

Upper and Lower Auto Rejection (ARA-ARB) Policy on the Indonesia Stock Exchange: an Analysis of its Compliance with the Principles of Islamic Economic Law

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ABSTRACT

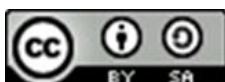
High stock price volatility can trigger market instability and increase the risk of investor losses. To manage such fluctuations, the Indonesia Stock Exchange (IDX) implements the Auto Rejection Upper and Lower (ARA-ARB) policy as a daily price movement limit. In the context of the Islamic capital market, it is essential to examine whether this policy aligns with Islamic economic law and the objectives of maqāṣid al-sharī'ah, particularly in promoting justice ('adl), avoiding excessive uncertainty (gharar), and ensuring public welfare (maslahah). This study aims to analyze the conformity of the ARA-ARB mechanism with these principles. The research employs a normative-doctrinal approach through document analysis of regulatory texts, including IDX Board of Directors' Decrees, OJK regulations, and DSN-MUI Fatwas, complemented by literature review and synthesis of empirical studies from 2020 to 2023. The findings indicate that, from a normative perspective, the ARA-ARB policy is consistent with maqāṣid al-sharī'ah as it helps reduce extreme volatility, minimizes gharar, ensures fairness and transparency, and is free from elements of riba. Empirically, ARA-ARB provides positive signals toward abnormal returns under certain conditions, although often followed by a short-term decline in trading volume. This implies a trade-off between price stability and market liquidity. The study recommends regular sharia compliance evaluations, enhanced involvement of the Sharia Supervisory Board, and improved transparency and investor literacy to ensure that the implementation of ARA-ARB remains consistent with Islamic principles while supporting a stable and resilient capital market in Indonesia.

Keywords: Auto Rejection Upper and Lower; Indonesia Stock Exchange; Maqāṣid al-Sharī'ah; Islamic Economic Law; Islamic Capital Market.

INTRODUCTION

The capital market holds a strategic role in supporting economic growth through its intermediation function, which channels funds from surplus units to those requiring financing for investment and business expansion. By providing access to long-term funding, the capital market fosters innovation, job creation, and sustainable national economic growth. A well-integrated and developed capital market has been empirically proven to enhance the efficiency of capital allocation, strengthen financial stability, and accelerate economic expansion, as evidenced in the European Union and Indonesia (Haripriya, 2025; P. K. D. Lubis et al., 2024; Orłowski, 2020). Nevertheless, the capital market remains inherently vulnerable to price fluctuations and high volatility risks, making regulatory and institutional resilience essential (Apostolov, 2023).

In recent years, the development of Indonesia's stock market has been significantly influenced by interrelated domestic and global factors. Empirical studies indicate that macroeconomic variables such as exchange rates, interest rates, and inflation exert a negative effect on stock market capitalization, while economic growth



(GDP), foreign portfolio investment, and political stability have a positive and significant impact (Siska et al., 2023). These findings highlight the dual nature of macroeconomic dynamics, wherein policy stability and external investor confidence become vital determinants of market performance.

Foreign capital inflows, in the form of both Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI), have been recognized as key drivers of Indonesia's stock market capitalization growth (Siska et al., 2024). This underscores the importance of policy consistency to simultaneously maintain macroeconomic stability and attract foreign participation. The capital market, therefore, operates as a financial system that links those in need of funds such as corporations and governments with investors possessing surplus capital through the trading of financial instruments including stocks, bonds, and derivatives.

From a corporate perspective, the capital market represents a primary funding source. Funds raised through Initial Public Offerings (IPOs), rights issues, or bond issuances are often more efficient compared to bank loans, particularly when interest rates are high (Yonanda, 2025). This access to cost-effective capital empowers companies to expand operations, invest in innovation, and strengthen competitiveness in both domestic and international markets. The growing sophistication of financial instruments also enhances the depth and liquidity of Indonesia's capital market.

However, the market is not isolated from global economic shocks. Uncertainties in global economic policy, fluctuations in oil prices, and inflationary pressures have been shown to affect the volatility and returns of the Indonesian stock market (Hashmi et al., 2021). These global spillovers can exacerbate domestic vulnerabilities, particularly when local investors exhibit low levels of financial literacy and when investor protection mechanisms remain underdeveloped (Rorizki et al., 2022).

The limited participation of domestic investors also contributes to the market's susceptibility to external shocks, as the dominance of foreign investors can amplify volatility during periods of uncertainty. Consequently, strengthening local investor engagement and enhancing financial literacy emerge as strategic priorities for achieving a more resilient market ecosystem.

In this regard, the development of the Islamic capital market has gained increasing attention. It focuses on regulatory innovations that align with the principles of *maqāṣid al-syarī'ah* aiming to foster inclusivity, justice, and sustainability (M. Lubis et al., 2025). The Islamic capital market not only broadens investor participation but also introduces ethical considerations that emphasize fairness and social welfare within financial transactions.

To maintain market stability and protect investors, the Indonesia Stock Exchange (IDX) enforces the Upper and Lower Auto Rejection (ARA-ARB) mechanism, which limits the daily price movement of shares. This policy is designed to prevent excessive volatility, reduce speculative risk, and allow investors sufficient time to reassess the fair value of securities. For instance, during the Covid-19 pandemic, the IDX imposed a 15% ARB limit to curb sharp price declines amidst high market turbulence. Empirical studies found that this policy did not significantly influence investment decisions driven by psychological biases such as self-attribution or risk perception, implying that ARA-ARB functions more as a market stabilization tool than as a behavioral determinant (Kusumawardani et al., 2023).

From the perspective of Islamic economic law, the ARA-ARB mechanism is particularly relevant as it aligns with the principles of protecting public interest (*maslahah*), ensuring justice, and preventing harm (*dharar*). The application of *maqāṣid al-syarī'ah* in capital market regulation emphasizes the balance between protection,

fairness, and innovation so that regulation remains adaptive and contextually relevant. Although specific research on the compatibility of ARA-ARB with *sharia* principles remains limited, its volatility-reduction function can be viewed as consistent with *maqāṣid al-syarī'ah*, as it prevents excessive losses and promotes fairness and stability within the market (M. Lubis et al., 2025).

Market protection mechanisms such as ARA-ARB thus play a strategic role in maintaining both stability and fairness, particularly during episodes of extreme price movements. On the IDX, these mechanisms limit price fluctuations, shield investors from speculative risks, and prevent substantial losses arising from market volatility. Furthermore, the protection framework extends to digital trading systems that automatically reject transactions violating *sharia* principles, and includes volume restrictions and trading halts aimed at safeguarding overall market equilibrium (Kurnia & Rasyid, 2023).

When examined through the lens of Islamic economic jurisprudence, such protective mechanisms strongly resonate with *sharia* principles emphasizing justice, transparency, the protection of public welfare, and harm prevention (Purba et al., 2023). These alignments support *hisbah* the principle of market supervision and prohibit socially harmful practices such as monopolization and hoarding (*ihtikar*). They also justify government intervention to maintain *maslahah* or collective well-being (Achyar et al., 2024).

Accordingly, the ARA-ARB mechanism reflects the essence of Islamic economic law, as it aims to ensure fairness, stability, and investor protection in the pursuit of public welfare (Kurnia & Rasyid, 2023). By embedding ethical and justice-oriented considerations into market regulation, this mechanism contributes to building a more balanced and resilient financial ecosystem that integrates efficiency with moral responsibility.

This study is distinguished by its novelty, combining Islamic economic legal analysis with capital market policy evaluation through an interdisciplinary lens. Such an approach allows for a nuanced understanding of potential conflicts and synergies between ARA-ARB mechanisms and *sharia* principles. The study's interdisciplinary framework bridges legal, economic, and ethical perspectives offering both theoretical and practical relevance to contemporary market governance.

Moreover, this research utilizes the most recent IDX regulations and contemporary fatwas from the National Sharia Council–Indonesian Ulema Council (DSN-MUI), ensuring contextual accuracy within Indonesia's current capital market landscape. By integrating empirical observations with normative *sharia* principles, the study seeks to provide a comprehensive evaluation of regulatory alignment.

Ultimately, the findings are expected to yield significant scholarly contributions, offering practical guidance for *sharia* investors and regulators in implementing or refining ARA-ARB mechanisms. Through this, the research aspires to promote the creation of a capital market that is not only stable and fair but also consistent with the ethical and legal foundations of Islamic economic law.

In addition, this study contributes to the broader discourse on the integration of Islamic legal principles within modern financial regulation. While global financial systems continue to evolve toward digitalization and automation, the alignment of regulatory mechanisms with ethical frameworks becomes increasingly crucial. The ARA-ARB mechanism exemplifies how conventional financial instruments can be interpreted and adjusted to meet the objectives of *maqāṣid al-syarī'ah*, ensuring that market efficiency is pursued alongside social justice and economic inclusivity. This intersection between regulatory innovation and Islamic jurisprudence underscores the importance of

adaptive governance models that remain faithful to moral imperatives while addressing contemporary market complexities.

Furthermore, the study seeks to enrich the literature on *sharia*-compliant financial policy by providing empirical and theoretical foundations for integrating stability-oriented market mechanisms with normative legal thought. By positioning ARA-ARB within the paradigm of Islamic economic justice, this research not only bridges the gap between modern capital market practices and classical *sharia* principles but also lays the groundwork for policy reform that supports a resilient, equitable, and ethically grounded financial ecosystem. In this sense, the research aspires to extend the conversation on sustainable financial governance, where economic development, market stability, and moral responsibility coexist harmoniously under the umbrella of *maqāṣid al-syarī'ah*.

METHODS

This study employs a normative-doctrinal approach supported by document analysis and an extensive literature review to evaluate the conformity of the ARA-ARB policy with the principles of *maqāṣid al-syarī'ah*. The primary data sources include regulations issued by the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK), fatwas from the National Sharia Council–Indonesian Ulema Council (DSN-MUI), as well as relevant academic publications and empirical reports, particularly those published between 2020 and 2023. The selection of literature was based on thematic relevance and methodological quality, with non-scholarly or opinion-based works excluded to maintain analytical rigor.

The analytical process was conducted thematically, where all documents were examined and coded according to key *maqāṣid* indicators such as the prohibition of *riba* (usury), avoidance of *gharar* (uncertainty), promotion of justice, and enhancement of transparency. Empirical findings were narratively synthesized to illustrate the effects of the ARA-ARB policy on market volatility, liquidity, and returns. Triangulation was applied across multiple data sources to strengthen the validity and consistency of interpretations, ensuring that conclusions drawn reflect both the doctrinal foundations of Islamic economic law and the empirical realities of Indonesia's capital market.

RESULTS AND DISCUSSION

The implementation of the ARA-ARB mechanism has become increasingly relevant amid volatile market conditions, as it provides a protective measure against excessive losses resulting from abnormal price movements. By setting upper and lower limits on daily stock price fluctuations, this policy functions as a built-in safeguard to stabilize market dynamics and mitigate the adverse effects of speculative trading. Such regulatory intervention helps to maintain orderly market behavior, particularly during periods of heightened uncertainty, when investor reactions can be driven more by sentiment than by fundamental value considerations.

Empirical evidence suggests that adjustments to auto-rejection thresholds significantly influence market behavior, affecting both abnormal returns and trading volumes, while also shaping investor sentiment and decision-making processes (Sianturi et al., 2024). Consequently, the ARA-ARB policy serves as a crucial instrument for reinforcing investor confidence and preserving the integrity of Indonesia's capital market. Its role extends beyond technical regulation, symbolizing the government's commitment to fostering a stable, transparent, and trustworthy financial environment that supports sustainable market growth.

1. Description of the ARA-ARB Policy

The Auto Rejection (AR) mechanism represents a core market safeguard established by stock exchanges to ensure orderly price formation and to prevent excessive volatility during trading sessions. It is an automatic system that restricts the range of price movements within a single trading day. When a bid or offer price exceeds a predetermined percentage limit relative to the previous closing price, the trading platform automatically rejects the transaction. This regulatory feature ensures that securities prices remain within a defined corridor, mitigating the impact of speculative activity and protecting investors from irrational market movements. The principal aim of the AR mechanism is to maintain stability and fairness in the capital market while fostering investor confidence. By limiting the magnitude of daily price fluctuations, the system prevents panic-driven sell-offs and speculative bubbles that could otherwise distort asset valuation. This becomes particularly crucial during periods of heightened uncertainty, when market participants are more prone to react emotionally to macroeconomic or geopolitical developments. In such conditions, AR serves as a stabilizing instrument, allowing time for information assimilation and rational decision-making.

In practical implementation, auto rejection can operate under two different structures—symmetrical and asymmetrical. A symmetrical AR applies identical upper and lower price limits, thereby providing a balanced framework between gains and losses. Conversely, an asymmetrical AR employs different percentage limits for upward and downward price movements, often designed to be more restrictive on the downside to prevent steep declines. Empirical evidence suggests that adjustments in these limits significantly influence investor sentiment, trading volumes, and abnormal returns, as they alter the perceived risk–return trade-off within short-term trading horizons (Maudya & Yuliati, 2025).

Based on recent regulatory reviews, the Indonesia Stock Exchange (IDX), in coordination with the Financial Services Authority (OJK), has reaffirmed its commitment to ensuring an orderly, fair, and efficient market through adaptive policy updates. These updates were formally announced through press releases and codified in the Board of Directors' Decree No. Kep-00002/BEI/04-2025, titled *Guidelines for Handling the Continuity of Trading under Emergency Conditions*, and Decree No. Kep-00003/BEI/04-2025, which revises *Rule II-A on Equity Securities Trading*. Both decrees became effective on April 8, 2025. These policy adjustments were introduced as part of a broader market stability framework aimed at enhancing transparency and resilience across Indonesia's equity market structure.

A notable revision introduced through these decrees is the modification of the lower auto rejection (ARB) threshold, which has been standardized at 15% for equities listed on the Main Board, Development Board, and the New Economy Board. The same limit applies to Exchange-Traded Funds (ETFs) and Real Estate Investment Funds (REITs) across all price ranges. This adjustment reflects a calibrated approach to market regulation: the 15% ARB threshold provides adequate flexibility for natural price discovery while maintaining a sufficient safeguard against extreme downward volatility. By harmonizing these thresholds across market segments, the IDX seeks to ensure consistency, transparency, and fairness in how trading limits are applied. Furthermore, the exchange has revised its *trading halt* and *trading suspension* procedures to enhance investor protection and ensure adequate market liquidity during extreme market movements. According to the new regulation, if the Jakarta Composite Index (JCI) experiences a decline exceeding 8% in a single trading day, a 30-minute trading halt will be triggered. Should the decline deepen to 15%, an additional 30-minute halt will be imposed. In the event of a 20% drop or greater, a

full trading suspension will be implemented for the remainder of the trading session, with possible extension beyond one session upon approval from the OJK. This multi-tiered halt mechanism allows for progressive intervention based on market severity, striking a balance between regulatory prudence and market flexibility.

The rationale behind these adjustments lies in the necessity to safeguard both market integrity and investor confidence. Volatile markets tend to induce herd behavior, where investors collectively react to price movements without adequate analysis of underlying fundamentals. By temporarily pausing trading activity, the IDX aims to provide a “cooling-off period” that allows market participants to re-evaluate information, adjust strategies, and restore rational price discovery. Such measures also prevent systemic contagion effects, where sharp declines in one segment of the market trigger panic selling across the broader financial system.

Importantly, these regulatory changes were not made in isolation. The IDX and OJK incorporated extensive consultation with market stakeholders, including securities companies, institutional investors, and academic experts, to ensure that the revised ARA-ARB framework aligns with both domestic market realities and international best practices. This participatory policy formulation process underscores Indonesia’s commitment to aligning its capital market governance with global standards while respecting the unique characteristics of its investor base. Benchmarking against major exchanges such as the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE) reveals that Indonesia’s 15% threshold remains within the global norm for emerging markets, providing both competitiveness and prudence.

Moreover, the regulatory emphasis on stability and transparency also resonates with the broader objectives of *maqāṣid al-syarī’ah* in Islamic economic law, which advocates for fairness, protection from harm (*dharar*), and the promotion of public welfare (*maslahah*). Although the ARA-ARB policy originates from conventional financial regulation, its underlying logic—preventing excessive losses, discouraging speculative manipulation, and maintaining equilibrium—aligns closely with the ethical imperatives of *sharia*-compliant finance. This harmony between regulatory prudence and Islamic moral principles strengthens the legitimacy of the policy within Indonesia’s dual financial system, which encompasses both conventional and Islamic market instruments.

Finally, the adaptation of ARA-ARB regulations in 2025 represents a proactive response to evolving market dynamics, especially in the post-pandemic era characterized by heightened digital trading activity and global interconnectedness. By reinforcing safeguards such as price limits, trading halts, and suspensions, the IDX not only enhances market resilience but also fosters investor trust—an essential component of sustainable capital market growth. This integrated approach reflects the exchange’s ongoing commitment to building a capital market that is both efficient and equitable, capable of withstanding shocks while maintaining alignment with ethical and legal frameworks relevant to Indonesia’s socio-economic context (IDX, 2025).

2. Analysis of Compliance with Sharia Law

A policy is considered compliant with Islamic law when it adheres to the fundamental principles of *sharia*, namely the prohibition of *riba* (usury), avoidance of *gharar* (excessive uncertainty), the promotion of justice (*‘adl*), and the assurance of transparency for all parties involved in economic activity (Ghozali et al., 2024). Within

this framework, *riba* encompasses all forms of unjustified monetary gain or interest arising from lending and borrowing transactions, which are prohibited due to their exploitative and inequitable nature. *Gharar* refers to the presence of uncertainty or excessive speculation in contractual terms such as ambiguity regarding the object of trade, pricing, or time of delivery, which may result in harm or unfair advantage to one party. The principle of justice requires that all transactions be fair, ensuring that no party suffers undue loss or receives disproportionate benefit, thereby supporting equitable wealth distribution. Transparency, on the other hand, demands that all information and processes involved in economic exchanges be clear, open, and easily understood by every participant. Collectively, these principles serve as the moral foundation of an ethical and sustainable economic system designed to protect societal welfare in accordance with the teachings of the Qur'an and the Sunnah (Ghozali et al., 2024).

In relation to the ARA and ARB policies implemented by the Indonesia Stock Exchange (IDX), the principles of *muamalah*, which govern economic and financial transactions in Islam demonstrate significant alignment, particularly in terms of justice and the prevention of harm (*gharar* and *maisir*). The ARA-ARB mechanism operates to restrain excessive volatility, thereby minimizing speculative behavior and the potential exploitation of uninformed investors. Empirical studies, such as that of Firdaus (2022), have shown that the implementation of the auto-rejection mechanism by the IDX is consistent with the objectives of *maqāṣid al-syarī'ah*. In essence, the policy aims to achieve public welfare (*maslahah 'ammah*) by safeguarding investors and the broader capital market from the detrimental effects of extreme price fluctuations. Findings from the 2020–2023 period further indicate that the application of symmetrical auto rejection provided a positive signal to the market, particularly reflected in abnormal returns, even though trading volumes temporarily declined due to negative market sentiment. This outcome suggests that market stabilization measures do not necessarily hinder performance but instead reinforce investor confidence in market integrity.

Overall, the ARA-ARB policy may be viewed as a practical manifestation of *maqāṣid al-syarī'ah*, as it embodies the balance between economic efficiency, justice, and social welfare. By constraining price volatility, the policy contributes to the establishment of a fair and transparent market environment, where all participants are protected from excessive risk and uncertainty. Nevertheless, continuous evaluation is required to ensure that the implementation remains both *sharia*-compliant and adaptive to the evolving dynamics of the financial market (Maudya & Yuliati, 2025). Sustained alignment between regulatory mechanisms and Islamic ethical principles will not only preserve market stability but also enhance the legitimacy of Indonesia's dual financial system—integrating conventional regulatory efficiency with the moral and distributive justice objectives central to Islamic economic law.

3. Comparison with Practices in Other Islamic Capital Markets

Studies across various Islamic capital markets have revealed that volatility control mechanisms—such as restrictions on margin trading, prohibition of short selling, and the enhancement of corporate governance and disclosure standards—represent practical manifestations of the *sharia* principles of prudence (*ihtiyath*) and investor protection. These instruments aim to ensure that trading activities occur within an ethical and stable framework that minimizes excessive risk and speculative behavior. While the forms and mechanisms differ from one country to another, their underlying objectives remain

consistent: to preserve market stability, prevent elements of excessive uncertainty (*gharar*), and uphold the values of justice (*‘adl*) and transparency in accordance with *maqāṣid al-syarī‘ah*. In the Indonesian context, these principles are institutionalized through Fatwa DSN-MUI No. 80/2011 and Financial Services Authority Regulation (POJK) No. 15/POJK.04/2015, both of which provide normative and regulatory foundations for ensuring that capital market activities adhere to Islamic ethical standards. Meanwhile, other jurisdictions have emphasized technological and structural innovation in their capital markets to enhance efficiency and investor trust (Muhammadi et al., 2024).

Empirical evidence from comparative studies further indicates that the integration of *sharia* principles into volatility management frameworks significantly enhances the resilience of Islamic capital markets against global economic shocks. The implementation of prudential restrictions—such as circuit breakers, risk-based screening for *sharia*-compliant securities, and limits on speculative leverage—has proven effective in mitigating systemic vulnerabilities while promoting long-term investor confidence. Although the technical designs and thresholds of these mechanisms vary, the overarching objectives remain aligned with the *maqāṣid al-syarī‘ah*: to establish a stable, equitable, and transparent market structure that safeguards collective welfare (*maslahah*). This alignment highlights that the ethical and prudential dimensions of Islamic financial regulation are not merely doctrinal ideals but are operationally integrated into market mechanisms that promote both economic efficiency and moral accountability (Adams et al., 2023).

In comparative perspective, countries with mature Islamic financial systems—such as Malaysia, Saudi Arabia, the United Arab Emirates, and Qatar—demonstrate varied approaches to volatility control while maintaining adherence to shared *sharia* objectives. Malaysia, for instance, enforces comprehensive frameworks through the Securities Commission’s *Shariah Advisory Council* and promotes continuous innovation via the *Islamic Capital Market Masterplan*, emphasizing technological efficiency and strong investor protection. Saudi Arabia and the UAE prioritize transparency and market discipline through the regulation of speculative practices and the introduction of automated trading halts during periods of abnormal volatility. Qatar’s Islamic market, on the other hand, focuses on strengthening cross-border regulatory cooperation and the integration of *fintech* solutions to maintain both stability and accessibility. Indonesia’s approach, while still evolving, reflects a growing convergence with these global best practices—anchored in the *maqāṣid al-syarī‘ah* principles of fairness, prudence, and collective benefit. Such convergence illustrates that Islamic capital markets worldwide are progressively harmonizing ethical imperatives with modern regulatory innovation, fostering a model of sustainable and inclusive financial governance.

Table 1. Comparison of Capital Market Authorities and Sharia Economic Principles Across Countries

Country/Capital Market Authority	Volatility Control Mechanism	Underlying Sharia Principles	Primary Object	Remarks
Indonesia (BEI)	Upper and Lower Auto Rejection (ARA-ARB)	Justice (<i>‘adl</i>), Transparency	To maintain price stability and protect investors	Automatic limitation on daily stock price increases

			from extreme fluctuations	and decreases
Malaysia	<i>Volatility Interruptions and Circuit Breakers</i>	<i>Hisbah (Fairness and Order)</i>	To prevent price manipulation and speculative trading	Managed under the supervision of the Shariah Advisory Council (SAC)
Arab Saudi	<i>Daily Price Limit</i>	<i>Ihtiyath (Prudence) and Transparency</i>	To ensure orderly and fair market conditions	Daily price movement limits determined by the market authority
Uni Emirat Arab (UEA)	<i>Price Banding System</i>	<i>Adl (Justice) and Maslahah 'Ammah (Public Welfare)</i>	To balance trading freedom with protection against extreme risks	Price ranges adjusted according to market volatility levels
Qatar	<i>Price Banding System</i>	<i>'Adl (Justice) and Maslahah (Public Interest)</i>	To reduce excessive uncertainty (<i>gharar</i>)	To preserve investor confidence and overall market stability

Source: (BEI, 2025; Choiruddin et al., 2025; Tabash et al., 2025)

In general, the implementation of volatility control mechanisms across Islamic capital markets demonstrates a shared regulatory objective—namely, to maintain market stability and protect investors from excessive financial risk. Policies such as auto rejection, circuit breakers, and price banding systems serve as institutional embodiments of *maqāṣid al-syarī'ah*, particularly in preventing *gharar* (excessive uncertainty), upholding *'adl* (justice), and preserving *maslahah 'ammah* (public welfare). Through transparent, fair, and integrity-based market governance, these mechanisms operationalize Islamic ethical principles within modern financial systems. This convergence illustrates that Islamic markets, despite differing regulatory frameworks, adhere to the same moral imperatives of stability, equity, and accountability that define Islamic economic jurisprudence.

Specifically, the Upper and Lower Auto Rejection (ARA-ARB) mechanism, which automatically restricts stock price fluctuations within a daily trading range, can be viewed as consistent with the principles of justice and transparency in Islamic financial governance. By limiting abnormal price movements, this mechanism prevents unfair manipulation and mitigates imbalances among investors, thereby reflecting the value of *'adl* in market transactions. In addition, the ARA-ARB

mechanism is inherently free from *riba* (interest), as it does not involve any form of predetermined gain or monetary increment. Its preventive function against speculative excess also contributes to reducing *gharar*, promoting a more stable and predictable trading environment. From this perspective, the ARA-ARB policy aligns not only with conventional prudential regulation but also with the ethical imperatives of *sharia*, ensuring that market conduct remains within moral and equitable boundaries.

Nonetheless, to ensure comprehensive alignment with the principles of Islamic economic law, further evaluation and periodic review by *sharia* authorities or supervisory boards remain essential. Such oversight should address both the technical implementation and the policy's long-term impact on investor protection, market efficiency, and distributive justice. The involvement of the Sharia Supervisory Board in assessing mechanisms like ARA-ARB will help guarantee that regulatory practices continue to reflect the balance between economic functionality and ethical accountability, which lies at the heart of *maqāṣid al-syarī'ah* (Andespa et al., 2023). Strengthening this integrative approach will ensure that Indonesia's capital market evolves not only as a competitive financial institution but also as a model of justice-oriented and morally responsible governance in the global Islamic finance landscape.

CONCLUSIONS

Based on the analysis of regulatory documents and the synthesis of empirical studies, this research concludes that the Upper and Lower Auto Rejection (ARA-ARB) policy implemented by the Indonesia Stock Exchange aligns closely with the principles of Islamic economic law and the objectives of *maqāṣid al-syarī'ah*. Normatively, the policy supports the realization of *maslahah* (public welfare) by limiting excessive price volatility, reducing elements of *gharar* (uncertainty), ensuring fairness and transparency in trading activities, and remaining free from *riba* (usury). As such, ARA-ARB functions as a regulatory instrument that embodies the principles of justice (*'adl*) and the protection of wealth (*ḥifẓ al-māl*) within the framework of the Islamic capital market. Its integration demonstrates how prudential mechanisms can simultaneously fulfill both economic efficiency and ethical accountability, reinforcing the harmony between market governance and Islamic legal objectives.

From an empirical perspective, the findings indicate that the implementation of ARA-ARB has a positive impact on market stability and efficiency while enhancing investor confidence in a fair and well-regulated trading environment. The policy has proven effective in maintaining market order and fostering a healthy investment climate consistent with *sharia* values. To strengthen its long-term implementation, this study recommends periodic *sharia* compliance evaluations, a more active role for the Sharia Supervisory Board in the formulation and oversight of market policies, and the enhancement of investor transparency and literacy programs. These measures are essential to ensure that the application of ARA-ARB remains consistent with the principles of justice and *maslahah* that underpin Islamic economic law.

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