before publication.

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