



A Normative Analysis of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and Its Implications for Sharia ETF Governance in Indonesia

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Abstract

The rapid development of Islamic finance has increased demand for Sharia-compliant investment instruments, including Sharia Exchange-Traded Funds (ETF). In Indonesia, Sharia ETF governance faces regulatory fragmentation and legal uncertainty, particularly concerning the integration of Sharia principles into capital market regulations. Existing studies have predominantly examined performance aspects or formal compliance processes, while the role of fatwas as operational governance instruments remains understudied. This research examines the National Sharia Board-Indonesian Council of Ulama (DSN-MUI) Fatwa No. 154 of 2023 as a Sharia governance instrument. A normative juridical approach is employed to analyze the provisions within the fatwa, Financial Services Authority (OJK) regulations, and operational practices of Sharia ETF on the Indonesia Stock Exchange (IDX). Data analysis was conducted using thematic methods based on the dimensions of Sharia governance, transparency, and law enforcement. The findings indicate that although Fatwa No. 154 provides legal clarity and certainty, the fatwa remains at a normative level and lacks operational standards that can be implemented in disclosure, reporting, and supervision aspects. Consequently, Sharia compliance risks ceasing at a formalistic stage without effective integration with capital market regulations. This research contributes to Islamic financial governance literature by offering a conceptual framework that positions fatwa as a regulatory instrument within Sharia capital market governance. The implications emphasize the need for regulatory strengthening and enhanced inter-institutional coordination to realize more effective Sharia ETF governance.

Kata Kunci:

Fatwa DSN-MUI No. 154/2023; Reksa Dana Syariah; Tata Kelola Syariah

Abstrak

Pesatnya perkembangan keuangan syariah berdampak pada meningkatnya permintaan terhadap instrumen investasi syariah, termasuk Exchange-Traded Funds (ETF) Syariah. Di Indonesia, tata kelola ETF Syariah menghadapi fragmentasi regulasi dan ketidakpastian hukum, terutama dalam integrasi prinsip syariah ke dalam aturan pasar modal. Studi-studi terdahulu lebih banyak mengkaji aspek kinerja atau proses kepatuhan formal, sementara peran fatwa sebagai instrumen tata kelola operasional belum banyak dikaji. Penelitian mengkaji Fatwa Dewan Syariah Nasional-Majelis Ulama Indonesia (DSN-MUI) No. 154 tahun 2023 sebagai instrumen tata kelola syariah. Pendekatan yuridis normatif digunakan untuk menganalisis ketentuan dalam fatwa, peraturan Otoritas Jasa Keuangan (OJK), dan praktik operasional ETF Syariah di Bursa Efek Indonesia (BEI). Analisis data dilakukan dengan metode tematik berdasarkan dimensi tata kelola syariah, transparansi, dan penegakan hukum. Hasil penelitian menunjukkan bahwa meskipun Fatwa No. 154 memberikan kejelasan dan kepastian hukum, fatwa tersebut masih berada pada tataran normatif dan belum memiliki standar operasional yang dapat diimplementasikan dalam aspek pengungkapan, pelaporan, dan pengawasan. Akibatnya, kepatuhan syariah berisiko berhenti di tahap formalistis tanpa dapat terintegrasi secara efektif dengan regulasi pasar modal. Penelitian berkontribusi pada pengembangan literatur tata kelola keuangan syariah dengan kerangka konseptual yang menempatkan fatwa sebagai instrumen regulasi dalam tata kelola pasar modal syariah. Implikasi penelitian ini menekankan perlunya penguatan regulasi serta koordinasi antar lembaga untuk peningkatan efektivitas tata kelola ETF Syariah.

INTRODUCTION

The strategic role of capital markets is to mobilize financial resources and support economic growth through a wide range of investment instruments. Similarly, capital market development raises governance challenges related to regulation, supervision, and institutional coordination, particularly in developing financial systems. Within this context, Exchange-Traded Funds (ETF) are the most significant financial innovations due to the liquidity, transparency, and cost efficiency. Alongside the global expansion of ETF, Islamic capital markets have increasingly developed Sharia-compliant ETF products in response to the growing demand for ethical, faith-based investment instruments consistent with Islamic values.¹ However, Sharia ETF entail an additional layer of governance complexity arising from the need to ensure continuous compliance alongside financial regulation. The institutional development and governance frameworks of Sharia ETF have evolved unevenly across jurisdictions, particularly in developing Islamic capital markets, such as Indonesia.²

Before the issuance of National Sharia Council - Indonesian Ulema Council (DSN-MUI) Fatwa No. 154/DSN-MUI/V/2023, the governance of Sharia-compliant ETF in Indonesia was characterized by significant legal uncertainty regarding the status, enforceability, and regulatory oversight. Although the fatwa represents an important normative clarification, questions remain concerning its operationalization and integration within binding capital market regulations. In Indonesia, the development of Sharia-compliant investment instruments constitutes an integral component of the national Islamic finance ecosystem. Despite this progress, the Sharia governance framework governing ETF remained fragmented and underspecified for a considerable period.³ In practice, Sharia compliance was largely inferred through analogical interpretations of fatwas governing Sharia mutual funds and Sharia-compliant securities, rather than a dedicated regulatory framework. This reliance on analogy formed a grey regulatory area, particularly with respect to Sharia screening standards, portfolio rebalancing mechanisms, purification processes, and the allocation of supervisory authority between capital market regulators and supervisory institutions. Therefore, Sharia compliance tended to function as an assumed attribute rather than as an explicitly governed and enforceable process.⁴

A growing body of literature has examined Sharia ETF from various perspectives, particularly in terms of performance evaluation, market feasibility, and general Sharia compliance. In the Indonesian context, Jannah conducts a comparative performance analysis of the MNC LIKUID36 ETF, and the result showed no statistically significant performance difference relative to its benchmark indices, although both underperform the Jakarta Composite Index.⁵ Suryosumirat also showed the role of Sharia ETF as halal investment

¹ Winda Ratlin Rarasati, *Analisis Kinerja ETF Dengan Portofolio Indeks Acuan Menggunakan Metode Sharpe, Treynor, Dan Jensen (Studi Kasus ETF Periode 2018-2021)*, 2022.

² Dan Reksa Dana Saham Berdasarkan Metode Sharpe, Dan Jensen Nur Sovi, and Ida Syafrida, *Nur Sovi, Ida Syafrida*, 2022.

³ IFSB (Islamic Financial Service Board), *Islamic Financial Service Industry Stability Report 2021* (Kuala Lumpur, Malaysia, 2021).

⁴ Muhammad Yusuf Husain et al., *Investasi Syariah: Kontribusi Terhadap Ketahanan Sosial Dan Ekonomi Umat Di Indonesia*, 4 (2024): 41–52, <https://doi.org/10.57215/muslimpreneur.v4i2.439>.

⁵ Nur Lutfiatul Janah and Amirah, “Analisis Perbedaan Kinerja Exchange Traded Fund (ETF) MNC 36 Likuid Berdasarkan Indeks MNC 36 Dan IHSG,” *Konsentrasi: Jurnal Manajemen Dan Bisnis* 3, no. 2 (2023): 84–98, <https://doi.org/10.24905/konsentrasi.v3i2.38>.

alternatives that facilitated broader participation in the capital market, while focusing on the importance of certification by authorized Sharia institutions.⁶ The studies offered valuable empirical insights into the economic and operational characteristics of Sharia ETF. However, Sharia compliance was conceptualized as a relatively static attribute and received insufficient attention regarding the governance mechanisms required to ensure its continuity and enforceability over time.

Beyond performance-oriented analyses, several studies explicitly acknowledge regulatory and institutional challenges in the development of Sharia ETF in Indonesia. Azmiana and Muhammad identified significant growth potential driven by Indonesia's Muslim-majority population but underline persistent constraints related to incomplete regulatory frameworks and low levels of public literacy.⁷ Naufal also reported that while Sharia ETF transaction mechanisms generally complied with existing regulations, several supporting Sharia contracts were underdeveloped.⁸ Despite recognizing these constraints, the existing literature has not systematically examined the regulatory and governance implications of Sharia fatwas as operative instruments within the capital market framework. Limited attention has been paid to how newly issued fatwas interact with formal capital market regulations and reshape institutional roles within the Sharia capital market ecosystem. This gap has become increasingly salient following the issuance of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, which formally establishes a Sharia framework for ETF in Indonesia.

The novelty of this study is in the analytical repositioning of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 from a purely normative religious pronouncement to an operational Sharia governance instrument with concrete regulatory and institutional functions within the capital market. Previous investigations predominantly adopt a doctrinal method to fatwa analysis or evaluate Sharia ETF primarily from a market performance perspective. However, this study examined how the provisions of the fatwa shape supervisory mechanisms, inter-institutional coordination, and the distribution of roles among the DSN-MUI, the Financial Services Authority (Otoritas Jasa Keuangan/OJK), and market participants. This method advances the Sharia governance literature by showing how fatwas can function as enforceable governance mechanisms rather than merely normative references within Islamic capital markets.

Consistent with the objective, the study aimed to address existing gaps through a normative and governance-oriented analysis of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and its implications for Sharia ETF governance in Indonesia. Specifically, the study pursues three main objectives, namely (1) to analyze the substantive regulatory provisions contained in DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, (2) to examine its implications for Sharia governance arrangements and practices in the Indonesian ETF market, and (3) to assess its

⁶ R. Adji Suryosumirat, "Exchange Trade Fund (ETF) Syariah Sebagai Alternatif Investasi Halal," *Cakrawala Repositori IMWI* 6, no. 6 (2023): 2264–71, <https://doi.org/10.52851/cakrawala.v6i6.536>.

⁷ Azmiana Risca and Rifqi Muhammad, "Pengembangan Exchange Trade Fund Syariah Indonesia: Peluang Dan Tantangan," *Jurnal Ilmiah Ekonomi Islam* 7, no. 1 (2021): 55, <https://doi.org/10.29040/jiei.v7i1.1824>.

⁸ Naufal Nadir, "Exchange Traded Fund (ETF) Syariah PT Indo Premier Investment Management Ditinjau Dari Perspektif Syariah" (UIN Syarif Hidayatullah Jakarta, 2021).

contribution to enhancing regulatory clarity, investor protection, and the sustainable development of Sharia-compliant investment instruments. The results are expected to provide theoretical contributions to the literature on Sharia governance and practical policy insights for regulators, Sharia supervisory institutions, and capital market participants

RESEARCH METHODS

Study Design

A normative-analytical legal study method was adopted to examine DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and assess its implications for the governance of Sharia ETF in Indonesia.⁹ This method was selected because it enabled a systematic analysis of legal norms, regulatory instruments, and institutional frameworks governing the Islamic capital market, while simultaneously evaluating the consistency and legal authority of the fatwa in market practice. The study was conducted through document and literature studies, including the examination of the fatwa, relevant OJK regulations on Sharia capital markets, pertinent international regulations, and academic publications related to Sharia ETF.¹⁰

A qualitative legal study was conducted grounded in document analysis, using both primary and secondary legal sources. Primary sources comprised DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, as well as relevant regulations issued by the OJK concerning Sharia-compliant mutual funds and capital market instruments.¹¹ Meanwhile, secondary sources included reputable academic literature, institutional reports, and selected international regulatory documents related to Sharia-compliant ETF and Islamic capital market governance. The units of analysis included (1) the substantive provisions of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, (2) relevant OJK regulations concerning the Sharia capital market, and (3) the operational mechanisms of Sharia-compliant ETF implemented on the Indonesia Stock Exchange (IDX).¹²

Data Collection

Data were collected through qualitative document-based legal analysis, using primary legal sources (fatwas and regulatory instruments) as well as secondary sources, including peer-reviewed academic literature and relevant institutional publications.¹³ This strategy allowed the study to gain an in-depth understanding of the legal context, operational procedures, and Sharia capital market practices related to Sharia ETF.¹⁴

⁹ Tubagus Akbar Dadin Solihin, "DSN-MUI Fatwa as a Regulatory Pillar for the Growth of Sharia Exchange-Traded Funds in Islamic Finance," *Jurnal Syarikab: Jurnal Ekonomi Islam* 11, no. 1 (2025), <https://doi.org/10.30997/jsei.v11i1.19685>.

¹⁰ Nigel Stobbs and Richard Posner, "Defining and Describing What We Do: Doctrinal Legal Research," *Deakin Law Review* 17, no. 1 (2012): 83–119, <https://doi.org/10.21153/dlr2012vol17no1art70>.

¹¹ Tunggul Ansari Setia Negara, "Normative Legal Research in Indonesia: Its Origins and Approaches," *Audito Comparative Law Journal* 4, no. 1 (2023): 1–9, <https://doi.org/10.22219/acjl.v4i1.24855>.

¹² Charda S, "Typology of Legal Research Methods in Normative and Sociological Thinking," *Fox Justi: Jurnal Ilmu Hukum* 12, no. 1 (2021): 113–20, <https://doi.org/10.58471/justi.v12i1.769>.

¹³ Ishwara Bhat, *Qualitative Legal Research: A Methodological Discourse* (United Kingdom: Oxford University Press: Oxford University Press, 2020).

¹⁴ G. A. Bowen, "Document Analysis as a Qualitative Research Method," *Qualitative Research Journal* 9, no. 2 (2009): 27–40, <https://doi.org/10.3316/QRJ0902027>.

Documents were selected using a purposive sampling method, based on relevance, authority, and contribution to the objectives.¹⁵ The analysis focused primarily on DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, OJK regulations regarding Sharia capital markets, institutional reports, and academic literature addressing governance, compliance, and operational practices of ETF in Indonesia, as well as comparable international practices. This strategy enabled the study to assess the consistency of the fatwa with existing regulations, identify potential legal gaps or practices requiring governance enhancement, and provide a comprehensive understanding of the implications for Sharia ETF' development in the Indonesian capital market.

Data Analysis

Data analysis was conducted using thematic content analysis combined with regulatory mapping. This method enabled the study to move beyond a merely descriptive legal review, advancing toward a structured, systematic, and replicable process of normative analysis. To operationalize the thematic content analysis, a structured coding framework was used to develop a priori based on Sharia governance theory and regulatory governance literature. The coding process was conducted using ATLAS.ti software to ensure systematic, transparent, and replicable qualitative analysis. Table 1 presents the coding framework used in the thematic analysis, showing the relationship between primary analytical dimensions and their corresponding sub-codes.

Table 1. Coding Framework

No	Code	No	Code
1	Group Codes: Sharia Compliance	14	TA_Disclosure_Sharia
2	SCM_Principles	15	TA_Reporting
3	SCM_Akad	16	TA_Investor_Protection
4	SCM_Underlying_Assets	17	Group Codes: Compliance and Enforcement Mechanisms
5	SCM_Continuous_Compliance	18	ENF_Supervision
6	Group Codes: Governance Structure and Institutional Roles	19	ENF_Sanctions
7	GOV_DSN_MUI_Role	20	ENF_Legal_Force
8	GOV_OJK_Role	21	ENF_Implementation_Gap
9	GOV_DPS_Role	22	Group Codes: Regulatory Alignment and Gaps
10	GOV_Market_Actors	23	REG_Alignment
11	GOV_Dual_Governance	24	REG_Misalignment
12	Group Codes: Transparency and Accountability	25	REG_Gap

¹⁵ Hani Morgan, "Conducting a Qualitative Document Analysis," *The Qualitative Report* 27, no. 1 (2022): 64–77, <https://doi.org/10.46743/2160-3715/2022.5044>.

The coding framework was applied consistently to examine and compare DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and relevant OJK regulations governing the Sharia capital market. The primary dimensions of analysis included (1) Sharia compliance mechanisms, such as normative principles, the role of the Supervisory Board, and the sustainability of compliance, (2) governance structure and institutional roles, examining the distribution of authority among DSN-MUI, OJK, and market participants, (3) transparency and accountability provisions, including information disclosure and Sharia compliance reporting, and (4) compliance and enforcement mechanisms, covering supervisory instruments, sanctions, and the effectiveness of regulatory enforcement.

Each dimension served as a primary coding category, applied consistently across all legal documents analyzed. This method facilitated normative comparisons across instruments and enabled the identification of consistency, gaps, and governance implications for the development and oversight of Sharia ETF in Indonesia. The analysis was conducted through four operational stages. First, all primary and secondary documents were systematically reviewed and coded in accordance with the pre-established thematic framework.¹⁶ Second, the coded data were analyzed to identify patterns, regulatory gaps, and areas of divergence between DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, applicable OJK regulations, and relevant international practices.¹⁷ Third, regulatory mapping was conducted by comparing the fatwa with other regulatory instruments using an analytical matrix that visualized the normative scope, institutional responsibilities, and governance implications. This process clarified how the fatwa interacts with existing regulations and identified areas requiring governance reinforcement. To enhance the transparency of the analysis, the study presents a flowchart and the analytical matrix.¹⁸

Table 2. Governance Alignment between DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and OJK Regulatory Framework for Sharia ETF

Governance Dimension	DSN-MUI Fatwa No. 154/DSN-MUI/V/2023	Relevant OJK Regulations on the Sharia Capital Market	Degree of Alignment	Governance Implications
Sharia Normative Foundation	Establishes the Sharia principles governing ETF, including permissible	Does not substantively formulate Sharia principles; instead, it refers to DSN-MUI	High	The fatwa functions as the principal normative source of Sharia

¹⁶ Bowen, "Document Analysis as a Qualitative Research Method."

¹⁷ Morgan, "Conducting a Qualitative Document Analysis."

¹⁸ Pierre Sarliève et al., "A Mapping Tool for Digital Regulatory Frameworks: Including a Pilot on Efforts to Regulate AI," *OECD Regulatory Policy Working Papers*, no. 23 (2025).

	contracts (<i>akad</i>), underlying assets, and the prohibition of non-halal elements	fatwas as the primary basis for Sharia compliance.		compliance.
Types and Structure of Contracts	Identifies permissible Sharia contracts applicable to Sharia ETF, without detailing their technical implementation	OJK regulations do not specify Sharia contracts, focusing primarily on product structuring and licensing requirements	Medium	Technical harmonization between the fatwa and operational regulations is required.
Sharia Compliance Mechanisms	Mandates continuous adherence to Sharia principles	Regulates the obligations of Sharia Supervisory Boards (DPS) and Sharia compliance reporting	High	Requires coordination among DPS, OJK, and market participants
Role of Supervisory Institutions	Affirms the role of DSN-MUI as the authoritative body issuing Sharia rulings	Designates OJK as the capital market supervisory authority	High	Establishes a complementary dual governance structure (Sharia authority-regulator)
Transparency and Disclosure	Emphasizes clarity of contracts and underlying investment objects	Regulates product disclosure requirements and periodic reporting	Medium	Sharia-specific disclosure standards need to be more explicitly integrated
Enforcement and Sanctions	Does not explicitly stipulate enforcement mechanisms or sanctions	Provides administrative sanctions for regulatory violations	Low–Medium	The effectiveness of the fatwa depends on OJK's enforcement mechanisms

Product Innovation Dimension	Provides legitimacy as financial instruments	Sharia for innovative	Regulates approval and procedures	product offering	High	The fatwa serves as a prerequisite for Sharia product innovation
Regulatory Gaps	Does not elaborate on technical implementation	detailed	Has not fully accommodated specific characteristics of Sharia ETF	-		Indicates the need for strengthened governance and derivative regulations

Source: Author's analysis based on DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and relevant OJK regulations

Table 2 presents an analytical matrix comparing DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 with relevant OJK regulations. The matrix showed that the fatwa provided the primary normative foundation for Sharia compliance, and OJK regulations played a complementary role in operational governance and enforcement. However, several regulatory gaps remained, particularly regarding technical implementation and enforcement mechanisms, showing the need for stronger regulatory integration.¹⁹ The results from the thematic analysis and regulatory mapping were synthesized to formulate policy recommendations aimed at enhancing Sharia compliance, transparency, and governance effectiveness of Sharia ETF in Indonesia, drawing on international best practices for comparative reference.

This study used source triangulation by comparing the fatwa, regulatory texts, and academic interpretations to ensure analytical consistency to enhance the validity and reliability of the analysis. In addition, peer cross-checking was conducted to minimize interpretive bias and strengthen the robustness of the legal analysis. These measures collectively ensured methodological rigor, as well as supported the credibility and replicability of the results.

RESULT AND DISCUSSION

Exchange-Traded Funds (ETF) and Sharia ETF: Overview and Distinctions

ETF were collective investment vehicles that combined the characteristics of mutual funds with the trading flexibility of stocks.²⁰ Several subsections remained descriptive and paraphrased from regulatory texts, with limited critical synthesis.²¹ These structural features position ETF as attractive instruments for long-term, low-cost, and diversified investment,

¹⁹ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah (2023); Peraturan Otoritas Jasa Keuangan Nomor 19/POJK.04/2015 Tentang Penerbitan Dan Persyaratan Reksa Dana Syariah (2015).

²⁰ Muhammad Talha Akhtar, "Exchange-Traded Funds (ETF) and Mutual Funds: Shaping the Future of Investment Strategies," *Advance Social Science Archive Journal* 04, no. 01 (2025): 4208–19. <https://doi.org/10.5281/zenodo.17183342>

²¹ Irina Atamanchuk, "A Close Look at Exchange-Traded Funds and Their Investors," *ICI RESEARCH PERSPECTIVE: Washington, London* 31, no. 7 (2025).

particularly since the introduction in Indonesia in 2017 through products tracking the LQ45 index and government bonds. At the same time, the features introduced distinct governance and regulatory challenges.²² The real-time trading mechanism, high liquidity, and complex portfolio structures of ETF required more robust oversight frameworks compared to conventional mutual funds, especially in the context of Sharia compliance. Consequently, the expansion of ETF in Indonesia had not only reflected market demand but also intensified the need for clear Sharia governance arrangements. This ensured that compliance with Sharia principles was maintained continuously, rather than assessed solely at the product approval stage.²³

ETF operate through primary and secondary markets, including multiple parties, such as investment managers, custodian banks, participating dealers (Authorized Dealers), sponsors, and investors.²⁴ In the primary market, ETF units were developed or redeemed through dealer participants in coordination with investment managers and the stock exchange.²⁵ In the secondary market, investors bought and sold ETF units through brokerage platforms, similar to stock trading. This dual-market structure ensured liquidity, efficient price discovery, and seamless portfolio management, as shown in Figure 1.²⁶

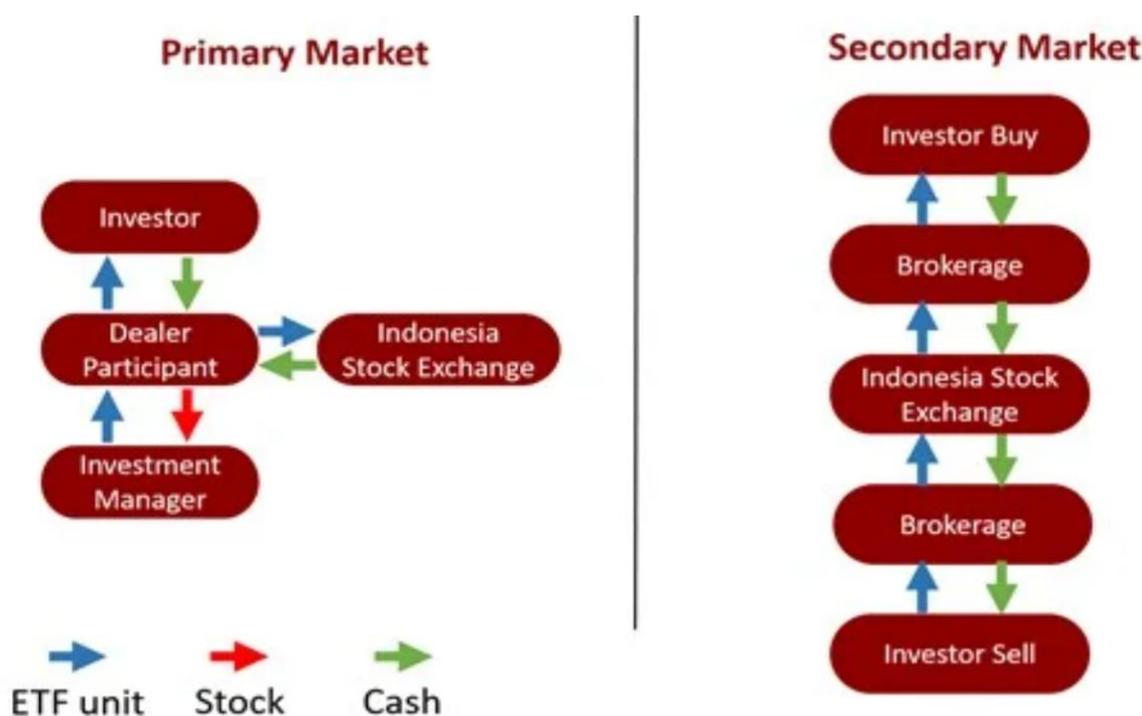


Figure 1. ETF Transaction Mechanism

Source: Adopted from Indonesia Stock Exchange (2024)

²² Reksa Dana, *Laporan Kinerja Bulanan Premier ETF LQ-45* (Jakarta, 2021).

²³ Profile of ETF-Owning Households, *US Exchange Traded Funds* (Amerika Serikat: Investment Company Fact Book, 2025).

²⁴ Jane Heinrich Rochelle Antoniewicz, *The Role and Activities of Authorized Participants of Exchange-Traded Funds* (Washington: Amerika Serikat: Investment Company Institute, 2015), <https://doi.org/202-326-5800>.

²⁵ Investment Company Institute (ICI), *Exchange-Traded Funds (ETF)* (Amerika Serikat: Investment Company Fact Book, 2024).

²⁶ Bursa Efek Indonesia, "Exchange-Traded Fund (ETF)," IDX: Bursa Efek Indonesia, 2024, <https://www.idx.co.id/id/produk/exchange-traded-fund-etf/>.

ETF offered several advantages, including flexibility, low cost, broad market coverage, and transparency. The assets could be traded directly on the stock exchange at any time during trading hours, different from mutual funds.²⁷ ETF management fees were lower than conventional mutual funds, and the cost of secondary market trading was comparable to standard brokerage fees.²⁸ Furthermore, ETF provided broad market exposure, allowing investors to hold multiple top-performing stocks in a single transaction. The portfolio information was fully transparent and accessible, enabling investors to monitor performance in real time, as shown in Figure 2.²⁹

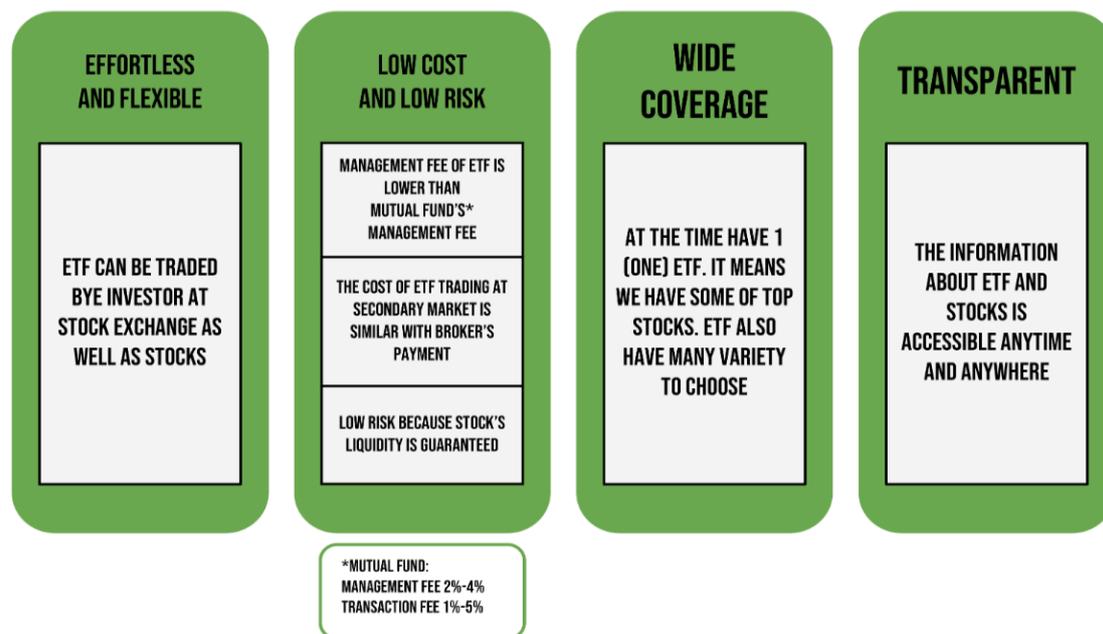


Figure 2. Advantages of Investing in ETF

Source: Adopted from Indonesia Stock Exchange (2024)

Table 3 shows a comparison between ETF and conventional mutual funds, stating differences in trading mechanisms, pricing, liquidity, settlement periods, and minimum purchase requirements.³⁰ Although mutual funds were actively managed and relied on end-of-day pricing,³¹ ETF were traded in real time, followed benchmark indices, and had shorter settlement periods.³² These structural differences enabled ETF to offer lower fees, higher transaction flexibility, and greater transparency³³, as shown in Table 3.³⁴

²⁷ Shirleen Ramli Maria Olivia, Doddy Ariefianto, "Exchange Rate, Global Market Conditions, and ETF Returns: A Comparative Study," *Hong Kong Journal of Social Sciences* 61 Spring (2023), <https://doi.org/10.55463/hkjss.issn.1021-3619.61.69>.

²⁸ Paidamoyo Aurleen Shenjere, Sune Ferreira-Schenk, and Fabian Moodley, "Does Investor Sentiment Influence South African ETF Flows During Different Market Conditions?," *Economics Journal* 13, no. 1 (2025), <https://doi.org/10.3390/economics13010010>.

²⁹ Bursa Efek Indonesia, "Exchange-Traded Fund (ETF)."

³⁰ Adi Cahya Stefanus and Robiyanto Robiyanto, "Performance Evaluation of Exchange Traded Fund in the Indonesia Stock Exchange," *International Journal of Social Science and Business* 4, no. 4 (2020): 499–505, <https://doi.org/10.23887/ijssb.v4i4.29422>.

³¹ Janah and Amirah, "Analisis Perbedaan Kinerja Exchange Traded Fund (ETF) MNC 36 Likuid Berdasarkan Indeks MNC 36 Dan IHSG."

³² B. S. Hoven, *Exchange-Traded Funds: A New Investment Option for Taxable Investors*, 2001.

³³ Jelena Stankevičienė Petronienė, Ieva, "Bond Mutual Funds vs. Bond Exchange Traded Funds: Evaluation of Risk Adjusted Performance," *Administrative Sciences* 9, no. 2 (2019), <https://doi.org/10.3390/admsci9020031>.

Table 3. ETF and Mutual Funds

	Stock Mutual Fund	ETF
Trading	Professional investment management firms and mutual fund marketing agents	Primary market dealer participants Secondary market exchange participants
Minimum Purchase	1 unit	Primary Market: Creation units, representing 1,000 lots (100,000 units) Secondary market transactions are executed in single lots, equivalent to 100 units.
Transaction fee	Buy and Sell fees (usually 1% until 3%)	Brokerage fees are equivalent to stock trading fees
Price	The end of the day	Real time
Underlying	Stock	Benchmark index
Settlement	Settlement period of T+7	Settlement period of T+2
Dealer Participant	No	Yes

Source: Adopted from Indonesia Stock Exchange (2024)

Sharia ETF extended these benefits to investors seeking compliance with Islamic principles. These ETF replicate indices filtered to exclude non-Sharia-compliant companies, and all trading activities must adhere to OJK regulations and the Sharia Online Trading System (SOTS).³⁵ Compared to Sharia mutual funds, Sharia ETF offered more stable and transparent performance due to passive index replication, higher liquidity from exchange-based trading, and lower management costs.³⁶ However, Sharia mutual funds were actively managed,³⁷ providing potential for higher but more volatile returns, with limited intraday liquidity and transparency.³⁸

In general, both conventional and Sharia ETF provided an efficient, flexible, and cost-effective investment instrument.³⁹ The structure enabled exposure, risk control, and

³⁴ Bursa Efek Indonesia, "Exchange-Traded Fund (ETF)."

³⁵ Rashedul Hasan Ali Hachim Prati, Muhammad Ashfaq, Shakir ullah, "Performance of Shariah-Compliant and Non-Shariah-Compliant ETF: A Comparative Study," *International Journal of Islamic and Middle Eastern Finance and Management* 18, no. 1 (2024): 121–41, <https://doi.org/10.1108/IMEFM-04-2024-0181>.

³⁶ Chafia Kettaf, "Islamic Exchange-traded Funds as a Modern Mechanism to Revitalize the Financial Markets: Case Study of the Saudi Financial Market. *International Studies in Islamic Finance*," *Journal of Innovations and Sustainability* 7, no. 1 (2023), <https://doi.org/10.51599/is.2023.07.01.09>.

³⁷ Andre de Souza Edwin J. Elton, Martin J. Gruber, "Passive Mutual Funds and ETF: Performance and Comparison," *Journal of Banking & Finance* 106 (2019): 265–75, <https://doi.org/10.1016/j.jbankfin.2019.07.004>.

³⁸ David Blitz and Joop Huij, "Evaluating the Performance of Global Emerging Markets Equity Exchange-Traded Funds," *Emerging Markets Review* 13, no. 2 (2012): 149–58, <https://doi.org/10.1016/j.ememar.2012.01.004>.

³⁹ Blitz and Huij.

transparent monitoring of portfolio performance, increasing relevance in developing markets such as Indonesia, where demand for low-cost, liquid, and Sharia-compliant investment products continues to grow.⁴⁰

Regulatory Position of Sharia Exchange-Traded Funds in the Indonesian Capital Market

Based on a regulatory perspective, Sharia ETF in Indonesia operated within a multi-layered governance framework. This included the fatwas of the DSN-MUI,⁴¹ regulations issued by the OJK, and the operational rules of the IDX.⁴² The multi-layered governance model reflected the dual governance character of the Islamic capital market, in which compliance with Sharia principles operated alongside adherence to national capital market regulations.⁴³ Legally, Sharia ETF were classified as Sharia mutual funds structured as Collective Investment Contracts, whose units were listed and traded on the exchange in accordance with Financial Services Authority Regulation No. 19/POJK.04/2015.⁴⁴

Before the issuance of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023, the regulatory framework governing Sharia ETF was fragmented and implicit, deriving from general fatwas on Sharia mutual funds and secondary market trading mechanisms, particularly DSN-MUI Fatwa No. 20/DSN-MUI/IX/2001 and DSN-MUI Fatwa No. 80/DSN-MUI/III/2011 (DSN-MUI, 2001; DSN-MUI, 2011).⁴⁵ Although these fatwas provided a general basis for Sharia compliance, the regulatory framework did not specifically address key ETF characteristics, including the involvement of dealer participants, the creation and redemption unit mechanism, and intraday trading in the secondary market. This regulatory condition potentially generated fragmentation and normative ambiguity, as identified in studies on the development of Sharia ETF in Indonesia.⁴⁶

The issuance of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 represented a regulatory consolidation that explicitly positioned Sharia ETF within Indonesia's Islamic capital market legal framework.⁴⁷ This fatwa served as Sharia legitimization for ETF instruments and also strengthened governance by providing clearer normative guidance on ETF structures, permissible underlying assets, and transaction mechanisms in both primary and secondary markets. The normative clarity was consistent with Sharia governance principles that

⁴⁰ Daejin Kim Kyoung-hun Bae, "Liquidity Risk and Exchange-Traded Fund Returns, Variances, and Tracking Errors," *Journal of Financial Economics* 138, no. 1 (2020): 222–53, <https://doi.org/10.1016/j.jfineco.2019.02.012>.

⁴¹ Yuli Andriansyah, "Analysis of Fatwas by the National Sharia Board-Indonesian Council of Ulama on the Stock Market," *Millab: Journal of Religious Studies* 22, no. 2 (2023): 525–52, <https://doi.org/10.20885/millah.vol22.iss2.art9>.

⁴² Bursa Efek, "Exchange Traded Fund (ETF)," accessed December 25, 2024, <https://www.idx.co.id/id/produk/exchange-traded-fund-etf>.

⁴³ Inten Meutia and Mohamad Adam, "A New Sharia Governance Framework for Islamic Banks in Indonesia," *Journal of Southwest Jiaotong University* 2, no. 56 (2021): 198–210, <https://doi.org/10.35741/issn.0258-2724.56.2.16>.

⁴⁴ Financial Services Authority (OJK), Regulation No. 19/POJK.04/2015 concerning the Issuance and Requirements of Sharia Mutual Funds (Peraturan Otoritas Jasa Keuangan Nomor 19/POJK.04/2015 Tentang Penerbitan Dan Persyaratan Reksa Dana Syariah), 2015.

⁴⁵ Fatwa DSN-MUI Nomor 20/DSN-MUI/IX/2001 Tentang Pedoman Pelaksanaan Investasi Untuk Reksa Dana Syariah (2001); Fatwa DSN-MUI Nomor 80/DSN-MUI/III/2011 Tentang Penerapan Prinsip Syariah Dalam Mekanisme Perdagangan Efek Bersifat Ekuitas Di Pasar Reguler Bursa Efek (2011).

⁴⁶ Andy Putra Wijaya et al., "Sharia-Compliant And Islamic Governance On Financial Performance In Indonesian Islamic Bank," *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah* 9, no. 2 (2024): 429–46, <https://doi.org/10.36908/isbank.v9i2.1060>.

⁴⁷ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

focused on transparency, accountability, and legal certainty for all market stakeholders.⁴⁸ Accordingly, the existence of DSN-MUI Fatwa No. 154/2023 contributed to enhanced legal certainty and strengthened institutional coordination among DSN-MUI, OJK, and the IDX in the development of Sharia ETF in Indonesia.⁴⁹

Sharia Governance Analysis of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023

Based on a Sharia governance perspective, fatwas functioned not merely as instruments of normative legitimization but as regulatory mechanisms that institutionalized oversight, accountability, and compliance within Islamic capital markets. DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 exemplified this governance role by translating Sharia principles into operationally enforceable rules for ETF in Indonesia. The governance function of the fatwa was first articulated in Provision Two (Legal Provisions), which established the conditional permissibility of Sharia ETF, subjecting all offering and trading activities to strict compliance with Sharia principles. This conditional framework anchored market innovation within a Sharia-controlled regulatory perimeter and reinforced the supervisory authority of the DSN-MUI.⁵⁰

Provision Three (Characteristics of Sharia ETF) defined the substantive boundaries of Sharia compliance by prohibiting *ribā*, *gharar*, *maysir*, and *ḍarar*, while permitting simultaneous trading in primary and secondary markets, provided that the underlying securities remain listed. This provision showed a calibrated governance approach that balances market efficiency with Sharia risk containment.⁵¹ The institutional architecture of Sharia governance was consolidated in Provision Four (Provisions on Parties and Contracts), which codified the roles, responsibilities, and contractual relationships among investment managers, custodian banks, dealer participants, sponsors, and investors. The explicit authorization of *wakalah bil ujah* and *muwa'adah* arrangements functioned as an accountability mechanism that clarified fiduciary duties and mitigated agency-related Sharia risks.⁵²

Governance control was operationalized through Provision Five (Primary Market Transactions) and Provision Six (Secondary Market Transactions), which regulated the development, redemption, and trading of Sharia ETF. Primary-market transactions were structured through dealer participants and enabled subscriptions in cash and/or Sharia-compliant securities. Meanwhile, secondary-market trading was required to occur in real time using *bai'al-musawamah*, in accordance with DSN-MUI Fatwa No. 80/DSN-MUI/III/2011. These provisions transformed Sharia compliance from an abstract ethical mandate into monitorable transactional rules.⁵³ Collectively, the fatwa reinforced the classification of Sharia ETF as Sharia mutual funds structured under KIK and consistent with Sharia governance with Indonesia's statutory regulatory framework, particularly Financial

⁴⁸ Humas@ojk.go.id, "POJK," <https://www.ojk.go.id/Id/Default.aspx>.

⁴⁹ Suryosumirat, "Exchange Trade Fund (ETF) Syariah Sebagai Alternatif Investasi Halal."

⁵⁰ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

⁵¹ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

⁵² Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

⁵³ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

Services Authority Regulation No. 19/POJK.04/2015. From a governance standpoint, the fatwa showed a shift toward rule-based Sharia regulatory governance, where oversight was institutionalized through defined authority, contractual discipline, and enforceable compliance obligations imposed on all market participants.⁵⁴

Normatively, DSN-MUI Fatwa No. 154/2023 strengthened governance clarity by reaffirming the prohibition of *riba*, *gharar*, and *maysir* throughout the entire operational lifecycle of Sharia ETF. This process complemented earlier fatwas that were more general in nature, such as DSN-MUI Fatwa No. 20/DSN-MUI/IX/2001 on Sharia mutual funds and DSN-MUI Fatwa No. 80/DSN-MUI/III/2011 concerning secondary market trading mechanisms.⁵⁵ The normative clarity reduced interpretative ambiguity that previously arose from the fragmented regulation of Sharia ETF, while simultaneously enhancing the legal legitimacy of ETF as acceptable investment instruments within Indonesia's Islamic capital market.⁵⁶

Based on the perspective of substantive Sharia governance, the strength of DSN-MUI Fatwa No. 154/2023 remained relatively limited. The fatwa placed greater focus on normative compliance than on operational arrangements concerning transparency, accountability, and continuous oversight mechanisms. Furthermore, the absence of explicit provisions on mandatory Sharia compliance reporting, periodic Sharia audits, and sanctions for violations of principles undermined the effectiveness of the implementation in market practice. This was shown in Sharia financial governance literature, which distinguished between formal compliance and substantive compliance.⁵⁷

The effectiveness of DSN-MUI Fatwa No. 154/2023 significantly depended on the capacity of the OJK and the IDX to translate the norms into binding technical regulations and effective enforcement mechanisms. This strong reliance on implementing regulations showed a governance gap between fatwa norms and market-level enforcement, which risked rendering Sharia compliance in Sharia ETF symbolic and formalistic when not supported by robust and integrated supervisory systems.⁵⁸

Transparency and Accountability in Sharia ETF Regulation

Transparency constituted the primary advantage of ETF,⁵⁹ including Sharia ETF, as investors were able to access information on prices, underlying assets, and portfolio composition in a relatively open and real-time manner through exchange-based trading mechanisms.⁶⁰

⁵⁴ Peraturan Otoritas Jasa Keuangan Nomor 19/POJK.04/2015 Tentang Penerbitan Dan Persyaratan Reksa Dana Syariah.

⁵⁵ Fatwa DSN-MUI Nomor 80/DSN-MUI/III/2011 Tentang Penerapan Prinsip Syariah Dalam Mekanisme Perdagangan Efek Bersifat Ekuitas Di Pasar Reguler Bursa Efek; Fatwa DSN-MUI Nomor 20/DSN-MUI/IX/2001 Tentang Pedoman Pelaksanaan Investasi Untuk Reksa Dana Syariah.

⁵⁶ Masfi Sya'fiatul Ummah, "PRINSIP-PRINSIP EKONOMI ISLAM DALAM INVESTASI SYARIAH," *Sustainability (Switzerland)* 11, no. 1 (2019): 1–14. <https://doi.org/10.15575/aksy.v2i2.9801>.

⁵⁷ Abul Hasan, "Risk Management Practices of Islamic Banks of Brunei Darussalam," *International Journal of Islamic and Middle Eastern Finance and Management*, 2011; T. Khan, *Risk Management in Islamic Banking* (Singapore: Wiley: Islamic Finance: The Regulatory Challenge, 2010).

⁵⁸ ISLAMIC FINANCIAL SERVICES BOARD, *Guiding Principles on Shari'ah Governance Systems for Institutions Offering Islamic Financial Services* (Kuala Lumpur, Malaysia, 2009); Dewan Syariah Nasional-Majelis Ulama Indonesia, *National Sharia Board – Indonesian Council of Ulama*, no. 19 (2023): 1.

⁵⁹ Viet-dung Doan, "Exchange-Traded Funds and Transparency in over-the-Counter Markets," *Oxford, Review of Finance* 29, no. March (2025): 1043–65, <https://doi.org/10.1093/rof/rfaf019>.

⁶⁰ Lu Xu Liao Xu, "Information-Based Trading and Information Propagation: Evidence from the Exchange Traded Fund Market," *International Review of Financial Analysis* 70 (2020), <https://doi.org/10.1016/j.irfa.2020.101495>.

Theoretically, this characteristic positioned Sharia ETF as attractive investment instruments for Muslim investors who prioritized transparency, informational fairness, and adherence to Sharia principles in their investment activities.⁶¹

DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 did not provide detailed operational guidance regarding information disclosure standards, periodic reporting obligations, or the public disclosure of Sharia compliance audit results.⁶² The transparency that was conceptually inherent in the characteristics of ETF had not yet been fully translated into explicit, measurable, and standardized regulatory obligations, either for investment managers or for capital market supervisory authorities.⁶³ The absence of clear regulatory provisions on reporting mechanisms and accountability constrained the effectiveness of oversight by both regulators and investors. Without well-defined transparency and accountability benchmarks, the monitoring of Sharia compliance risked becoming procedural and formalistic rather than substantive. These conditions weakened investor protection and reduced market confidence in the integrity of Sharia ETF as investment instruments that were not only normatively legitimate but also accountable in practice.⁶⁴

Compliance and Enforcement Challenges in the Implementation of Sharia ETF

Based on an enforcement perspective, the effectiveness of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 was highly dependent on institutional coordination. This included DSN-MUI as the normative Sharia authority, the OJK as the capital market regulator, and the IDX as the organizer and operational supervisor of securities trading. In legal and regulatory scholarship, the effectiveness of a norm was significantly determined by the existence of clear and enforceable enforcement mechanisms, as regulations lacking enforcement capacity tended to produce limited substantive changes in market behavior.⁶⁵ In the context of Sharia ETF, fatwas functioned as Sharia compliance standards. However, the implementation was not self-executing and required supporting implementing regulations, structured monitoring systems, and effective market-level sanction mechanisms.⁶⁶

Empirically, the very limited number of Sharia ETF listed on the IDX, amounting to only two products in recent years, showed that challenges related to implementation and compliance remained significant.⁶⁷ This condition reflected the presence of structural barriers, including suboptimal market readiness, low participation by sponsors and issuers, limited investor access, and the absence of institutionalized and detailed enforcement procedures within DSN-MUI Fatwa No. 154/2023. The Sharia financial governance literature

⁶¹ Risca and Muhammad, "Pengembangan Exchange Trade Fund Syariah Indonesia: Peluang Dan Tantangan"; Suryosumirat, "Exchange Trade Fund (ETF) Syariah Sebagai Alternatif Investasi Halal."

⁶² Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

⁶³ Independent Directors Council (IDC), *Board Oversight of Exchange-Traded Funds* (Washington: Amerika Serikat, 2012).

⁶⁴ Hasan, "Risk Management Practices of Islamic Banks of Brunei Darussalam"; Henry T. C. John D. Morley Hu, *A Regulatory Framework for Exchange-Traded Funds* (Austin, Texas: Amerika Serikat, 2018).

⁶⁵ J. C. Coffee, "Law and the Market: The Impact of Enforcement," *University of Pennsylvania Law Review* 2, no. 156 (2007): 229–311, <https://doi.org/10.2139/ssrn.967482>.

⁶⁶ Suresh Nallareddy Lawrence Glosen, "ETF Activity and Informational Efficiency of Underlying Securities," *Management Science* 67, no. 1 (2020), <https://doi.org/10.1287/mnsc.2019.3427>.

⁶⁷ Rihab Grassa, "Shariah Supervisory System in Islamic Financial Institutions New Issues and Challenges : A Comparative and GCC Models," *EmeraldGroupPublishing Limited* 29, no. 4 (2013): 333–48, <https://doi.org/10.1108/H-01-2013-0001>.

showed that supervisory systems grounded primarily in normative standards without clear enforcement instruments risked forming a gap between formal compliance and substantive compliance.⁶⁸

The absence of standardized enforcement mechanisms rendered Sharia compliance in Sharia ETF symbolic rather than an internalized governance practice embedded within market activities.⁶⁹ This observation was consistent with broader critiques of Islamic finance practices that overly focused on legal formal compliance while failing to ensure substantive economic outcomes and effective investor protection.⁷⁰ Therefore, closer integration between fatwas as normative instruments and capital market regulations with legally binding force was required. This facilitated the comprehension of Sharia compliance as not merely an administrative obligation but an integral component of investor protection and the sustained integrity of the Islamic capital market.

Integrated Thematic Mapping of Sharia ETF Governance

This study used an integrated thematic mapping generated from ATLAS.ti to synthesize the qualitative results and move beyond isolated thematic descriptions, as shown in Figure 3. The network visualization captured the structural relationships among five core analytical dimensions, namely (1) Sharia Compliance (2) Governance and Institutional Roles (3) Transparency and Accountability (4) Compliance and Enforcement (5) Regulatory Alignment and Comparison. Rather than presenting these dimensions as independent categories, the mapping showed how Sharia ETF governance in Indonesia operated as an interdependent regulatory system shaped by normative authority, institutional arrangements, and enforcement capacity.

⁶⁸ A. W. Dusuki, "Sharī'ah Governance Framework for Islamic Financial Institutions," *Journal of Islamic Finance* 1, no. 1 (2012).

⁶⁹ Mahmoud A. El-Gamal, *Islamic Finance Law, Economics, and Practice*, First (United States of America.: Cambridge University Press, 2006); Syihabudin et al., "Contemporary Dynamics of Sharia Economic Law: DSN-MUI Fatwa No. 21/2001 in Takaful Dispute Rulings," *MILRev: Metro Islamic Law Review* 4, no. 2 (July 2025): 868–98, <https://doi.org/10.32332/milrev.v4i1.10470>.

⁷⁰ Jerry Adriaan Pessiwarisa and Rahmatina Awaliah Kasri, "Sharia Supervisory Board and Islamic Banking Performance in Indonesia : Does Size Matter?," *Jurnal Ilmu Ekonomi* 14, no. 1 (2025): 231–46, <https://doi.org/10.15408/sjie.v14i1.44740>.

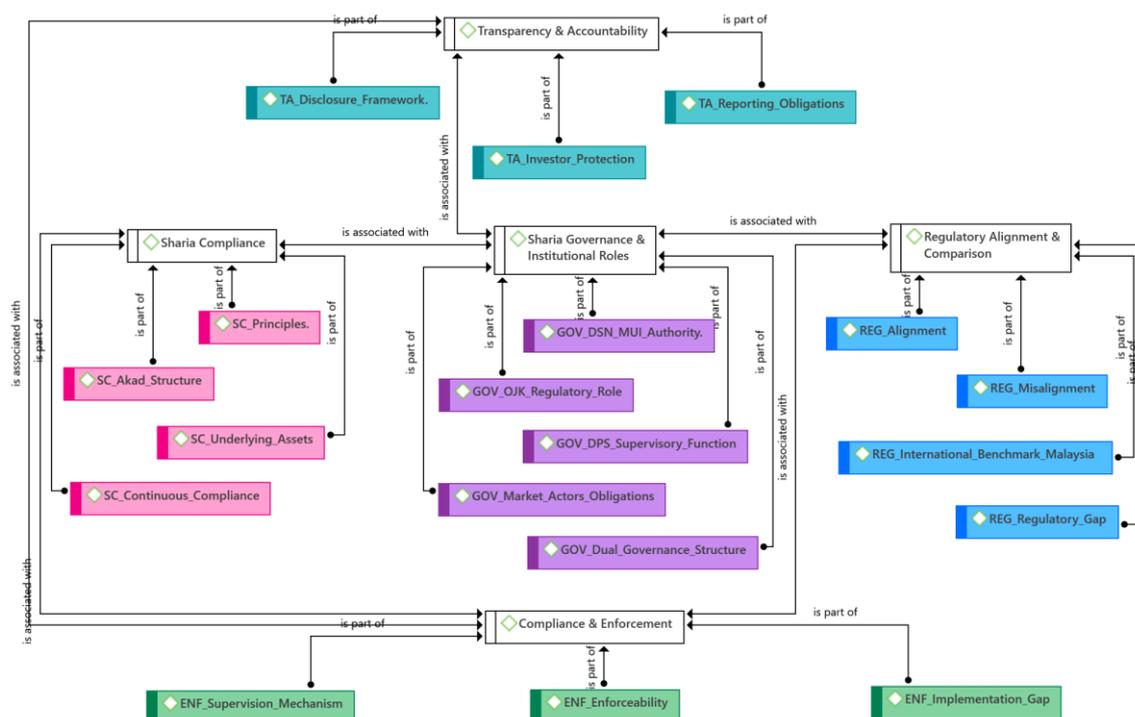


Figure 3. Integrated Thematic Mapping of Sharia ETF Governance
Source: Authors' Analysis Using ATLAS.ti

The mapping showed that *Sharia Compliance* constituted the substantive foundation of Sharia ETF governance, including principles, *akad* structures, underlying assets, and continuous compliance requirements. However, these compliance elements were not self-executing,⁷¹ but structurally associated with *Sharia Governance and Institutional Roles*. This included the authoritative role of DSN-MUI, the regulatory function of the OJK, the supervisory role of Sharia Supervisory Boards (DPS), and the operational obligations of market actors. The presence of a dual governance structure, with Sharia authority and capital market regulation operating in parallel, was a defining feature of Indonesia's Islamic capital market. However, it also created coordination challenges.⁷²

The thematic mapping showed that *Transparency and Accountability* functioned as a mediating dimension between normative compliance and regulatory enforcement. Disclosure frameworks, reporting obligations, and investor protection mechanisms were directly connected to governance structures, showing that transparency was not merely a market characteristic of ETF but a governance outcome contingent upon regulatory design. As identified in the results, the limited articulation of standardized disclosure and reporting obligations in DSN-MUI Fatwa No. 154/2023 weakened the accountability chain connecting Sharia norms to market practice.⁷³

A critical insight generated by the mapping concerned *Compliance and Enforcement*. Although supervisory mechanisms and enforceability were formally associated with

⁷¹ Hasan, "Risk Management Practices of Islamic Banks of Brunei Darussalam."

⁷² Wafik Grais dan Matteo Pellegrini, *Corporate Governance in Institutions Offering Islamic Financial Services* (Washington, DC, Amerika Serikat, 2006); Suhairi Suhairi et al., "Regulatory and Economic Challenges in Contemporary Crowdfunding-Based Cash Waqf," *MILRev: Metro Islamic Law Review* 4, no. 2 (July 2025): 822–67, <https://doi.org/10.32332/milrev.v4i2.10343>.

⁷³ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

governance institutions, the persistent presence of an *implementation gap* showed that enforcement remained uneven and significantly dependent on secondary regulations and institutional coordination. The network visualization also showed that enforcement was associated with, but not fully integrated into, Sharia governance arrangements. This reinforced the result that Sharia compliance in ETF risked remaining normative and symbolic without binding regulatory instruments and systematic supervision.⁷⁴

The mapping situated *Regulatory Alignment and Comparison* as a cross-cutting dimension that connected domestic governance structures with international benchmarks, particularly Malaysia. The co-existence of regulatory alignment and misalignment nodes showed the partial convergence of Indonesia's Sharia ETF governance with international best practices, alongside enduring regulatory gaps. The comparison also showed that Indonesia's governance framework remained predominantly normative, while Malaysia institutionalized Sharia supervision and audit mechanisms within binding capital market regulations.⁷⁵

In general, the integrated thematic mapping clarified that governance challenges in Sharia ETF did not stem from the absence of Sharia principles, but from weak institutional integration, limited transparency mandates, and underdeveloped enforcement mechanisms. By visualizing these interdependencies, Figure 3 provided an analytical foundation for the policy-oriented recommendations advanced in the subsequent section. This was particularly evident in the institutionalization of Sharia audit mechanisms and the need for stronger regulatory coordination among DSN-MUI, OJK, and the IDX.

Regulatory Implications and Comparative Perspectives

The issuance of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 had strategic implications for the development of Sharia ETF in Indonesia.⁷⁶ This fatwa enhanced legal certainty and investor confidence by providing more specific Sharia guidelines for ETF instruments, thereby reducing the normative uncertainty that previously arose from fragmented Sharia ETF regulation. However, to promote sustainable growth of the Sharia ETF market, stronger operational regulations governing transparency standards and periodic reporting obligations were required,⁷⁷ as well as more detailed and binding mechanisms for Sharia compliance and supervision,⁷⁸ as shown in the international literature on Islamic financial governance.⁷⁹

Based on a comparative perspective, Malaysia integrated Sharia ETF' regulation with explicit information disclosure standards, mandatory compliance disclosures, and a more centralized and coordinated supervisory framework between capital market authorities and Sharia advisory councils.⁸⁰ Despite the presence of a similar dual governance structure in Indonesia, including regulatory authorities and Sharia institutions, Indonesia lagged behind

⁷⁴ IFSB, *Guiding Principles on Shari'ah Governance Systems for Institutions Offering Islamic Financial Services* (Kuala Lumpur, Malaysia, 2009).

⁷⁵ IFSB.

⁷⁶ Fatwa DSN-MUI Nomor 154/DSN-MUI/V/2023 Tentang Exchange-Traded Fund (ETF) Syariah.

⁷⁷ Hasan, "Risk Management Practices of Islamic Banks of Brunei Darussalam."

⁷⁸ Simon Archer Rifaat Ahmed Addel Karim, *Islamic Finance the Regulatory Challenge* (Singapore: John Wiley & Sons (Asia): Library of Congress Cataloging, 2007).

⁷⁹ Andriansyah, "Analysis of Fatwas by the National Sharia Board-Indonesian Council of Ulama on the Stock Market"; IFSB (Islamic Financial Service Board), *Islamic Financial Service Industry Stability Report 2021*.

⁸⁰ Securities Commission Malaysia, *Guidelines on Exchange-Traded Funds* (Kuala Lumpur: SC Malaysia, 2021).

Malaysia primarily due to differences in institutional integration and regulatory formalization. In Malaysia, Sharia governance was rooted directly within capital market regulation through mandatory Sharia screening, centralized Sharia advisory oversight, and institutionalized audit mechanisms under the Securities Commission.⁸¹ However, Indonesia's Sharia governance framework remained more fragmented, with compliance largely relying on *Ex ante* fatwa issuance rather than continuous, regulator-driven supervision and enforcement. This institutional fragmentation limited the effectiveness of Sharia oversight in complex instruments, such as ETF, where real-time trading and multi-layered transactions required more integrated supervisory arrangements.⁸²

The model proved effective in enhancing regulatory coherence and the effectiveness of legal enforcement within the Islamic capital market.⁸³ Compared to these practices, Indonesia's regulatory framework for Sharia ETF remained predominantly normative and had not yet been fully integrated with regulatory instruments carrying binding legal force.⁸⁴ To provide a comprehensive overview of the regulatory and governance landscape of Sharia ETF in Indonesia, Figure 1 showed the multi-layered governance framework, the key pillars of Sharia ETF governance, the main implementation challenges, and a comparative perspective with Malaysia. This visual summary integrated normative, regulatory, and operational dimensions, showing the interaction between DSN-MUI fatwas, OJK regulations, and IDX operational rules.

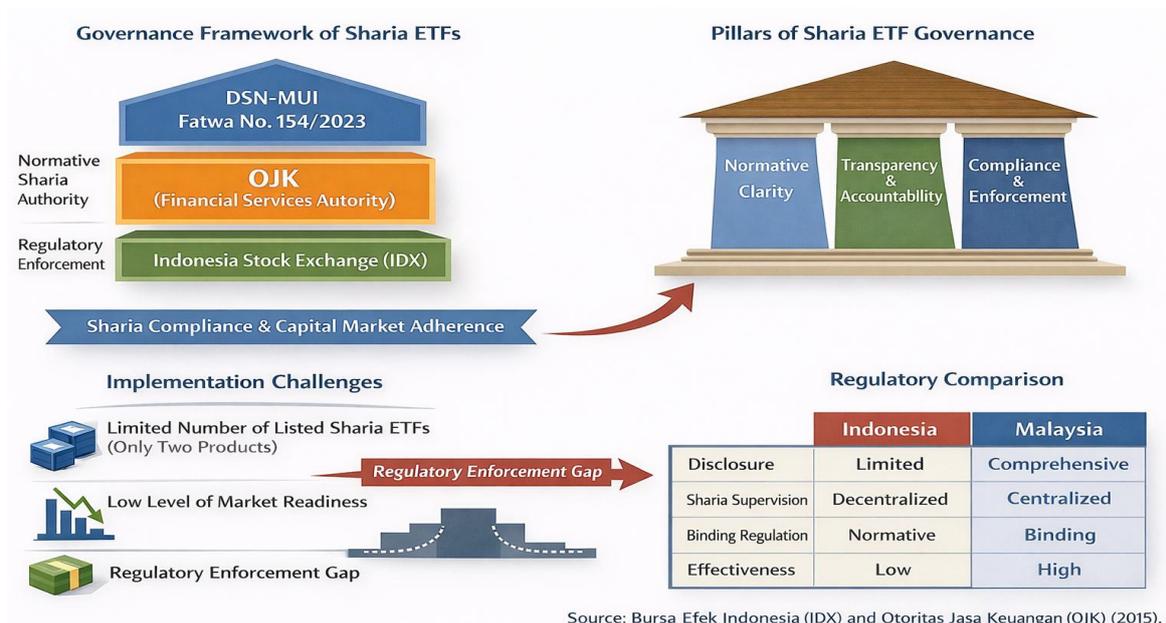


Figure 4. Governance and Regulatory Framework of Sharia ETF in Indonesia
Source: Compiled by Authors

⁸¹ Bursa Malaysia Berhad, "Shariah-Compliant Exchange Traded Funds (i-ETF)," Islamic Markets: Bursa Malaysia, 2026, <https://www.bursamalaysia.com>.

⁸² Suhaebatul Isnaini, "Legal Protection of Sharia Investors in Indonesia: A Maqashid Based Critique and Comparative Study of Malaysia's System," *Az-Zarqa' Jurnal Hukum Bisnis Islam* 16, no. 2 (2024), <https://doi.org/10.14421/az-zarqa.v16.i2.4140>.

⁸³ Bank Negara Malaysia, *Shariah Governance* (Malaysia: Central Bank, 2019).

⁸⁴ Dusuki, "Shari'ah Governance Framework for Islamic Financial Institutions."

Sharia ETF operated within a complex governance system where normative guidance from DSN-MUI must be complemented by enforceable regulations and robust supervisory mechanisms. As shown in Figure 4.⁸⁵ The infographic showed that while the fatwa strengthens normative clarity and governance principles, significant gaps remained in operational enforcement, transparency, and reporting standards.⁸⁶ Furthermore, the comparative analysis suggested that Indonesia's regulatory framework was less centralized and binding than Malaysia's. This showed opportunities for regulatory improvements to enhance investor protection, deepen the market, and strengthen the integrity of the Islamic capital market.⁸⁷

Stronger consistency between DSN-MUI fatwas, OJK regulations, and the operational provisions of the IDX should be pursued through concrete institutional mechanisms. In this context, OJK played a central role as the statutory authority responsible for integrating Sharia governance into the capital market supervisory framework.⁸⁸ Strengthening ETF governance required OJK to move beyond reliance on Ex ante Sharia screening and to institutionalize audit mechanisms as part of ongoing market supervision. This could be achieved by mandating periodic Sharia compliance audits for Sharia ETF and incorporating the results into regulatory reporting. Coordination mechanisms between OJK, DPS, and the DSN-MUI should also be formalized. By integrating Sharia audits into the existing supervisory architecture, compliance would shift from a predominantly normative and declarative requirement to a continuous, reviewable, and enforceable governance process.⁸⁹ This institutionalization would enhance regulatory accountability, strengthen investor protection, and protect confidence. It would also connect Indonesia's Sharia ETF governance more closely with international best practices in Islamic capital market regulation.⁹⁰

CONCLUSION

In conclusion, this study examines DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 as an operative Sharia governance instrument within Indonesia's Islamic capital market framework, rather than merely as a normative religious pronouncement. The results show that a fatwa establishes a substantive foundation for Sharia compliance in ETF, including core principles, contractual structures, underlying assets, and continuous compliance requirements. However, its effectiveness remains conditional upon institutionalization, regulatory connection, and enforceable oversight mechanisms. In the absence of binding integration with capital market regulations, Sharia compliance risks are reduced to a formal

⁸⁵ Zainal Muttaqin Noer Adhe Purnama, Lies Sulistiani, "From Fatwa to Compliance in Islamic Financial Enforcement: Designing Governance and Supervision Frameworks for Sharia Fintech in Indonesia," *Jurnal Hukum Ekonomi Syariah* 2, no. 2 (2025): 192–215, <https://doi.org/10.32332/muamalah.jg4ese80>.

⁸⁶ Fatima Abid, "Role Of Shari'ah Governance in Ensuring Compliance with Islamic Law," *Elsevier: SSRN*, no. Scholarly Paper No. 5254493 (2025).

⁸⁷ Abdirahman Abdinur Awale Dayah Abdi Kulmic, Mohamed Abdirahman Abdulle, "Systematic Literature Review on Shari ' Ah Governance in Shari ' Ah Banks: Tool for Performance and Resilience," *Multidisciplinary Reviews* 9, no. 5 (2026): 1–14, <https://doi.org/10.31893/multirev.2026216>.

⁸⁸ Coffee, "Law and the Market: The Impact of Enforcement."

⁸⁹ IFSB, *Guiding Principles on Shariah Governance Systems for Institutions Offering Islamic Financial Services*.

⁹⁰ Pellegrini, *Corporate Governance in Institutions Offering Islamic Financial Services*.

or symbolic attribute rather than functioning as a legally and institutionally enforceable governance mechanism.

Based on a theoretical standpoint, this study contributes to the Sharia governance literature by reconceptualizing fatwas as functional components of financial governance that shape regulatory authority, supervisory arrangements, and inter-institutional coordination, rather than as exclusively doctrinal or ethical references. This study extends existing frameworks of Islamic financial governance that have often addressed these dimensions in a fragmented manner through an integrated thematic mapping of Sharia compliance, governance institutions, transparency and accountability, enforcement mechanisms, and regulatory connection. The results further show the centrality of dual governance structures where Sharia authority and state-based financial regulation operate in parallel as a defining characteristic of Islamic capital markets in developing economies, while simultaneously constituting a persistent source of coordination challenges.

In practical terms, the results generate significant policy implications for regulators and market participants. The analysis shows the need for stronger institutional integration between DSN-MUI fatwas and the regulatory framework administered by the OJK. This is particularly important for disclosure standards, reporting obligations, supervisory mandates, and enforcement instruments. Without explicit regulatory codification and systematic supervision, the accountability chain connecting Sharia norms to market practices remains fragmented and weakly enforced. Enhancing this institution is essential to strengthening investor protection, improving regulatory certainty, and reinforcing the credibility of Sharia-compliant ETF as sustainable investment instruments.

Comparative insights drawn from international benchmarks, particularly Malaysia, further show that Indonesia's Sharia ETF governance framework remains predominantly normative in nature. More mature jurisdictions have institutionalized Sharia supervision and audit mechanisms within binding capital market regulations. The comparison reinforces the argument that effective Sharia governance depends not only on normative clarity but also on enforceable regulatory design and coordinated institutional arrangements. This study is subject to several limitations as the analysis depends primarily on document-based sources, including fatwas, regulatory texts, and secondary literature, without empirical validation through interviews or field-based observation of regulatory and market practices. Therefore, the results primarily reflect the formal governance architecture rather than its full operational dynamics. Future investigation should build upon this study by incorporating empirical methods, such as interviews with regulators, DPS, and ETF issuers, or by undertaking cross-country comparative analyses to assess the practical effectiveness of different Sharia governance models.

In general, this study offers both theoretical and policy-relevant contributions to the evolving literature on Sharia-compliant financial instruments. It further shows that institutionalizing Sharia principles within capital markets requires an integrated governance method, coherently connecting normative authority, regulatory enforcement, and market accountability.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

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