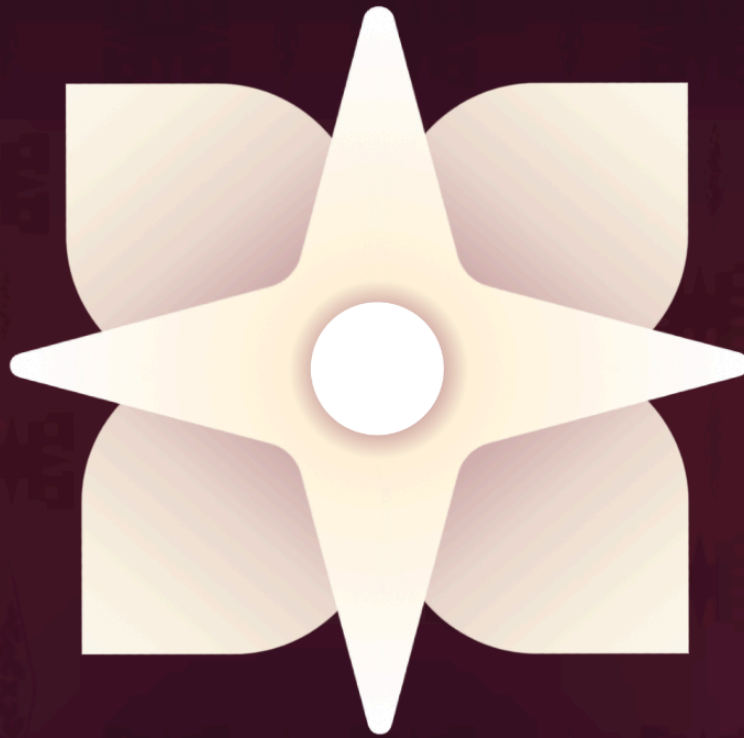




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LOCAL CHAPTER
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ALSA LEGAL ENGLISH GLOSSARIUM #5

Written By:

Beata Ruella Hartanto
Jonathan A.P. Simarmata
Raisha Karin Kirana

Reviewed By:

Dandy Firmansyah, S.E., S.H.
Partner at Hiswara Bunjamin & Tandjung
in Association with Herbert Smith Freehills Kramer

ALSA Local Chapter
Universitas Indonesia
Board of 2026

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INTRODUCTION TO ALSA LEGAL ENGLISH GLOSSARIUM

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

Introduction to ALSA Legal English Glossarium

I. Introduction to Legal English

Language is essentially a communication system that consists of sounds, words, and grammar which can also be defined as a set of specialized words or expressions used by people who engage in a particular field of work.¹ As a medium for communication, language allows individuals to effectively exchange ideas and preserve knowledge. Among the thousands of languages spoken around the world, English stands as one of the most influential languages due to its preferred use as a medium for global negotiations and decision-making.² As a global language, English has disseminated throughout various cultures, establishing its position as a language that belongs to the entire world rather than to a specific country.³ In 2026, there are over 1.5 billion English speakers worldwide, accounting for one-fifth of the global population.⁴ While this fraction may not initially seem remarkable, its significance becomes apparent when we consider that English is just one of the seven thousand languages spoken worldwide.⁵ Over time, certain words and expressions became commonly used in professional contexts and eventually synonymous with particular professions and fields, giving rise to specialized varieties of English.⁶

One of those varieties is legal English. As its own set of vocabulary, legal English employs a wide range of terms that are unique to the legal profession and retain consistent meanings across different legal contexts.⁷ This uniformity is essential to ensure that legal texts can be interpreted and applied consistently, resulting in legal certainty. Legal English is distinguished from

¹Cambridge Dictionary, s.v. "language," available on <https://dictionary.cambridge.org/dictionary/english/language>, accessed on July 7 2026.

²Ilaha Ashrafova, "The Language That Rules the World: What's Behind English's Global Power?," *Acta Globalis Humanitatis et Linguarum* 2, no. 2 (2025), p. 277.

³Lal Badhur Bohara, "Global Language: Status, Scope and Challenges," *Journal of NELTA Surkhet* Vol. 5 (2018), p. 9.

⁴Ethnologue, "What Is the Most Spoken Language?," Ethnologue, available on <https://www.ethnologue.com/insights/most-spoken-language/>, accessed on August 7 2026.

⁵*Ibid.*

⁶Omnia Ibrahim Mohamed and Nowar Nizar Alani, "English for Specific Purposes: An Overview: Definitions, Characteristics and Development," *English Language Teaching* Vol. 15, No. 12 (2022), p. 31.

⁷Jill Northcott, "Legal English," in *The Handbook of English for Specific Purposes*, ed. Brian Paltridge and Sue Starfield (Oxford: Wiley-Blackwell, 2012), p. 219.

standard English by several key characteristics, including formality, standardized formatting, and use of legalese.⁸ These features provide the precision and consistency necessary for effective legal communication. Furthermore, legal English is a product of a rich historical development that involves Anglo-Saxon settlers, Latin-speaking missionaries, and Scandinavian invaders, thus the rich history behind this set of words made legal English even more distinguishable, yielding words like *securities* and *contracts*.⁹

As commercial activities and business transactions become consistently profound globally, there comes a huge need for legal certainty to protect its implementation in different countries. The increasing globalization within the legal field, notably in commercial law, requires jurists to possess a strong understanding of legal English in order to accurately interpret, analyze, and apply legal materials in most countries. Effective legal communication depends on the comprehension of legal English. Therefore, legal English becomes the cornerstone for both legal education and professional practice. In practice, a proper understanding of legal English allows jurists to lawfully interact with a wide range of legal documents such as statutes, contracts, and legal briefs. Moreover, in the academic domain, legal English plays an important part in guaranteeing clarity, precision, and enforceability of legal knowledge.¹⁰

II. Introduction to ALSA Legal English Glossarium #5

Asian Law Students' Association (ALSA) is an international, non-political, and non-profit organization for law students throughout Asia. ALSA has 18 National Chapters, including Indonesia, Malaysia, Singapore, Brunei Darussalam, Thailand, Laos, Myanmar, Vietnam, the Philippines, Sri Lanka, Hong Kong, Macau, Taiwan, China, South Korea, India, Cambodia, and Nepal. ALSA also has 2 observers: Bangladesh, Azerbaijan, with 1 associate

⁸Julia Devardhi, Deepika Nelson, and Hepsiba George "THE IMPORTANCE AND CHALLENGES OF ENGLISH FOR LEGAL WRITING: A COMPREHENSIVE ANALYSIS," *International Journal of Advanced Research in Social Sciences and Humanities*, Vol. 8, No. 2 (2024), p. 1.

⁹Anahit Voskanyan, "LEGAL ENGLISH: LEXICAL COMPETENCE AND CURRICULUM DESIGN," *Armenian Folia Anglistika*, Vol. 22, No. 1 (2026), p. 57.

¹⁰Julia Devardhi, Deepika Nelson, and Hepsiba George "THE IMPORTANCE AND...", p. 1.

chapter, the United Kingdom, and 1 pre-observer, that is Pakistan. To date, the ALSA National Chapter Indonesia (**ALSA Indonesia**) has 15 Local Chapters and 1 observer spread across 16 universities in Indonesia. One of the Local Chapters of ALSA Indonesia is ALSA Local Chapter Universitas Indonesia (**ALSA LC UI**), which also serves as one of the autonomous bodies within Fakultas Hukum Universitas Indonesia (**FH UI**).

During this year's term, the English Development Division proudly presents **ALSA LEGAL ENGLISH GLOSSARIUM #5**, themed "Commercial Law," as one of its work programs that embodies ALSA's three core pillars, that is legally skilled, academically committed, and internationally minded. This program is designed as an educational resource to introduce and deepen readers' understanding of Legal English terminology. As English serves as the primary language of international transactions, global business, and cross-border communication, proficiency in legal English has become increasingly important for law students and legal professionals seeking to engage with legal materials, institutions, and practices in the commercial field that are beyond their national jurisdictions.¹¹ By presenting legal terms together with clear and systematic explanations, **ALSA LEGAL ENGLISH GLOSSARIUM #5** aims to broaden readers' knowledge and enhance their proficiency in legal English. It is expected to benefit not only members of ALSA LC UI, but also the entire Student Association of the Faculty of Law, Universitas Indonesia (**IKM FH UI**), as well as members of the wider public who are interested in the development of legal studies within a global context.

One area in which legal English plays a particularly significant role is Commercial Law, the branch of law governing commercial and business transactions.¹² Commercial Law encompasses a wide range of legal disciplines, including contract law, property law, business organizations and corporate law, as well as negotiable instruments and commercial transactions. Since much of the legislation, scholarly literature, legal documentation, and international

¹¹Marcela Shiflett, "Development of Legal English," *International Journal of Novel Research in Education and Learning*, Vol. 4, No. 2, (2017), 108.

¹²Marlia Sastro, *Hukum Dagang* (Lhokseumawe: CV. BieNa Edukasi, 2015), p. 1.

business practice in this field is conducted in English, familiarity with commercial law terminology is indispensable for understanding both domestic and international legal developments.¹³ Moreover, the rapid growth of cross-border trade and globalization has further increased the importance of mastering the specialized terminology used in commercial legal practice, which is commonly used throughout the globe.

For this reason, **ALSA LEGAL ENGLISH GLOSSARIUM #5** has been carefully compiled to provide a systematic collection of essential Commercial Law terminology in English, accompanied by accurate definitions and comprehensive explanations that are both informative and accessible. Thus, this glossarium is intended to function as a practical learning resource that bridges the gap between general English and specialized legal language.

¹³Wardah Yuspin dan Nur Ilmi Putri Febriyanti, "History, Development of Commercial Law in Indonesia and Their Correlation with the Book of Civil Law," *International Journal of Social Science Research and Review*, Vol. 5, No. 9, (2022), p. 556.



INTRODUCTION TO COMMERCIAL LAW

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

Introduction to Commercial Law

“Commercial Law” is a vital area of law that regulates business activities, contractual relationships, and the exchange of goods and services at both the domestic and international levels.¹⁴ World trade volume has increased approximately 45-fold since 1950, with average annual growth of 4% in trade volume and 6% in trade value since the establishment of the WTO in 1995.¹⁵ This expansion has significantly increased the complexity and frequency of cross-border commercial transactions, highlighting the need for clear legal frameworks governing commercial activities. Commercial Law serves as a legal foundation for business actors, ensuring legal certainty and supporting a fair and conducive business environment.¹⁶ In Indonesia, the primary sources of Commercial Law are the Commercial Code (*Kitab Undang-Undang Hukum Dagang* or KUHD), which was adopted from the Dutch Colonial legal system, and the Civil Code (*Kitab Undang-Undang Hukum Perdata* or KUH Perdata), specifically Book III, which contains the fundamental principles governing contracts and legal relationships between individuals.¹⁷

Understanding the fundamentals of commercial law begins with identifying the subjects involved in the commercial transactions and business activities governed by its legal framework. These subjects include both natural persons and legal entities, such as limited liability companies, cooperatives, partnerships, firms, and other business organizations.¹⁸ A comprehensive understanding of commercial law also requires familiarity with the fundamental legal principles that regulate commercial relationships, including separate legal personality, freedom of contract, and good faith, as these principles shape the creation, interpretation, and performance of commercial

¹⁴Dina Susiani, *Perkembangan Commercial Law di Indonesia* (Sukoharjo: Tahta Media Group, 2026), p. 1.

¹⁵World Trade Organization, "Evolution of Trade under the WTO: Handy Statistics," World Trade Organization, accessed July 23 2026, available at https://www.wto.org/english/res_e/statistics_e/trade_evolution_e/evolution_trade_wto_e.htm?utm_source=chatgpt.com.

¹⁶Aicha Azdina Adly Fesya and Alya Rayana Siregar, "Utilization of Commercial Law to Promote Public Welfare and Legal Certainty for Business Actors," *At-Tafahum: Journal of Islamic Law*, Vol 7, No. 2 (2023), p. 63.

¹⁷Dina Susiani, "Perkembangan Commercial Law...", p. 1.

¹⁸John Armour, *The Anatomy of Corporate Law: A Comparative and Functional Approach*, 3rd ed., (New York: Oxford University Press, 2017), p. 6.

agreements.¹⁹ Equally important is an understanding of the legal sources from which commercial law derives its authority, as they provide the basis for the rights, obligations, and regulatory framework applicable to business activities.²⁰ The study of commercial law further extends to its scope of application, encompassing the characteristics that distinguish it from other branches of law and the limitations governing the applicability of its rules.²¹ Together with an understanding of the legal terminology commonly used in commercial practice, these elements provide a solid foundation for analysing the operation of commercial law and its role in regulating business transactions.

Introduction to Commercial Law Terminologies				
<i>Pendahuluan Hukum Dagang</i>				
No.	Terminology	Translation	Explanation	Example in Legal Instrument
Subjects of Commercial Law				
<i>Subjek Hukum Dagang</i>				
1.	Broker/Intermediary	<i>Makelar</i>	An independent party (person or entity) that arranges contracts and acts as an intermediary between a buyer and a seller. ²² A broker receives commission	“ Brokers are intermediary traders appointed by the Governor (or in this case the President) or by an official authorized by the President for such purpose.”

¹⁹Muhammad Firdaus, "Perkembangan Hukum Dagang di Era Globalisasi dan Dampaknya Terhadap Hukum Perdata Nasional," *PARADIGMA: Jurnal Kajian Budaya & Media*, Vol. 2, No. 3 (2025), p. 44.

²⁰Marlia Sastro, *Hukum Dagang* (Banda Aceh: CV. Biena Edukasi, 2015), p. 13

²¹Muhammad Firdaus, "Perkembangan Hukum Dagang di Era Globalisasi dan Dampaknya Terhadap Hukum Perdata Nasional," p. 45.

²²"Broker," Wex, Legal Information Institute, Cornell Law School, accessed 15 July 2026, available at <https://www.law.cornell.edu/wex/broker>.

			from helping those parties engage in a transaction.	(Article 62, Paragraph (1), Indonesian Commercial Code) ²³
2.	Legal Entity	<i>Badan Hukum</i>	A company or organization that has its own legal rights and responsibilities that are separate from the people who run said company or organization. ²⁴	“Members of a legal entity shall not be personally liable for the contracts concluded by the company.” (Article 1661, Paragraph (1), Indonesian Civil Code) ²⁵
3.	Natural Person	<i>Perseorangan</i>	A human being who conducts commercial or business activities in their own name and bears the legal rights and obligations arising from those activities. ²⁶	“Business Operator means any individual of Indonesian citizen or a business entity which is a legal entity or non-legal entity, incorporated and domiciled in the jurisdiction of the territory of the Unitary State of the Republic of Indonesia running business in Trade.”

²³ Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*), Staatsblad No. 23 of 1847, translated by R. Soebekti dan R. Tjitrosudibio, hereinafter referred to as KUHPer, Article 62 Paragraph (1).

²⁴Cambridge Dictionary, s.v. “legal entity,” accessed July 29 2026, available at <https://dictionary.cambridge.org/dictionary/english/legal-entity>.

²⁵KUHPer, Article 1661 Paragraph (1).

²⁶Dina Susiani, “*Perkembangan Commercial Law...*”, p. 9.

				(Article 1, Point Number 14, Indonesia's Trade Law No. 7 of 2014) ²⁷
	Principles of Commercial Law			
	<i>Asas - Asas Hukum Dagang</i>			
4.	Consensualism	<i>Konsensualisme</i>	The principle of consensualism is a primary principle of contract law that establishes the agreement of the parties as the primary basis for the creation of a binding legal relationship. ²⁸	“there must be consent of the individuals who are bound thereby.” (Article 1320, Point Number 1, Indonesian Civil Code) ²⁹
5.	Corporate Personality	<i>Kepribadian Perusahaan</i>	The law recognizes an incorporated company as a separate and independent person from its members who compose it. ³⁰	“The Company obtains legal entity status on the date of the issuance of the Ministerial Decree regarding the ratification of the Company's legal

²⁷Trade Law (*Undang-Undang Tentang Perdagangan*), Law No. 7 of 2014, LN No. 45 of 2014, TLN No. 5512, as amended by *Undang-Undang tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 2 of 2022 tentang Cipta Kerja Menjadi Undang-Undang*, Law No. 6 of 2023, LN No. 41 of 2023, TLN No. 6856, hereinafter referred as Trade Law, Article 1, Paragraph 14.

²⁸Monika Melina and Admiral, "The Application of the Principle of Consensualism in Movable Property Sales Agreements Based on the Burgerlijk Wetboek (BW): A Normative Legal Study of Business Practices and Legal Certainty for the Parties," *JOELS: Journal of Election and Leadership*, Vol.7, No. 1 (2026), p. 62.

²⁹KUHP, Article 1320 Point Number 1.

³⁰John Smith, "The Doctrine of Good Faith in Commercial Contracts," *International Journal of Law Management & Humanities*, Vol.6, No. 1 (2023), p. 125.

				entity.” (Article 7, Paragraph (4), Indonesian Company Law) ³¹
6.	Freedom of Contract	<i>Kebebasan Berkontrak</i>	Within the framework of Indonesian civil law, the principle of freedom of contract allows parties to freely determine the terms of a business agreement, such as price, payment, and delivery, within the limits of law. ³²	“All legally executed agreements shall bind the individuals who have concluded them by law.” (Article 1338, Paragraph (1), Indonesian Civil Code) ³³
7.	Good Faith	<i>Itikad Baik</i>	The principle of good faith is one of the fundamental principles in international business contract law that highlights the importance of honesty and ethical behavior	“They shall be executed in good faith. ” (Article 1338, Paragraph (3), Indonesian Civil Code) ³⁵

³¹Law on Limited Liability Companies (*Undang-Undang tentang Perseroan Terbatas*), Law No. 40 of 2007, LN No. 106 of 2007, TLN No. 4756, as amended by *Undang-Undang tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 2 of 2022 tentang Cipta Kerja Menjadi Undang-Undang*, Law No. 6 of 2023, LN No. 41 of 2023, TLN No. 6856, hereinafter referred as Company Law, Article 7 Paragraph (4).

³²Zaenal Mustofa and Hiro Phakin, "The Principle of Freedom of Contract in Property Business Agreements in Indonesia," *The Eastasouth Management and Business*, Vol.4, No. 2 (2026), p. 313.

³³KUHPer, Article 1338 Paragraph (1).

³⁵KUHPer, Article 1338 Paragraph (3).

			among the parties involved in the agreement. ³⁴	
8.	Legal Certainty	<i>Kepastian Hukum</i>	In the process of establishing legal rules, this fundamental principle is developed to guarantee clarity in legal regulations. ³⁶	“Everyone has the right to recognition, guarantee, protection, and fair legal certainty , as well as equal treatment before the law.” (Article 28D, Paragraph (1), The 1945 Constitution of the Republic of Indonesia) ³⁷
Sources of Commercial Law				
<i>Sumber - Sumber Hukum Dagang</i>				
9.	Capital Market Law	<i>Undang-Undang Pasar Modal</i>	The Law Number 8 of 1995 on Capital Market was established and promulgated with aims to be a strong legal foundation for investments and trades in the capital market. The law has since been	“The Capital Market encompasses activities concerning public offerings and the trading of securities, public companies with respect to the securities they issue, as well as institutions and professional services

³⁴A. C. S. Sibarani, "The Application of the Principle of Good Faith in Business Contracts: A Civil Law Perspective," *EDUSOSHUM: Journal of Islamic Education and Social Humanities*, Vol. 4, No. 3 (2024), 306.

³⁶Itok Dwi Kurniawan and Souad Ezzerouali, "Revisiting the Principle of Legal Certainty: A Contemporary Analysis through the Lens of Legal Positivism," *International Journal of Law Management & Humanities*, Vol.7, No. 6 (2024), p. 138.

³⁷The 1945 Constitution of the Republic of Indonesia, Article 28D Paragraph (1).

			amended, most recently through Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (UU PPSK), which introduced significant changes to the regulatory framework governing the Indonesian capital market. ³⁸	related to securities.” (Article 1, Point Number 13, Indonesian Capital Market Law) ³⁹
10.	Financial Sector Omnibus Law	<i>Undang-Undang Pengembangan dan Penguatan Sektor Keuangan.</i>	As an omnibus law, the Financial Sector Omnibus Law of Indonesia consolidated, amended, and modernized 17 financial sector laws under a single statutory roof to deepen and strengthen Indonesia's financial markets. ⁴⁰	“Financial Sector Omnibus Law is enacted with the intent to encourage the contribution of the financial sector to inclusive, sustainable, and equitable economic growth in order to improve the public standard of living, reduce economic inequality, and realize a prosperous, advanced, and

³⁸Sentosa Sembiring, *Hukum Pasar Modal*, (Bandung: Penerbit Nuansa Aulia, 2019), p. iii

³⁹Law on Capital Market, Law No. 8 of 1995, LN No. 64 of 1995, TLN No. 3608, hereinafter referred to as Law on Capital Market Article. 1.

⁴⁰Frederick Simanjuntak, Keiko Audrey Demitria, and Charissa Naomi Witantra, "New Financial Sector Omnibus Law: Capital Market, Money Market, and Forex Market," *Makarim & Taira S. Legal Advisory*, accessed July 25 2026, available at <https://www.makarim.com/news/new-financial-sector-omnibus-law-capital-market-money-market-and-forex-market>.

				dignified Indonesia.” (Article 3, Paragraph (1), Indonesian Financial Sector Omnibus Law) ⁴¹
11.	Indonesian Civil Code	<i>Kitab Undang-Undang Hukum Perdata (KUHPer)</i>	The Indonesian Civil Code stands as a regulation that governs the rights and duties among individuals and citizens. As a general law that covers a wide scope of aspects, Commercial Law became one of the specialized regulations derived from Civil Law itself. ⁴²	“Insofar as there are no special deviations in this code in comparison to the Civil Code, the Civil Code shall also be applicable to matters discussed in this Code.” (Article 1, Indonesian Commercial Code) ⁴³
12.	Indonesian Commercial Code	<i>Kitab Undang-Undang Hukum Dagang (KUHD)</i>	The Indonesian Commercial Code was inherited from the Dutch and promulgated in Indonesia on April 30, 1847. It governs a wide scope of commercial acts in general including	“At the time this law comes into force, the provisions regarding shipping regulated under the Indonesian Commercial Code shall remain applicable, provided that they are not otherwise regulated under

3. ⁴¹Financial Sector Omnibus Law, Law No. 4 of 2023, LN No. 87 of 2023, TLN No. 6831, Article

⁴²Pokok-Pokok Hukum Dagang (Principles of Commercial Law). Prof Subekti S.H.

⁴³KUHPer, Article 1.

			contracts of insurance and transportation overseas. ⁴⁴	this law.” (Article 353, Indonesian Shipping Law) ⁴⁵
13.	Indonesian Financial Services Authority Regulation	<i>Peraturan Otoritas Jasa Keuangan</i>	The Indonesian Financial Services Authority stands as a legal foundation to execute, operate, and overview financial activities with aims of protecting consumers and citizens along with stabilizing the entire financial sector in Indonesia. ⁴⁶	“A Financial Services Authority Regulation is a written regulation established by the Board of Commissioners, universally binding, and promulgated in the State Gazette of the Republic of Indonesia.” (Article 1, Point Number 11, Financial Services Authority Law) ⁴⁷
14.	Limited Liability Companies Law	<i>Undang-Undang Perseroan Terbatas (UU PT)</i>	The Law concerning Limited Liability Companies commonly referred to as the Indonesian Company Law is the primary legislative framework that governs the	“A Limited Liability Company , hereinafter referred to as a Company, is a legal entity constituted as a capital association, established based on an agreement, carrying out business activities with

⁴⁴S. Hartono, "Indonesian Contract Law," *Proceedings of the Roundtable Meeting Law, Development and Socio-Economic Changes in Asia* Vol. 1 (2001), p. 138.

⁴⁵Law on Shipping, Law No. 17 of 2008, LN No. 64 of 2008, TLN No. 4849, Article 353.

⁴⁶Rosita, D. P., "Tugas dan Wewenang Otoritas Jasa Keuangan (OJK) Dalam Mengawasi Sektor Keuangan di Indonesia," *Media Hukum Indonesia*, Vol. 3, No. 2, p. 18.

⁴⁷Law on Financial Services Authority, Law No. 21 of 2011, LN No. 111 of 2011, TLN No. 5253, Article. 11.

			establishment, operation, governance, and dissolution of limited liability companies in Indonesia. This framework has been amended several times, including through the Job Creation Law (UU <i>Cipta Kerja</i>) and subsequent legislation. ⁴⁸	authorized capital entirely divided into shares, or an individual legal entity meeting the criteria for Micro and Small Enterprises as regulated under the laws and regulations concerning Micro and Small Enterprises.” (Article 109, Paragraph (1), Job Creation Law) ⁴⁹
Scope of Commercial Law				
<i>Ruang Lingkup Hukum Dagang</i>				
15.	Bankruptcy	<i>Kepailitan</i>	The confiscation of every asset that belongs to the bankrupt debtor, following a declaration of bankruptcy where the debtor has two or more creditors and at least one due and payable debt that remains	“ Bankruptcy shall mean general confiscation of all assets of a Bankrupt Debtor that will be managed and liquidated by a receiver under the supervision of a Supervisory Judge.”

⁴⁸Lawyer Ahdan Ramdani, “Penjelasan Undang-undang Nomor 40 of 2007 tentang Perseroan Terbatas,” Perhimpunan Advokat Indonesia, accessed at July 17 2026, available at <https://www.lawyer-ahdanramdani.com/penjelasan-undang-undang-nomor-40-of-2007-tentang-perseroan-terbatas/>.

⁴⁹Law on Job Creation, Law No. 11 of 2020, LN No. 245 of 2020, TLN No. 6573, hereinafter referred to as Law on Job Creation Article 109.

			unpaid. ⁵⁰	(Article 1, Point Number 1, Indonesia's Law No. 37 of 2004 on Bankruptcy) ⁵¹
16.	Contracts	<i>Kontrak</i>	An agreement between parties that creates mutual obligations that are enforceable by law. ⁵²	"All contracts arise from an agreement, or by law." (Article 1233, Indonesian Civil Code) ⁵³
17.	Corporate Law	<i>Hukum Perusahaan</i>	A subset of law dedicated to the examination of business and business transactions by companies. ⁵⁴	" This Law (Law on Limited Liability Companies), the articles of association of the Company, and provisions of other legislations shall apply to the Company." (Article 4, Indonesia's Law No. 40 of 2007 on Limited Liability Companies) ⁵⁵
18.	Insolvency	<i>Insolvensi</i>	A legal subject's inability to pay debts. Insolvency is usually	"Where no proposed composition is submitted at the verification meeting,

⁵⁰Bankruptcy and Suspension of Debt Payment Obligations Law, Law No. 37 of 2004, LN No. 131 of 2004, TLN No. 4443, hereinafter referred as Law on Bankruptcy, Article 2.

⁵¹Law on Bankruptcy, Article 1 Point Number 1.

⁵²"Contract," Wex, Legal Information Institute, Cornell Law School, accessed July 17 2026, available at <https://www.law.cornell.edu/wex/contract>.

⁵³KUHPer, Article 1233.

⁵⁴John Armour et al., "The Essential Elements of Corporate Law: What Is Corporate Law?" *Indonesia Law Review* No. 3 (2024), p. 50.

⁵⁵Company Law, Article 4.

			temporary. ⁵⁶	where a proposed composition is not accepted, or where ratification of the composition is refused by a determination that has become final and binding, the bankruptcy estate shall, by operation of law, enter a state of insolvency .” (Article 178, Paragraph (1), Bankruptcy and Suspension of Debt Payment Obligations Law) ⁵⁷
19.	Insurance	<i>Asuransi</i>	A contractual agreement in which an insurer, in exchange for the payment of a premium by the insured party, undertakes to compensate for any losses, damages, or lost profits that may arise from an uncertain	“ Insurance is an agreement between two parties, namely the insurance company and the policyholder.” (Article 1, Indonesia’s Law No. 40 of 2014 on Insurance) ⁵⁹

⁵⁶Kristina Russo, "What Is Insolvency? Definition and Procedures," NetSuite, accessed July 18 2026, available at <https://www.netsuite.com/portal/resource/Articles/financial-management/insolvency.shtml>.

⁵⁷Law on Bankruptcy, Article 178 Paragraph (1).

⁵⁹Law on Insurance (*Undang-Undang tentang Asuransi*), Law No. 40 of 2014, LN No. 337 of 2014, TLN No. 5618, Article 1.

			event. ⁵⁸	
20.	Negotiable Instruments	<i>Surat Berharga</i>	A negotiable instrument is a signed, unconditional promise or order to pay a specific amount of money. It serves as a financial document that can be transferred from one person to another. ⁶⁰	“If these items consist of money, gold, silver, precious stones, pearls, gems, securities, coupons, or other similar valuable documents, the sender is required to declare their value and is also entitled to demand that such value be recorded in the register.” (Article 96, Paragraph (2), Indonesian Commercial Code)⁶¹
21.	Property Law	<i>Hukum kebendaan</i>	A set of rules and principles used to resolve disputes over assets and organize property transactions. It specifically regulates how people in a society interact with each other regarding "things." ⁶²	“The law interprets as assets all goods and rights which can be the subject of property.” (Article 499, Indonesian Civil Code)⁶³

⁵⁸KUHPer, Article 246.

⁶⁰"U.C.C. § 3-104. Negotiable Instrument," Legal Information Institute, Cornell Law School, accessed July 18 2026, available at <https://www.law.cornell.edu/ucc/3/3-104>.

⁶¹Kitab Undang-Undang Hukum Dagang (*Wetboek van Koophandel*), Staatsblad 1847 No. 23, Article 96 Paragraph (2).

⁶²"What is Corporate Law – A Complete Guide," Lloyd Law College Blog, accessed July 19 2026, available at <https://www.lloydlawcollege.edu.in/blog/what-is-corporate-law.html>.

⁶³KUHPer, Article 499.

22.	Trade	<i>Perdagangan</i>	The business activity of buying and selling, or exchanging, goods and/or services. ⁶⁴	" Trade is the order of the activities related to the transaction of Goods and/or Services in the country and beyond the borders of the country with the purpose of transfer of rights to the Goods/Services to obtain rewards or compensation." (Article 1, Trade Law) ⁶⁵
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⁶⁴Cambridge Dictionary, s.v. "trade," accessed August 3, 2026, available at <https://dictionary.cambridge.org/dictionary/english/trade>.

⁶⁵Trade Law, Article 1.



CONTRACT LAW

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

Contract Law

From purchasing your dream car, to creating a social media account, contracts are an integral part of our lives and appear in many different forms.⁶⁶ Its significance is especially prevalent in the commercial area, as contracts play a crucial role in transactions that span from individual and consumer transactions to complex business deals. As a fundamental understanding, “contract” is a formal and legally binding agreement between parties that creates mutual obligations which are enforceable by law.⁶⁷ In order for a contract to be legally binding, several formal requirements must be fulfilled. This is done to protect the parties from possible contract breaches, ensuring smooth business relationships, even when the contract involves a foreign entity.⁶⁸ In the context of commercial operations, the conclusion and execution of contracts play a substantive role in shaping favorable climates for businesses to thrive.⁶⁹ Moreover, contracts not only act as legal instruments, but also serve as a cornerstone to build trust and foster business relationships.⁷⁰ There are various types of contracts in business law depending on different commercial transactions such as transfer of property, sales of goods, and many more. The classification of contracts is usually based on certain criteria such as a contract’s enforceability, mode of formation, and the extent of how they have been performed.⁷¹

Without contract law and its ability to form a legally binding agreement, these voluntary agreements would be impractical and inapplicable. However, in practice, we often find agreements that aren’t executed as initially intended. Breaches of contract, either due to negligence or wilful misconduct often occur in transactions that have been bound by contracts. These breaches are known as “*wanprestasi*” in the Indonesian Civil

⁶⁶Sneha Solanki, "The Principles of Contract Law," *Thomson Reuters*, accessed August 5, 2024, available at <https://legal.thomsonreuters.com/blog/the-principles-of-contract-law>.

⁶⁷"Contract," Wex, Legal Information Institute, Cornell Law School, accessed 8 August 2026, available at <https://www.law.cornell.edu/wex/contract>.

⁶⁸Yuni Afifah, "The Importance of the Formalities of Contracts in International Business Transactions," *FH UNAIR News*, Faculty of Law Universitas Airlangga, accessed August 8 2026, available at <https://fh.unair.ac.id/en/the-importance-of-the-formalities-of-contracts-in-international-business-transactions/>.

⁶⁹Oleksandr Harahonych et al., "Contracts in the Commercial Law of Foreign Countries: Topical Issues of Theory and Practice," *Amazonia Investiga* Vol. 12, No. 65 (2023), p. 97.

⁷⁰Ibid, p. 50.

⁷¹Sankalp Jain, "Types of Contracts: General and Specific Contracts," *SSRN Scholarly Paper*, accessed August 8 2026, available at <https://ssrn.com/abstract=2781255>.

Code and it can harm the aggrieved party by potentially disrupting business continuity, damaging reputation, and causing substantial material losses.⁷² Therefore, in efforts to restore damage, deter future violations, and continue to enforce the agreement, it is also crucial to understand contract remedies as a go-to solution. Unfortunately, there are occurrences where remedies are deemed ineffective and the aggrieved party elects for the contract to be put to an end.⁷³ In this case, it is crucial to gain an understanding of terms related to the termination and discharge of contracts. Accordingly, law students and legal practitioners must recognize and use the correct legal terminology when addressing matters governed by Contract Law due to its case-by-case nature.

Contract Law Terminologies				
<i>Istilah dalam Hukum Kontrak</i>				
No.	Terminology	Translation	Explanation	Example in Legal Instrument
Formation and Validity of Contracts				
<i>Pembentukan dan Keabsahan Kontrak</i>				
1.	Admissible Cause	<i>Sebab yang Halal</i>	An admissible cause means that the content of the agreement does not conflict with public order, morality, or the law. ⁷⁴	“Any agreement without a cause , or concluded pursuant to a fraudulent or implausible cause, shall not be enforceable.” (Article 1335, Indonesian

⁷²Oleksandr Harahonych et al., "Contracts in the Commercial Law of Foreign Countries: Topical Issues of Theory and Practice," *Amazonia Investiga*, Vol. 12, No. 65 (2023), p. 50.

⁷³Beauty Vambe, “A Comparative Analysis of Cancellation, Discharge and Avoidance as a Remedy for Breach of Contract in South African Law, English Law and the Convention for International Sale of Goods (CISG)” (LL.M. thesis, University of South Africa, 2016), p. 53.

⁷⁴Tri Wahyu Surya Lestari and Lukman Santoso, "Komparasi Syarat Keabsahan 'Sebab yang Halal' dalam Perjanjian Konvensional dan Perjanjian Syariah," *Al Istinbath: Jurnal Hukum Islam*, Vol. 2, No. 1 (2017), p. 288.

				Civil Code) ⁷⁵
2.	Capacity	<i>Kecakapan</i>	Capacity is the legal competence and authority required for a person to perform legal acts. ⁷⁶	“A debtor who is required to provide a guarantor, shall present individuals who are competent to bind themselves, who are capable of fulfilling the contract and who reside within Indonesia. (Article 1827, Indonesian Civil Code)⁷⁷
3.	Consensus	<i>Kesepakatan</i>	Consensus is a fundamental element in the formation of a contract, as it is an agreement arising from the mutual consent of two or more parties regarding a specific subject matter. ⁷⁸	“There must be consent of the individuals who are bound thereby.” (Article 1320, Point Number 1, Indonesian Civil Code)⁷⁹
4.	Specific Subject	<i>Suatu Hal Tertentu</i>	A contract must have a definite subject matter to be valid. While goods have traditionally constituted the subject	“An agreement shall have as a subject a matter which shall be stipulated according to its nature. The quantity of the matter may

⁷⁵KUHPer, Article 1335.

⁷⁶Hj. Yonani, "Pembuktian Unsur Kecakapan dan Kewenangan Para Pihak dalam Transaksi Bisnis E-Commerce," *Justici*, Vol. 13, No. 1 (2020), p. 29.

⁷⁷KUHPer, Article 1827.

⁷⁸H.M. Dongoran and Aminah, "Obligations Arising from Contracts and Laws and Their Relationship with Authentic Deeds," *Al-Ishlah: Jurnal Ilmiah Hukum*, Vol. 27, No. 1 (2024), p. 32.

⁷⁹KUHPer, Article 1320 (1).

			matter of most agreements, employment has gradually become recognized as a valid subject matter of contractual agreements. ⁸⁰	be uncertain, unless such quantity can be stipulated or determined at a later date.” (Article 1333, Indonesian Civil Code) ⁸¹
Forms and Classifications of Contracts				
<i>Bentuk dan Pengelompokan Kontrak</i>				
5.	Bilateral Contract	<i>Perjanjian Timbal Balik</i>	A bilateral contract will bind two or more parties legally on pre-decided terms and conditions that require both parties to perform actions. ⁸² These contracts are typically seen in sales contracts, loan contracts, etc.	“A sale and purchase is an agreement, by which one party is bound to deliver a certain matter , for which the other party shall pay a stipulated price. ” (Article 1457, Indonesian Civil Code) ⁸³
6.	Executed Contract	<i>Perjanjian yang Telah Dilaksanakan</i>	In this matter, both of the parties have fulfilled their respective obligations, extinguishing the contract	“Contracts shall be nullified as a result of payment. ”

⁸⁰Mahlil Adriaman and Hanifa Nur Fauziah, "Penyuluhan Hukum Perjanjian dalam Peningkatan Bisnis di Balai Pemasyarakatan Kelas II Bukittinggi," *PUAN INDONESIA*, Vol. 5, No. 2 (2024), p. 679.

⁸¹KUHPer, Article 1333.

⁸²Peninsula, *Unilateral vs Bilateral Contracts*, January 10 2025, accessed August 5 2026, available at <https://peninsulagrouplimited.com.au/resources/blog/unilateral-vs-bilateral>

⁸³KUHPer, Article 1457.

			through performance. ⁸⁴ Examples of this contract include but are not limited to Cash Car Sales, Retail Purchases, and Finished Real Estate Sales.	(Article 1381, Indonesian Civil Code) ⁸⁵
7.	Executory Contract	<i>Perjanjian yang masih harus dipenuhi</i>	An executory contract is one where one or both of the parties to the contract still have to perform their obligations in the future. Thus, a contract which is partially performed or wholly unperformed is termed as an executory contract. ⁸⁶ Examples of this contract include but are not limited to Apartment Leases, Employment Agreements, and Software Licenses.	“All legally executed agreements shall bind the individuals who have concluded them by law. They cannot be revoked otherwise than by mutual agreement, or pursuant to reasons which are legally declared to be sufficient.” (Article 1338, Indonesian Civil Code) ⁸⁷
8.	Express Contract	<i>Perjanjian Secara Tegas</i>	A contract in which the terms and conditions that are agreed upon must be articulated explicitly in	“If the wording of an agreement is clear , one shall not deviate from it by way of interpretation.”

⁸⁴Sankalp Jain, "Types of Contracts: General and Specific Contracts," *SSRN Scholarly Paper*, accessed August 5 2026, available at <https://ssrn.com/abstract=2781255>.

⁸⁵KUHP, Article 1381.

⁸⁶Jain, "Types of Contracts..."

⁸⁷KUHP, Article 1338..

			words, either verbal or written form. Written express contracts provide the greatest clarity and protection for businesses. ⁸⁸ Examples of this contract such as Commercial Leases and Acquisition Contracts.	(Article 1342, Indonesian Civil Code) ⁸⁹
9.	Implied Contract	<i>Perjanjian Secara Diam-Diam</i>	An implied contract is a legally binding agreement where its obligations derive from the actions, conduct, or circumstances rather than explicitly being expressed through verbal or written documents. ⁹⁰ Examples of this contract can be seen through everyday activities such as the agreement to pay for the food after dining in a restaurant, or taking a taxi and paying by meter.	“Agreements shall bind the parties not only to that which is expressly stipulated, but also to that which, pursuant to the nature of the agreements , shall be imposed by propriety, customs, or the law.” (Article 1339, Indonesian Civil Code) ⁹¹

⁸⁸Understanding the Different Types of Contracts: A Comprehensive Guide, accessed August 5 2026, available at <https://www.lexology.com/library/detail.aspx?g=6073e2ce-0a3c-45ff-8994-1e92cdfc82b9>.

⁸⁹KUHPer, Article 1342.

⁹⁰Will Kenton, *Implied Contract: Definition, Example, Types, and Rules*, Investopedia, accessed August 5 2026, available at https://www.investopedia.com/terms/i/implied_contract.asp.

⁹¹KUHPer, Article 1339.

10.	Null and Void	<i>Batal demi Hukum</i>	To have no force, binding power, or validity. ⁹²	“Any stipulation by the testator prohibiting the exercise of the right to deliberate and the privilege of estate description, shall be null and void.” (Article 1043, Indonesian Civil Code)⁹³
11.	Quasi Contract	Perjanjian karena undang-undang	A quasi contract, or contracts implied by law, is a remedy for disputes without a formal contract. It is commonly used to avoid a party gaining profit from another's expense by legally enforcing that mentioned party to compensate for the other's expenses.⁹⁴ This type of contract can be seen in a few examples such as Medical Emergencies, Mistaken Delivery, and also overpayments.	“In the event that an individual, voluntarily, without having been assigned there to, manages a person's affairs with or without the other person's knowledge, he shall implicitly bind himself to continue and complete the management, until the person whose interests are managed shall be in a position to manage his own affairs. He shall similarly involve himself in everything related to such affairs. He shall be subject

⁹²Merriam-Webster, "Null and Void," *Merriam-Webster.com Dictionary*, accessed August 11 2026, available at <https://www.merriam-webster.com/dictionary/null%20and%20void>

⁹³KUHPer, Article 1043.

⁹⁴Adam Hayes, Quasi Contract: Definition, Function, and Comparison to Traditional Contracts, Investopedia, Accessed 5 August 2026, available at <https://www.investopedia.com/terms/q/quasi-contract.asp>.

				to all the obligations which he would be obliged to comply with.” (Article 1354, Indonesian Civil Code)⁹⁵
12.	Unilateral Contract	<i>Perjanjian Sepihak</i>	A unilateral contract is a one-sided agreement in which only the party making the offer has a legal obligation. This type of contract only becomes enforceable when the other party completes a certain action.⁹⁶ For example, reward offers in which the promising party or institution is obligated to reward someone without needing a prior agreement from that person.	“The provision of a guarantee is an agreement in which a third party agrees, for the benefit of the creditor, to fulfill the obligations of the debtor, if he himself fails to fulfill these.” This article illustrates a contract in which the guarantor unilaterally assumes an obligation toward the creditor. Under this provision, the guarantor undertakes to fulfill the debtor's obligation if the debtor defaults. (Article 1820, Indonesian

⁹⁵KUHPer, Article 1354.

⁹⁶Julie Young, *Unilateral Contracts: Types, Differences, and Legal Insights*, Investopedia, accessed August 5 2026, available at <https://www.investopedia.com/terms/u/unilateral-contract.asp>

				Civil Code) ⁹⁷
13.	Valid Contract	<i>Perjanjian Sah</i>	A valid contract is a legally binding agreement that fulfills every essential legal requirement for enforceability that is consent from legally competent parties, for a lawful cause, and regarding a lawful object. ⁹⁸	“In order to be valid, an agreement must satisfy the four following conditions: (1) there must be consent of the individuals who are bound thereby; (2) there must be capacity to conclude an agreement; (3) there must be a specific subject; (4) there must be an admissible cause.” (Article 1320, Indonesian Civil Code)⁹⁹
14.	Voidable Contract	<i>Perjanjian yang Dapat Dibatalkan</i>	Upon the breach of one of a valid contract's requirements, a contract becomes voidable and repudiable by the aggrieved party. But until it is repudiated, the contract remains valid and binding. ¹⁰⁰	“All contracts concluded by minors or individuals under guardianship, are legally void, and must be declared void, upon a claim filed by one of them or on their behalf, based on the grounds of their minority or guardianship.” (Article 1446, Indonesian

⁹⁷KUHPer, Article 1338.

⁹⁸Indian Contract Act, 1872, Section 10, Act No.9 of 1872

⁹⁹KUHper, Article 1320.

¹⁰⁰R.K. Bangia, *Indian Contract Act*, (Allahabad Law Agency, Allahabad: 2006).

				Civil Code) ¹⁰¹
Remedies for Breach of Contract				
<i>Upaya Hukum atas Wanprestasi</i>				
15.	Conditions subsequent	<i>Syarat Batal</i>	A condition that could terminate one party's obligation towards the other if it were to occur. This remedy takes effect after a party has already conducted their duty (or have taken an interest in it). ¹⁰²	“An obligation is conditional if it is conditioned upon an event that may occur and is yet to occur, be it by way of deferring the obligation's entry into force or annulling the obligation, depending on whether such event occurs.” (Article 1253, Indonesian Civil Code) ¹⁰³
16.	Damages	<i>Ganti Rugi</i>	Monetary compensation awarded towards the harmed party in the dispute. ¹⁰⁴	“The debtor is required to compensate the creditor for costs, damages and interest, in the event that he is unable to deliver the goods, or in the event that he has not properly maintained them.”

¹⁰¹KUHper, Article 1446.

¹⁰²“Conditions Subsequent,” Wex, Legal Information Institute, Cornell Law School, accessed 15 July 2026, available at https://www.law.cornell.edu/wex/condition_subsequent.

¹⁰³KUHPer, Article 1253.

¹⁰⁴“Damages,” Wex, Legal Information Institute, Cornell Law School, accessed 15 July 2026, available at <https://www.law.cornell.edu/wex/damages>.

				(Article 1236, Indonesian Civil Code) ¹⁰⁵
17.	Retention of Title (RoT)	<i>Penahanan Hak Milik</i>	A contractual term that states a seller's legal ownership of physical products until payment is received. An RoT clause protects the seller from the chance of non-payment. ¹⁰⁶	"The mandatary shall be entitled to retain that which he possesses which belongs to the mandator for such period of time until everything has been repaid, which he, by mandate, is required to claim." (Article 1812, Indonesian Civil Code)¹⁰⁷
18.	Set-Offs	<i>Perjumpaan Utang</i>	A legal right that allows a party to deduct the amount they owe to the other party when both parties are indebted to each other. ¹⁰⁸	"If two persons are debtors to one another, a comparison of debts shall be made, as a result of which the mutual debts shall be canceled, in the manner and in the instances hereinafter stipulated." (Article 1425, Indonesian

¹⁰⁵KUHPer, Article 1236.

¹⁰⁶"What Is a Retention of Title Clause and How Effective Are They in the Face of an Insolvency Process?" Edwin Coe LLP, accessed August 5 2026, available at <https://www.edwincoel.com/insights/what-is-a-retention-of-title-clause-and-how-effective-are-they-in-the-face-of-an-insolvency-process/>.

¹⁰⁷KUHPer, Article 1812.

¹⁰⁸"Setoffs," Wex, Legal Information Institute, Cornell Law School, accessed 15 July, available at <https://www.law.cornell.edu/wex/setoff>.

				Civil Code) ¹⁰⁹
19.	Statute of Limitations	<i>Daluwarsa</i>	A strict time limit or deadline for a party to file a lawsuit if the contract is breached. ¹¹⁰	“All legal claims, either business as well as individual, shall expire after thirty years, and the individual who invokes the expiration shall not be required to submit any title, and an individual cannot object to this expiration if such is based upon bad faith.” (Article 1967, Indonesian Civil Code)¹¹¹
20.	Termination	<i>Penghentian</i>	To prematurely end a contract during its term. ¹¹²	“Party against whom the obligation is not fulfilled; forces the counterparty to fulfil the agreement where such fulfilment is still possible, or demand the termination of such agreement, with compensation of costs, damages and interests.”

¹⁰⁹KUHPer, Article 1425.

¹¹⁰“Statute of Limitations Clause,” ContractKen Glossary, accessed August 8 2026, available at <https://www.contractken.com/glossary/statute-of-limitations-clause>.

¹¹¹KUHPer, Article 1967.

¹¹²“Termination of Contract Definition,” Law Insider, accessed August 5 2026, available at <https://www.lawinsider.com/dictionary/termination-of-contract>.

				(Article 1267, Indonesian Civil Code) ¹¹³
Termination and Discharge of Contracts				
<i>Penghapusan dan Pembatalan Kontrak</i>				
21.	Breach of Contract	<i>Wanprestasi</i>	A breach occurs when one party fails to perform their duties under the agreement, allowing the other party to seek legal remedies. ¹¹⁴	“The creditor, may, instead of invoking the punishment against the debtor who is in breach , demand the fulfillment of the principal contract.” (Article 1306, Indonesian Civil Code) ¹¹⁵
22.	Lapse of Time	<i>Daluwarsa</i>	The termination of a contract because the time specified for its acceptance has expired. In the creation of a contract, an offer could expire because a reasonable period of time has passed without acceptance. ¹¹⁶	“Prescription is a means of acquiring something or being released from a contract, after the lapse of a specific time period , and pursuant to the requirements stipulated by the law.” (Article 1946, Indonesian

¹¹³KUHPer, Article 1267.

¹¹⁴Muhammad Rhogust, "Civil Legal Liability for Breach of Contract in Indonesia: Case Analysis and Practice," *Journal of Law, Social Science and Humanities*, Vol. 2, No. 2 (2025), p. 431

¹¹⁵KUHPer, Article 1306.

¹¹⁶Novita Sartika Elisabeth, "Existence of Estoppel Doctrines in Common Law Contracts: Challenges and Opportunities for Civil Law-Based Lawyers," *Acta Law Journal*, Vol. 2, No. 1 (2023), p. 53.

				Civil Code) ¹¹⁷
23.	Novation	<i>Pembaruan Kontrak</i>	Novation refers to the process of replacing an existing agreement or obligation with a new one that is tailored to the current conditions and needs of the parties. ¹¹⁸	“ Renewal of a debt can only take place between individuals who are competent to conclude contracts.” (Article 1414, Indonesian Civil Code) ¹¹⁹
24.	Performance	<i>Prestasi</i>	Performance is the act of carrying out an obligation or fulfilling the duties agreed upon in a contract. It requires the laborer to complete the assigned tasks to the best of their ability and in accordance with the agreed terms and standards. ¹²⁰	“The laborer shall be obligated to perform the agreed tasks to the best of his ability.” (Article 1603, Indonesian Civil Code) ¹²¹
25.	Rescission	<i>Pembatalan Kontrak</i>	The cancellation of a contract that restores the parties’ position to how they were before the	“The individual on whose behalf an annuity has been established pursuant to a secured agreement, may

¹¹⁷KUHPer Article 1946.

¹¹⁸Anita Kamilah, Hesti Dwi Astuti, Wandu Setiawan, Delis Nia Nadiyahana, and Amani Sabila, "Reconceptualisation of Novation in Contract Law: A Review of the Practice of Converting Local Government Project Agreements into Shares," *Proceeding International Conference on Social Sciences*, Vol. 1, No. 1 (2026), p. 330.

¹¹⁹KUHPer, Article 1414.

¹²⁰Arthur Linton Corbin, "Discharge of Contracts," *Yale Law Journal*, Vol. 22, No. 7 (1913), p. 528.

¹²¹KUHPer, Article 1603.

			agreement was made. This renders the contract voided, treating it as though it never existed. ¹²²	demand the nullification of the said agreement , if the debtor has not delivered the agreed security.” (Article 1781, Paragraph (1), Indonesian Civil Code) ¹²³
26.	Superior Force	<i>Keadaan Kahar</i>	An event or effect that can be neither anticipated nor controlled, such as a sudden earthquake that destroys a company’s warehouse and prevents it from fulfilling its contractual obligations. ¹²⁴	“No compensation for costs, losses, and interest shall be payable if, due to a compelling circumstance or an accidental event, the debtor is prevented from giving or doing something that is required, or has committed a prohibited act.” (Article 1245, Indonesian Civil Code) ¹²⁵

¹²²"Rescission," Wex, Legal Information Institute, Cornell Law School, accessed 3 August 2026, available at <https://www.law.cornell.edu/wex/rescission>.

¹²³KUHper, Article 1781(1).

¹²⁴Bryan A. Garner (ed.), *Black's Law Dictionary*, 12th ed. (St. Paul, MN: Thomson Reuters, 2024), s.v. "force majeure."

¹²⁵KUHPer, Article 1245.



PROPERTY LAW

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

Property Law

Property law is regulated within Book II on Property and Property Rights of the Indonesian Civil Code. This branch of law encompasses a wide range of concepts that are crucial to economic transactions, such as a party's rights over an object and the granting of security through devices such as pledge and mortgage.¹²⁶ Properties are divided into various categories that attribute certain characteristics with how a property should be handled. This classification of property not only allows specific property arrangements, but also addresses the interests of future parties, such as successors and future transacting parties.¹²⁷

Within this framework, property law can be examined through several key aspects, including the classification of property, which determines how assets are categorised and treated under the law;¹²⁸ ownership and possession, which examines the overlap between rights and control that parties may exercise over property;¹²⁹ transfer of property rights, which governs the legal mechanisms through which ownership moves from one party to another;¹³⁰ and security rights and encumbrances, which establish legal protections over property to secure the fulfilment of obligations.¹³¹ Through these aspects, property law ensures that rights over assets can be clearly established within private and commercial relationships.

Property Law Terminologies

Istilah dalam Hukum Kebendaan

¹²⁶Gunawan Widjaja, "Property Law in Modern Economic Transactions: A Literature Review of Ownership Rights, Pledges, and Mortgages on Movable and Immovable Property," *International Journal of Financial Economics (IJEFE)*, Vol. 2, No. 9 (2026), p. 51.

¹²⁷Carol M. Rose, "Property Law," in Claude Menard, Mar M. Shirley, ed. *Handbook of New Institutional Economics* (Cham: Springer, 2025), p. 293.

¹²⁸Pierre, B. (1997). Classification of Property and Conceptions of Ownership in Civil and Common Law. *Revue générale de droit*, Vol. 28 No.2, p. 237.

¹²⁹Thomas W. Merrill, Ownership and Possession, Law and Economics of Possession, Yun-Chien Chang (ED.), Cambridge University Press (2015), p. 34.

¹³⁰Bayu Mahaprakarsa, Whisnu Oktavian, Dhea Eka Faqidah, Irma Maulida, and Siska Karina, "Juridical Analysis of Transfer of Land Ownership Rights Unknown to the Previous Owner," *Journal of World Science* Vol. 3, No. 6 (2024), p. 642.

¹³¹Ferina Suryani, Komang Febrinayanti Dantes, and Muhammad Jodi Setianto, "Legal Protection of Security Goods Held by the Creditor Based on the Debt Acknowledgment Deed According to Law No. 4 of 1996 Concerning Mortgage Rights," *International Journal of Law, Tourism, and Culture*, Vol. 2, No. 3 (2024), p. 130.

No.	Terminology	Translation	Explanation	Example in Legal Instrument
Classification of Property				
<i>Penggolongan Benda</i>				
1.	Consumable Goods	<i>Benda Dapat Habis Dipakai</i>	These assets are objects which in normal use could result in them being depleted, destroyed, or consumed. This type of asset includes money, fuel, food, and many more. ¹³²	“Movable assets are consumable or non-consumable; consumable assets are those which disappear through use.” (Article 505, Indonesian Civil Code) ¹³³
2.	Immovable Asset	<i>Benda Tidak Bergerak</i>	According to the Indonesian Civil Code, objects are deemed immovable based on their nature, purpose, or designation by the law as immovable rights. This includes land along with its properties, trees and plants with roots beneath the ground, factory machines, and many more. ¹³⁴	“ Immovable assets are as follows: 1. plots of land and anything constructed thereon; 3. trees and field crops, which have their roots attached to the soil, unpicked fruit from trees.” (Article 506, Indonesian Civil Code) ¹³⁵

¹³²Insyirah Fatimah Hidayat, *Memahami Hukum Benda: Definisi, Sistem, dan Macam-Macam Benda*, KiniLegal, 2025.

¹³³KUHPer, Article 505.

¹³⁴Mariam Darus Badruzaman, *Sistem Hukum Benda Nasional*, (Bandung: Penerbit Alumni, 2022), p. 19.

¹³⁵KUHPer, Article 506.

3.	Intangible Asset	<i>Benda Tidak Berwujud</i>	Intangible Objects are subjective rights without physical form, although having economic value and being capable of possession by someone. Examples of these objects include but are not limited to copyright and trademark. ¹³⁶	“An individual shall forfeit possession of intangible assets , if another person has had peaceful enjoyment thereof for the duration of one year.” (Article 547, Indonesian Civil Code) ¹³⁷
4.	Movable Asset	<i>Benda Bergerak</i>	An asset can be deemed movable if it is stated by the regulation or has the ability to move or be moved without changing its form, function, or value. ¹³⁸ This includes but is not limited to cars, jewelry, cash money, and clothes.	“ Movable assets by virtue of their nature are those which are movable or can be moved.” (Article 509, Indonesian Civil Code) ¹³⁹
5.	Registered Asset	<i>Benda Atas Nama</i>	Registered properties are objects wherein the ownership is registered on behalf of someone such as a land certificate or house. ¹⁴⁰	“The transfer of registered debts and other intangible assets, shall be effected by using an authentic or private deed, in which the rights to such objects shall be

¹³⁶Sri Soedewi M.S., *Hukum Perdata: Hukum Benda*, (Yogyakarta: Liberty, 1981), p. 2.

¹³⁷KUHPer, Article 547.

¹³⁸Rachmadi Usman, *Hukum Kebendaan*, (Jakarta: Sinar Grafika, 2011), p. 47.

¹³⁹KUHPer, Article 509.

¹⁴⁰Qonita Nailah Basri, “Analisis Kedudukan Hukum Benda Menurut Kitab Undang-Undang Hukum Perdata”, *Jurnal Kajian Hukum dan Kebijakan Publik*, Vol. 3, No. 1, p. 407.

				transferred to another Individual.” (Article 613, Indonesian Civil Code) ¹⁴¹
6.	Tangible Asset	<i>Benda Berwujud</i>	A Tangible Object is an object taking a physical form, touchable, visible, and able to be felt. These objects are easily identified such as cars, land, plants, and many more. ¹⁴²	“Assets are tangible and non-tangible.” (Article 503, Indonesian Civil Code) ¹⁴³
Ownership and Possession				
<i>Hak Milik dan Penguasaan</i>				
7.	Ownership	<i>Kepemilikan</i>	The absolute power someone has over an object, which includes the right to use, enjoy, and transfer the object they own. ¹⁴⁴ Ownership grants full legal control over an object.	“ Ownership is the right to have free enjoyment of property and to dispose thereof absolutely, provided that an individual does not violate the laws of the public ordinances stipulated by those who have been granted authority to do so, in the course of using such assets,

¹⁴¹KUHPer, Article 613.

¹⁴²Soediman Kartohadiprodjo, *Pengantar Tata Hukum di Indonesia: Hukum Perdata*, (Jakarta: Ghalia Indonesia, 1984), p. 92.

¹⁴³KUHPer, Article 503.

¹⁴⁴Widjaja, "Property Law..." p. 52.

				and provided that an individual does not interfere with other individuals rights; the aforementioned shall be without prejudice to expropriation in the public interest subject to the individual's right to appropriate compensation, pursuant to the legal regulations.” (Article 570, Indonesian Civil Code)¹⁴⁵
8.	Possession	<i>Penguasaan</i>	The physical control or occupancy of a property. ¹⁴⁶	“An individual who has possession of good faith shall be entitled to keep all the proceeds from the reclaimed assets which he has enjoyed until the date on which the legal claim is filed.” (Article 575, Indonesian Civil Code)¹⁴⁷
Transfer of Property Rights				
<i>Perpindahan Hak Atas Benda</i>				

¹⁴⁵KUHPer, Article 570.

¹⁴⁶“Possession,” Wex, Legal Information Institute, Cornell Law School, accessed 25 July, available at <https://www.law.cornell.edu/wex/possession>.

¹⁴⁷KUHPer, Article 575.

9.	Assignment of Receivables	<i>Cessie</i>	<i>Cessie</i> is a common form of collateral used in business transactions in Indonesia, involving the transfer of rights or interests from a debtor to a creditor. ¹⁴⁸	“The transfer of registered debts and other intangible assets , shall be effected by using an authentic or private deed, in which the rights to such objects shall be transferred to another.” (Article 613, Indonesian Civil Code) ¹⁴⁹
10.	Delivery	<i>Penyerahan</i>	The delivery of property refers to the act of transferring ownership or possession of property from one person to another. ¹⁵⁰	“The delivery of movable assets, with the exception of intangibles, shall take place by a single handover which is carried out by the owner or on his behalf, or by the delivery of the keys of the building in which the assets are located.” (Article 612, Paragraph (1), Indonesian Civil Code) ¹⁵¹
11.	Exchange	<i>Tukar - Menukar</i>	In an exchange, there is a promise to exchange the ownership rights to an	“Anything that can be sold can also be the subject of an exchange agreement.”

¹⁴⁸Muhammad Fazur Rohman Trisno and Dipo Wahyoeono H, "Kedudukan Cessie Sebagai Objek Jaminan Berdasarkan Hukum Jaminan di Indonesia," *Journal Evidence of Law*, Vol. 2, No. 2 (2023), p. 99.

¹⁴⁹KUHPer, Article 613.

¹⁵⁰US Legal Forms, "Delivery of Property: Understanding Its Legal Definition," *US Legal Forms*, accessed 27 July 2026, available at <https://legal-resources.uslegalforms.com/d/delivery-of-property>.

¹⁵¹KUHPer, Article 612(1).

			object. ¹⁵²	(Article 1542, Indonesian Civil Code) ¹⁵³
12.	Gift	<i>Hibah</i>	A gift is a voluntary transfer of assets from someone to another party that is made during the period of their life without reward. ¹⁵⁴	“A gift is an agreement whereby the donor, while still living, grants assets voluntarily and irrevocably for the benefit of the donee who accepts such.” (Article 1666, Paragraph (1), Indonesian Civil Code) ¹⁵⁵
13.	Sale and Purchase	<i>Jual - Beli</i>	Sale and purchase is a legal transaction involving the transfer of ownership of an asset from a seller to a buyer in exchange for payment and may be documented through legal instruments, such as a sale and purchase deed, to provide evidence of the transfer. ¹⁵⁶	“A sale and purchase is an agreement, by which one party is bound to deliver a certain matter, for which the other party shall pay a stipulated price.” (Article 1457, Indonesian Civil Code) ¹⁵⁷

¹⁵²Steven Wongso, "Keabsahan Tukar Menukar dengan Objek Hak Atas Tanah Secara Lisan (Studi Putusan Pengadilan Negeri Depok Nomor 211/Pdt.G/2018/PN.Dpk)," *Indonesian Notary*, Vol. 2, No. 1 (2020), p. 7.

¹⁵³KUHPer, Article 1542.

¹⁵⁴Yeara Kurnia Zalifah, Uzie Valerie, and Aqila Aulia Rachma, "Analisis Hukum Peralihan Hak Milik Atas Tanah Melalui Hibah Untuk Anak di Bawah Umur (Studi Kasus: Permohonan Nomor 1284/Pdt.G/2021/PA.Bpp)," *Journal of Innovative and Creativity*, Vol. 5, No. 2 (2025), p. 9923.

¹⁵⁵KUHPer, Article 1666, Paragraph (1).

¹⁵⁶Deviyanti and Andi Sri Rezky Wulandari, "Legal Force of Deeds of Sale and Purchase of Land and Buildings That Are Not Signed by the Seller," *eScience Humanity*, Vol. 4, No. 1 (2024), p. 434.

¹⁵⁷KUHPer, Article 1547.

14.	Succession	<i>Warisan</i>	Succession refers to the body of legal rules governing the transfer of a deceased person's property, rights, and obligations to their heirs. ¹⁵⁸	“ Succession shall only result from demise.” (Article 830, Indonesian Civil Code) ¹⁵⁹
Security Rights and Encumbrances				
<i>Hak Jaminan dan Hak Kebendaan</i>				
15.	Fiduciary Security	<i>Fidusia</i>	Fiduciary guarantee is a security right over a movable object both tangible and intangible and/or immovable objects in specific buildings that cannot be encumbered by a Mortgage. Ownership of an object will be transferred to the creditor without its physical form/usage being in the creditor's hands. ¹⁶⁰	“ Fiduciary is a transfer of ownership of an object on trust with the provision that transferred ownership of the object remains in the control of the owner of the object.” (Article 1, Fiduciary Law) ¹⁶¹
16.	Mortgage Rights	<i>Hak Tanggungan</i>	Mortgage rights is a legal	“ Mortgage Right over land

¹⁵⁸Dika Ratu Marfu'atun, Asep Dharmawan, Natasha Apriliani, & Sofia Billa Paradise. (2024). Pembagian Harta Warisan Berdasarkan Perspektif Hukum Perdata dan Hukum Islam. *Konsensus: Jurnal Ilmu Pertahanan, Hukum dan Ilmu Komunikasi*, Vol. 1, No. 4 (2024), p. 229.

¹⁵⁹KUHPer, Article 830.

¹⁶⁰TRNP Law Firm Legal Insight, “The Comparison of Implementation Parate Executie Between Fiduciary Guarantee and Mortgage,” *TRNP Law Firm*, accessed August 3 2026, available at <https://trnplawfirm.com/>.

¹⁶¹Fiduciary Law (*Undang-Undang tentang Jaminan Fidusia*), Law No. 42 of 1999, LN No. 168 of 1999, TLN No. 3889, Article 1.

			concept that serves as collateral for specific debts or obligations providing creditors with priority over other creditors in recovering debts. This legal instrument applies to land and its related assets, such as buildings, plants, and other immovable property that are above the land. ¹⁶²	together with objects related to the land, hereinafter referred to as Mortgage Right, is a security right encumbered on land rights as referred to in Law No. 5 of 1960 concerning Basic Regulations on Agrarian Principles, together with or not including other objects that form an integral part of said land, for the satisfaction of a specific debt, which grants priority status to a specific creditor over other creditors." (Article 1, Law on Mortgage Rights) ¹⁶³
17.	Pledge	<i>Gadai</i>	In legal and financial terms, a pledge is a type of security interest where the creditor gains possession and delivery of a collateral from the debtor to promise an obligation which is	“A pledge is a right which is obtained by a creditor in a movable asset, which has been provided to him by the debtor or his representative, to secure a debt, and which entitles the creditor priority over the other creditors with regard to the

¹⁶²Dewi Susanti, *Foreign Entities Providing Loans and Holding Mortgage Rights in Indonesia*, Schinder Law Firm, accessed August 3 2026, available at <https://schinderlawfirm.com/blog/foreign-entities-providing-loans-and-holding-mortgage-rights-in-indonesia/>.

¹⁶³Mortgage Rights Law, (*Undang-Undang tentang Hak Tanggungan*), Law No. 4 of 1996, LN No. 42 of 1996, TLN No. 3632, Article 1.

			repayment performance. ¹⁶⁴	or	settlement of the debt;" (Article 1150, Indonesian Civil Code) ¹⁶⁵
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¹⁶⁴Legal Information Institute, "Pledge," *Wex*, Cornell Law School, accessed August 3 2026,
available at <https://www.law.cornell.edu/wex/pledge>

¹⁶⁵KUHPer, Article 1150.



CORPORATION AND COMPANIES

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

Corporations and Companies

As a subject of law aside from natural persons, legal entities are often encountered in daily commercial activities. May it be purchasing an item in a convenience store, expecting salary from a company, or signing business to business contracts, agreements with companies, both express and implied are frequently made. Currently, the global number of businesses stands at 358.7 million, representing a 3.29% increase from 2022.¹⁶⁶ The number includes formally registered companies and a vast number of informal or unregistered enterprises and the quantity is growing every year, fueled by digital innovation, economic necessity, and a rising tide of global entrepreneurship.¹⁶⁷ Underlining its role as an economic necessity in Indonesia itself, the private business sector as a whole encompassing MSMEs and large enterprises contributes an estimation of 85% to the country's Gross Domestic Product (GDP).¹⁶⁸ The business sector in Indonesia contributes 61% to the country's GDP from the MSMEs alone.¹⁶⁹ Coming from these statistics, it is comprehensible that companies and corporations bring a huge impact on the economy of the country and individual lives.

In light of its general importance and huge impact on global and national commercial activities, it is highly important to gain a deep understanding of its legal architecture internally and externally. To begin, it is crucial to be able to identify different forms and classifications of companies as it is differentiated based on its liability, legal capacity, along with the capital structure and transferability.¹⁷⁰ These classifications will help law students determine the right advice in facing different types of companies such as partnerships, cooperatives, limited liability companies, and more. These different forms are also determined in the process of incorporation in which a

¹⁶⁶Naveen Kumar, "106 Business Statistics 2026 (Updated Data & Reports)", *Demandsage*, accessed August 7 2026, available at <https://www.demandsage.com/business-statistics/>.

¹⁶⁷Faizal, "Inside the Numbers: Estimating the Total Companies in the World in 2025", *gulfarticles.com*, accessed August 7 2026, available at <https://www.gulfarticles.com/how-many-companies-world>.

¹⁶⁸Kementerian Keuangan Republik Indonesia, "Wamenkeu Suahasil Ajak Sinergi Sektor Swasta," *Kementerian Keuangan Republik Indonesia*, accessed August 15, 2026, available at <https://www.kemenkeu.go.id/informasi-publik/publikasi/berita-utama/Wamenkeu-Suahasil-Ajak-Sinergi-Sektor-Swasta>.

¹⁶⁹Kementerian Keuangan Republik Indonesia, "UMKM Hebat, Perekonomian Masyarakat Meningkat," accessed August 10 2026, available at <https://dipb.kemenkeu.go.id/kppn/curup/id/data-publikasi/artikel/2885-umkm-hebat-perekonomian-nasional-meningkat>.

¹⁷⁰Black's Law Dictionary, 12th ed. (2024), s.v. "corporation."

company gained its legal standing to be a corporate body capable of possessing rights and duties. The procedure of the incorporation is the most important phase of a company as it also shapes the structure of the corporate governance along with the capital shares regulated under the articles of association.¹⁷¹ Another important occasion that corporate legal professionals often encounter is a corporate restructuring. The terms related to this crucial event of change are critical to understand because restructuring alters the legal, operational, and financial framework of a business. Whether a company is reorganizing debt, selling divisions, merging with another entity, or conducting equity swaps, every legal term defines rights, liabilities, and financial risk.¹⁷² Taking all this into account, a comprehensive explanation on the legal terms regarding companies becomes very important for legal students and professionals especially in the private and business sector.

Corporations and Companies Terminologies				
<i>Istilah dalam Badan Usaha dan Perusahaan</i>				
No.	Terminology	Translation	Explanation	Example in Legal Instrument
Forms and Classifications of Companies				
<i>Bentuk dan Klasifikasi Badan Usaha</i>				
1.	Cooperative	<i>Koperasi</i>	A business built based on the principle of kinship to support the nation's economic needs. ¹⁷³	"A Cooperative is a legal entity established by individuals or cooperative legal entities, with the separation of its members'

¹⁷¹Gabriel Lip, "Articles of Incorporation," *coproratefinanceinstitute*, accessed August 10 2026, available at <https://coproratefinanceinstitute.com/resources/equities/articles-of-incorporation/>

¹⁷²Paul L. Davies and Sarah Worthington, *Gower and Davies' Principles of Modern Company Law*, 10th ed. (London: Sweet & Maxwell, 2016), p. 169.

¹⁷³Wahid Hadi Purnomo et al., "Revitalizing Village Cooperatives: Harnessing Legal Culture for Sustainable Growth," *Indonesia Law Review* Vol. 14, No. 3 (2024), p. 50.

				assets as capital to operate a business, which meets common aspirations and needs in the economic, social, and cultural fields in accordance with cooperative values and principles.” (Article 1, Point Number 1, Indonesia’s Law No. 17 of 2012 on Cooperation)¹⁷⁴
2.	Limited Liability Company	<i>Perseroan Terbatas</i>	A legal entity that is established based on an agreement to conduct business activities with the company’s authorized capital. ¹⁷⁵	“A Limited Liability Company, hereinafter referred to as a Company, is a legal entity constituted as a capital association, established based on an agreement, carrying out business activities with authorized capital entirely divided into shares, or an individual legal entity meeting the criteria for Micro and Small Enterprises as regulated under the laws and regulations concerning

¹⁷⁴Law on Cooperation, Law Number 12 of 2012, LN No. 2012, TLN No. 5355, Article 1 Point Number 1.

¹⁷⁵Company Law, Article 1 Point number 1..



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				Micro and Small Enterprises.” (Article 109, Point Number 1, Indonesia’s Law No. 6 of 2023 on Job Creation) ¹⁷⁶
3.	Limited Partnership	<i>Persekutuan Komanditer/ Commanditaire Vennootschap (CV)</i>	A business partnership that recognizes two types of partners, which are the active partner and the passive partner. An active partner is in charge of running the company and is fully responsible for the company’s debt, while a passive partner only invests funds into the business. ¹⁷⁷	“A Limited Partnership (<i>Commanditaire Vennootschap</i>), hereinafter referred to as CV, is a partnership established by one or more limited partners and one or more complementary partners, to operate a business on a continuous basis.” (Article 1, Point Number 1, Regulation of the Minister of Law and Human Rights Number 17 of 2018) ¹⁷⁸
4.	Multinational Companies	<i>Perusahaan Multinasional</i>	A company that operates in several countries, often holding a significant portion of its total assets,	Unless otherwise stipulated by the law, any foreign investment shall be in the form of a limited liability

¹⁷⁶Law on job Creation, Article 109.

¹⁷⁷"Types of Business Entities," ASEAN Judgment Portal, Council of ASEAN Chief Justices, accessed 8 August 2026, available at <https://cacj-ajp.org/indonesia/legal-system/doing-business-in-indonesia/types-of-business-entities/>.

¹⁷⁸Regulation of the Minister of Law and Human Rights, Law Number 18 of 2018, Article 1 Point Number 1.



			sales, and workforce in foreign subsidiaries. ¹⁷⁹	company based on the law of the Republic of Indonesia. (Article 5, Paragraph (2), Indonesia's Law No. 25 of 2007 on Investment) ¹⁸⁰
5.	Partnership	<i>Firma</i>	A business partnership established by two or more individuals operating under a single, shared name. Each partner contributes personal assets to the venture as specified in the business's Articles of association. ¹⁸¹	"A Partnership Under a Firm is a company established to engage in a business under a common name." (Article 16, Indonesian Commercial Code) ¹⁸²
6.	Sole Proprietorship	<i>Perusahaan Perorangan</i>	A business that is owned and operated by one individual and is not a separate legal entity from the founder. ¹⁸³	"A micro enterprise means an independent economic productive enterprise carried on by an individual or a sole proprietorship company that fulfils the provisions herein."

¹⁷⁹Multinational Corporation," Marketing Dictionary, Monash Business School, accessed August 7, 2026, available at <https://www.monash.edu/business/marketing/marketing-dictionary/m/multinational-corporation>.

¹⁸⁰Law on Investment (*Undang-Undang tentang Penanaman Modal*), Law Number 25 of 2007, LN. 2007/No. 67, TLN No. 4724, hereinafter referred to as Capital Investment Law, Article 5 Paragraph (2).

¹⁸¹ASEAN Judgement Portal, "Types of Business..."

¹⁸²Indonesian Commercial Code (*Kitab Undang-Undang Hukum Dagang*), Staatsblad No. 23 of 1847, hereinafter referred to as KUHD, Article 16.

¹⁸³Cambridge Dictionary, s.v. "sole proprietorship," accessed July 25, 2026, available at <https://dictionary.cambridge.org/dictionary/english/sole-proprietorship>.

				(Article 1, Point Number 1, Law Number 20 of 2008 concerning MSMEs) ¹⁸⁴
7.	State-Owned Enterprises	<i>Badan Usaha Milik Negara</i>	Any business entity that a country's legal system recognizes as being owned or controlled, directly or indirectly, by the government. ¹⁸⁵	“State-Owned Enterprise, hereinafter abbreviated to the SOE, means an enterprise that meets at least one of the following criteria: a. its equity is wholly or predominantly owned by the Republic of Indonesia through direct equity participation; or b. the Republic of Indonesia holds special rights.” (Article 1, Point Number 1, The Fourth Amendment to Law Number 19 of 2003 on State-Owned Enterprises)¹⁸⁶
Incorporation and Corporate Personality				

¹⁸⁴Law concerning Micro, Small and Medium Enterprises, Law No. 20 of 2008, LN No. 93 of 2008, TLN No. 4866, Article 1, Point Number 1.

¹⁸⁵Asian Development Bank, *State-Owned Enterprises: Guidance Note on Procurement* (Mandaluyong City: Asian Development Bank, 2018), accessed August 7 2026, available at <http://dx.doi.org/10.22617/TIM189429-2>.

¹⁸⁶The Fourth Amendment to Law No. 19 of 2003 on State-Owned Enterprises, Law No. 16 of 2025, LN No. 162 of 2025, TLN No. 7142, Article 1 Point Number 1.



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Pendirian Badan Hukum dan Status Badan Hukum Perusahaan

8.	Articles of Association (AoA)	<i>Anggaran Dasar</i>	This document serves as a basic set of rules governing the company's management, including provisions on organizational structure, capital, rights and obligations of shareholders, and decision-making procedures within the company. ¹⁸⁷	“Apart from the provisions as referred to in paragraph (1), the articles of association may also contain other provisions which do not conflict with this Law.” (Article 15, Paragraph (2), Indonesia's Law No. 40 of 2007 on Limited Liability Company) ¹⁸⁸
9.	Control	<i>Kontrol</i>	Control Theory determines the personal status or nationality of a legal entity by reference to the nationality or location of the persons or interests that exercise control over the entity, particularly its controlling shareholders or other persons with decisive control. ¹⁸⁹	“Acquisition shall be a legal act conducted by a legal entity or individual who is taking over shares of corporation that creates control over said corporation is transferred.” (Article 1, Point Number 11, Indonesia's Law No. 40 of 2007 on Limited

¹⁸⁷ ADCO Law, "Understanding the Role and Function of Articles of Association," *ADCO Law*, November 5, 2024, accessed August 5, 2026, available at <https://adcolaw.com/blog/understanding-the-role-and-function-of-articles-of-association/>.

¹⁸⁸ Company Law, Article 15 Paragraph (2).

¹⁸⁹ Charlotte E. Blattner, "The Unexplored: Direct Extraterritoriality," in *Protecting Animals Within and Across Borders: Extraterritorial Jurisdiction and the Challenges of Globalization* (Oxford: Oxford University Press, 2019), p. 172.



				Liability Company) ¹⁹⁰
10.	Corporate Veil	<i>Tabir Perusahaan</i>	The idea that a company's managers or shareholders are not legally responsible for the actions of the company. ¹⁹¹	"The Company's Shareholders are not personally liable for agreements made on behalf of the Company, and are not liable for the Company's losses in excess of their prospective shareholding." (Article 3, Paragraph (1), Indonesia's Law No. 40 of 2007 on Limited Liability Company)¹⁹²
11.	Deed of Establishment (DoE)	<i>Akta Pendirian</i>	An authentic deed is seen as a binding and perfect piece of evidence, meaning that what is written in the Limited Liability Company establishment agreement carried out by the founders is stated in a notarial deed called the "Deed of	"The Deed of Establishment shall set forth articles of association and other information related to the Company's establishment." (Article 8, Paragraph (1), Indonesia's Law No. 40 of 2007 on Limited Liability Company)¹⁹⁴

¹⁹⁰Company Law, Article 1 Point Number 11.

¹⁹¹Cambridge Dictionary, "Corporate Veil," *Cambridge Dictionary*, accessed August 6, 2026, available at <https://dictionary.cambridge.org/dictionary/english/corporate-veil>.

¹⁹²Company Law, Article 3 Paragraph (1).

¹⁹⁴Company Law, Article 8 Paragraph (1).



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			Establishment". ¹⁹³	
12.	Effective Management	<i>Manajemen Efektif</i>	Effective management involves coordinating and supervising resources, people, and processes to achieve desired goals and objectives. ¹⁹⁵	“Directors shall implement management of corporation for the interest of corporation and in accordance with goals and objectives of corporation.” (Article 92, Paragraph (1), Indonesia’s Law No. 40 of 2007 on Limited Liability Company)¹⁹⁶
13.	Incorporation	<i>Pendirian Badan Hukum</i>	Incorporation is when a company becomes a corporate body capable of exercising all functions of an incorporated company.	“An application for approval of the amendment of articles of association regarding the extension of the period of incorporation of the Company as set forth in the articles of association, must be submitted to the Minister not later than 60 (sixty) days prior to the period of incorporation of

¹⁹³Esekiel Tarigan, Widodo Ramadhana, and Dody Ariyanto, "Legal Analysis of the Establishment of a Sole Proprietorship Based on PP No. 8 of 2021," *Yurisdiksi: Jurnal Wacana Hukum dan Sains* Vol. 20, No. 1 (2024), p. 135.

¹⁹⁵IGI Global, “Adopting Effective Leadership Strategies for Managing Diversity,” *IGI Global Dictionary*, accessed August 15, 2026, available on <https://www.igi-global.com/dictionary/adopting-effective-leadership-strategies-for-managing-diversity/99211>.

¹⁹⁶Company Law, Article 92 Paragraph (1).



				the Company becomes expire.” (Article 22, Paragraph (1), Indonesia’s Law No. 40 of 2007 on Limited Liability Company) ¹⁹⁷
14.	Incorporator	<i>Pendiri</i>	An incorporator is the individual who officially establishes a new corporation by preparing and submitting the required legal documents to the relevant state government. ¹⁹⁸	“Each founder of the Company is obliged to subscribe shares upon the establishment of the Company.” (Article 7, Paragraph (2), Indonesia’s Law No. 40 of 2007 on Limited Liability Company) ¹⁹⁹
15.	Ratification of Legal Entity Status	<i>Pengesahan Badan Hukum</i>	Ratification of Legal Entity Status from the Minister of Law and Human Rights is required for a PT's Deed of Establishment to obtain legal entity status. ²⁰⁰	“The Company obtains legal entity status on the date of the issuance of Ministerial Decree regarding the ratification of the Company’s legal entity. ”

¹⁹⁷Company Law, Article 22 Paragraph (1).

¹⁹⁸LSD.Law, "What Is Incorporator? Simple Definition & Meaning," *LSDefine*, accessed 5 August 2026, available at <https://definitions.lsd.law/incorporator>.

¹⁹⁹Company Law, Article 7 Paragraph (2).

²⁰⁰Ridho Noor Mahmudi, "Pendaftaran dan Pengesahan Badan Hukum Perseroan Terbatas Menurut Undang-Undang Nomor 40 of 2007 dan Peraturan Pemerintah Nomor 5 of 2021," *Lex Positvis* Vol. 2, No. 10 (2024), p. 1297.

				(Article 7, Paragraph (4), Indonesia's Law No. 40 of 2007 on Limited Liability Company) ²⁰¹
16.	Statutory Seat	<i>Kedudukan Statuter</i>	Statutory seat means the registered office or, where there is no such office anywhere, the place of incorporation or, where there is no such place anywhere, the place under the law of which the formation took place. ²⁰²	“A corporation shall have full address in accordance with its domicile.” (Article 5, Paragraph (2), Indonesia's Law No. 40 of 2007 on Limited Liability Company)²⁰³
Corporate Governance				
<i>Tata Kelola Perusahaan</i>				
17.	Board of Commissioners (BoC)	<i>Dewan Komisaris</i>	Board of Commissioners is the organ of the Company which is collectively responsible for overseeing and providing advice and input to the Board of Directors to ensure that the Company implements good corporate governance principles at	“Board of Commissioners shall be an organ of the company that has duties to conduct general and/or special supervision based on Article of Association and to provide advice to the Director.” (Article 1, Point Number 6, Indonesia's Law No. 40 of

²⁰¹Company Law, Article. 7 Paragraph (4).

²⁰²Law Insider, “Statutory Seat,” *Law Insider Dictionary*, accessed August 15, 2026, available on <https://www.lawinsider.com/dictionary/statutory-seat>.

²⁰³Company Law, Article 5 Paragraph (2).

			all levels of the organization. ²⁰⁴	2007 on Limited Liability Company) ²⁰⁵
18.	Board of Directors (BoD)	<i>Direksi</i>	The company organ is authorized and fully responsible for the management of the company for the interest and purpose of the company, and represents the company inside the court or even outside such as in agreements in accordance with the articles of association. ²⁰⁶	“Director shall be a Corporation element that shall be authorized and responsible completely against the management of Corporation for the interest of corporation in accordance with goals and objectives of Corporation and shall represent a Corporation, both in or out of the Court based on the provisions of Article of association.” (Article 1, Point Number 5, Indonesia's Law No. 40 of 2007 on Limited Liability Company)²⁰⁷
19.	Controlling Shareholder	<i>Pemegang Saham Pengendali</i>	A person or legal entity that owns more than 50% (fifty percent) of the total	“ Controlling Shareholder , hereinafter abbreviated as PSP, means

²⁰⁴Kusumalawfirm, “Understanding the Difference Between Board of Directors and Board of Commissioners in Indonesia,” accessed August 7 2026, available on <https://kusumalawfirm.com/article/understanding-the-difference-between-board-of-directors-and-board-of-commissioners-in-indonesia/>.

²⁰⁵Company Law, Article 1 Point Number 6.

²⁰⁶James Chen, “Board of Directors: Roles, Responsibilities, and Election Process,” *Investopedia*, accessed August 7 2026, available on <https://www.investopedia.com/terms/b/boardofdirectors.asp>.

²⁰⁷Company Law, Article 1 Point Number 5.

			shares with voting rights, or that has the ability, whether directly or indirectly, to determine, in whatever manner, the management and/or policy of the company. ²⁰⁸	a legal entity, an individual, and/or a business group that directly or indirectly holds shares or equity equivalents in a party conducting activities in the financial services sector and/or has the capacity to exert control over the said party.” (Article 1, Point Number 17, Indonesia’s Law No. 4 of 2023 on the Omnibus Law of Financial Sector) ²⁰⁹
20.	Duty of Care	<i>Kewajiban Kehati-hatian</i>	The obligation of a director to discharge their functions with the degree of diligence, prudence, and skill that an ordinarily prudent person would exercise under similar circumstances; codified in Indonesian law as the duty to manage the company "in good faith and with	“Management of the Directors for the Corporation must be implemented by any member of Directors with the good faith and full of accountability .” (Article 97, Paragraph (2), Indonesia's Law No. 40 of 2007 on Limited Liability

²⁰⁸Tim Smith, “Controlling Interest: What It Is, Advantages, Examples,” *investopedia*, accessed August 8 2026, available on <https://www.investopedia.com/terms/c/controllinginterest.asp>.

²⁰⁹Law on the Development and Strengthening of the Financial Sector, Law No. 4 of 2023, LN No. 4 of 2023, TLN No. 6845, Article 1 Point Number 17.

			full responsibility”.	Company) ²¹⁰
21.	Duty of Loyalty	<i>Kewajiban Loyalitas</i>	The obligation of a director or commissioner to act in the best interest of the company and its shareholders as a whole, avoiding self-dealing, usurpation of corporate opportunities, and conflicts of interest. ²¹¹	“Any member of the Board of Commissioners shall be obliged with the good faith, prudence, and responsibility to perform his/her supervision duty and shall provide advices to Directors for the interest of Corporation and in accordance with the goals and objectives of Corporation.” (Article 114, Paragraph 2, Indonesia's Law No. 40 of 2007 on Limited Liability Company)²¹²
22.	General Meeting of Shareholders (GMS)	<i>Rapat Umum Pemegang Saham (RUPS)</i>	As a key corporate organ, the GMS supports good corporate governance by providing a formal framework for making decisions, overseeing, determining accountability, and ensuring that significant	“Shareholders’ General Meeting, hereinafter known as RUPS, shall be a Corporation element that has authority that is not provided to the Directors and Board of Commissioners within a period determined in this

²¹⁰Company Law, Article 97 Paragraph (2).

²¹¹Robert C. Clark, *Corporate Law* (Boston: Little, Brown and Company, 1986), p. 157.

²¹²Company Law, Article 114 Paragraph (2).

			corporate actions are taken transparently. These comprise the Annual General Meeting of Shareholders (AGMS) and other meetings convened as required, commonly referred to in practice as Extraordinary General Meetings of Shareholders. ²¹³	Law and/or Article of Association.” (Article 1, Point Number 4, Indonesia's Law No. 40 of 2007 on Limited Liability Company) ²¹⁴
Capital and Shares				
<i>Modal dan Saham</i>				
23.	Acquisition	<i>Akuisisi</i>	An acquisition is a legal act carried out by a legal entity or an individual to acquire a company's shares, resulting in the transfer of control over the company. ²¹⁵	“ Acquisition means a legal action conducted by a legal entity or an individual to acquire the shares of the Company, resulting in the transfer of control of such Company” (Article 1, Point Number 11, Indonesia’s Law No. 40 of 2007 on Limited Liability Companies) ²¹⁶

²¹³ Acclime Indonesia, “Two types of shareholder meetings in Indonesia,” accessed August 8 2026, available on <https://indonesia.acclime.com/guides/shareholder-meetings/>.

²¹⁴ Company Law, Article 1 Point Number 4.

²¹⁵ Company Law Article 1 Point Number 11.

²¹⁶ Company Law, Article 1 Point Number 11.



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24.	Capital Market/ Stock Market/ Stock Exchange	<i>Pasar Modal/ Bursa Efek</i>	The market in which securities, including shares and bonds, are issued and traded, enabling companies and governments to raise capital from investors. ²¹⁷	“The Capital Market is the activity of trading and Offering Securities to the Public, the activity of a Public Company with respect to Securities it has issued, and the activities of Securities-related institutions and professions.” (Article 1, Point Number 13, Indonesia’s Law No. 8 of 1995 on The Capital Market)²¹⁸
25.	Dividends	<i>Dividen</i>	Portion of a company’s profit that is distributed to its shareholders. Dividends are paid out of profits. The more shares someone has in a company, the more dividends they will receive. For instance, if a company issues dividends of \$2 per share, someone who owns 5 shares will	“Issuers, the Central Securities Depository, Custodian banks, and Securities Companies must promptly distribute dividends, interest, bonus shares and other ownership entitlements on an account-holder’s Securities in Collective Custody” (Article 60, Paragraph (2),

²¹⁷Cambridge Dictionary, s.v. “Capital Market,” accessed August 4, 2026, available at <https://dictionary.cambridge.org/dictionary/english/capital-market>.

²¹⁸, Law on Capital Market, Article 1 Point Number 13.



			receive \$10. ²¹⁹	Indonesia's Law No. 8 of 1995 on The Capital Market) ²²⁰
26.	Issuer	<i>Emiten</i>	A public company or a company that offers its shares to the public in compliance with applicable capital market laws and regulations. ²²¹	“Issuer means a Public Company or a Company which exercise a public offering to shares, in accordance with the provisions and legislations in the field of capital market.” (Article 1, Point Number 7, Indonesia's Law No. 40 of 2007 on Limited Liability Companies)²²²
27.	Public Offer	<i>Penawaran Umum</i>	An offer to sell securities by an issuer. ²²³	“A Public Offering is an offer to sell Securities to the public, made by an Issuer in ways stipulated in this Law and its implementing regulations.” (Article 1, Point Number 15, Indonesia's Law No. 8 of 1995 on The Capital

²¹⁹“Dividen,” Wex, Legal Information Institute, Cornell Law School, accessed 4 August, available at <https://www.law.cornell.edu/wex/dividend>.

²²⁰Law on Capital Market, Article 60 Paragraph (2).

²²¹Company Law, Article 1 Point Number 7.

²²²Company Law, Article 1 Point Number 7.

²²³Law on Capital Market, Article 1 Paragraph (15).



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				Market) ²²⁴
28.	Share	<i>Saham</i>	A share is a unit of ownership in a company that represents a shareholder's financial interest and proportionate liability in the company's capital. A share also grants them the rights and obligations attached to such ownership. ²²⁵	“Acquisition means a legal action conducted by a legal entity or an individual to acquire the shares of the Company, resulting in the transfer of control of such Company.” (Article 1, Point Number 11, Indonesia’s Law No. 40 of 2007 on Limited Liability Companies)²²⁶
29.	Shareholder	<i>Pemegang Saham</i>	A legal subject who owns stock in a corporation. ²²⁷	“The General Meeting of Shareholders, hereinafter referred to as GMS, means the organ of the Company that has authority not given to the Board of Directors or the Board of Commissioners, within limits as stipulated in this Law, and/or the articles of association” (Article 1, Point Number 4,

²²⁴Law on Capital Market, Article 1 Point Number 15.

²²⁵Ridwan Khairandy, *Hukum Perseroan Terbatas* (Yogyakarta: FH UII Press, 2014), p. 78.

²²⁶Company Law, Article 1 Point Number 11.

²²⁷“Shareholder,” Wex, Legal Information Institute, Cornell Law School, accessed 4 August, available at <https://www.law.cornell.edu/wex/shareholder>.



				Indonesia's Law No. 40 of 2007 on Limited Liability Companies) ²²⁸
Corporate Restructuring				
Restrukturisasi Perusahaan				
30.	Acquisition	<i>Pengambilalihan</i>	During an acquisition, both companies remain separate entities , with one company having a controlling interest in the other. ²²⁹	“ Acquisition shall be carried out by acquiring shares already issued and/or to be issued by the Company, either through the Board of Directors of the Company or directly from the shareholders.” (Article 125, Paragraph (1), Indonesia's Law No. 40 of 2007 on Limited Liability Company) ²³⁰
31.	Consolidation	<i>Peleburan</i>	The unification of two or more corporations by the dissolution of existing ones and creation of a single new corporation. ²³¹	“Deed of Consolidation as referred to in paragraph (1) shall be the basis for the drawing up of deed of establishment of the Company which is

²²⁸Company Law, Article 1 Point Number 4.

²²⁹Legal Information Institute, "Acquisition," *Wex*, Cornell Law School, accessed August 7 2026, available at <https://www.law.cornell.edu/wex/acquisition>.

²³⁰Company Law, Article 125 Paragraph (1).

²³¹Merriam-Webster, "Consolidation," *Merriam-Webster.com Dictionary*, accessed August 6, 2026, available at <https://www.merriam-webster.com/dictionary/consolidation>.

				resulting from the Consolidation." (Article 128, Paragraph (3), Indonesia's Law No. 40 of 2007 on Limited Liability Company)²³²
32.	Merger	<i>Penggabungan</i>	Merger refers to a legal process whereby one or more existing companies transfer their assets and liabilities to another existing company, resulting in the dissolution of the transferring company or companies by operation of law, while the surviving company continues to exist.²³³	"A particular category of Company proposing to enter into a Merger shall, in addition to complying with this Law, first obtain the approval of the relevant authority in accordance with the applicable laws and regulations." (Article 123, Paragraph (4), Indonesia's Law No. 40 of 2007 on Limited Liability Company)²³⁴
33.	Separation	<i>Pemisahan</i>	The separation of a company's or group's business activities into distinct companies, which are typically owned by the	"The separation can be conducted by ways of : a. Pure Separation; or b. Non-pure Separation."

²³²Company Law, Article. 128 Paragraph (3).

²³³Gowhar Ahmad Wani and Devanshu Jha, "Mergers and Acquisitions and Their Impact on Enhancing Shareholder Value," *Technoarete Journal on Accounting and Finance* Vol. 2, No. 6 (2022), p. 2.

²³⁴Company Law, Article 123 Paragraph (4).



NEGOTIABLE INSTRUMENTS

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

Negotiable Instruments

A negotiable instrument is a written document, signed by the maker or drawer, that contains an unconditional promise or order to pay a certain sum of money to a specified person.²³⁷ It is transferred from the maker or drawer to the bearer as a lawful substitute for cash in commercial transactions.²³⁸ Depending on its type, a negotiable instrument may involve either two or three parties.²³⁹ For example, a bill of exchange operates through a three-party system consisting of a drawer, a drawee, and a payee. The drawer issues an order directing the drawee to pay a specified sum of money to the payee. Once delivered, the payee becomes the holder of the instrument and may enforce payment or negotiate the instrument to another party in accordance with the applicable law.

Negotiable instruments themselves may take various forms, including bills of exchange, promissory notes, and cheques.²⁴⁰ Depending on the type of instrument, the parties may include the maker, drawer, drawee, payee, holder, and endorsee, each of whom may assume distinct rights and obligations.²⁴¹ In addition, their legal operation involves rules concerning issuance, acceptance, endorsement, transfer, payment, and liability.²⁴² And when an instrument is dishonoured, the applicable law determines the consequences and remedies available to the holder and other entitled parties.²⁴³

Negotiable Instruments

²³⁷Legal Information Institute, “§ 3-104. Negotiable Instrument,” *Uniform Commercial Code*, Cornell Law School, accessed August 15, 2026, available on <https://www.law.cornell.edu/ucc/3/3-104>.

²³⁸National Association of Credit Management, *Principles of Business Credit*, 8th ed. (Columbia, MD: National Association of Credit Management), p. 12.

²³⁹Sagi Peari, "Negotiable Instruments," *SSRN Electronic Journal* (The University of Western Australia, 2021), hereinafter referred to as Negotiable Instruments, 2, accessed August 16 2026 available on https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5094945.

²⁴⁰Adam Hayes, “Understanding Negotiable Instruments: Definition, Types, and Uses,” *Investopedia*, accessed August 15, 2026, available on <https://www.investopedia.com/terms/n/negotiable-instrument.asp>.

²⁴¹Aishwarya Agrawal, “Parties to Negotiable Instruments,” *LawBhoomi*, November 9, 2023, accessed August 15, 2026, available on <https://lawbhoomi.com/parties-to-negotiable-instruments/>.

²⁴²Rizal Ananda Gibran, Muhammad Raja Avatar, Raihan Ramadhan Hayatuddin, and Rasendriya Hendarwin, “Analisis Yuridis Keabsahan Peralihan Hak Atas Surat Berharga (Studi Kasus Putusan Nomor 5/PDT.G/2018/PN SLT),” *Media Hukum Indonesia* Vol. 3, No. 3 (2025), p. 480.

²⁴³Muhammad Fauzan Syauqi Rabbani and Siti Hapsah Isfardiyana, “Legal Protection for Creditors of Promissory Notes in Case of Debtor Default: A Comparative Study between Indonesia and Singapore,” *Journal of Private and Commercial Law* Vol. 2, No. 1 (2025), p. 67.

Surat Berharga				
No.	Terminology	Translation	Explanation	Example in Legal Instrument
Types and Classification of Negotiable Instruments				
Jenis-Jenis dan Klasifikasi Surat Berharga				
1.	Bills of Exchange/Draft	<i>Wesel</i>	Bills of Exchange are legally binding documents signed by the drawer and used for transactions on both services and goods. They unconditionally instruct one party to pay a predetermined sum to a secondary party. When issued by a financial institution, a bill of exchange is often called a bank draft. When issued by an individual, it's called a trade draft. ²⁴⁴	"The bill of exchange may be paid at the domicile of a third party, either at the domicile of the drawee or at another place." (Article 103, Indonesian Commercial Code) ²⁴⁵
2.	Bill of Lading	<i>Konosemen</i>	A Bill of Lading is a dated document issued by a carrier that contains the details and terms of a certain delivery. It identifies what good(s) are	"The sender can request the forwarder to issue a bill of lading of the goods that have been received to be delivered, by taking back the receipt in case he

²⁴⁴OCBC, "Apa itu Surat Berharga? Ini Pengertian, Jenis, & Manfaatnya", OCBC, accessed August 17 2026, available on <https://www.ocbc.id/id/article/2023/11/21/surat-berharga-adalah>,

²⁴⁵KUHD, Article 103.

			being shipped, where they are shipped from and to, as well as information regarding who is entitled to receive said good(s).	has issued this.” (Article 504, Indonesian Commercial Code) ²⁴⁶
3.	Cheques	<i>Cek</i>	As one of the most common negotiable instrument examples, a cheque is an instrument in writing with a specific payment amount. Upon receipt, the payer's financial institution pays out these funds to the bearer, either in cash or to a chosen bank account. ²⁴⁷	“A cheque not indicating the place where it was drawn shall be deemed to have been signed at the place indicated next to the drawer's name.” (Article 179, Paragraph (4), Indonesian Commercial Code) ²⁴⁸
4.	Debt Security (Bonds)	<i>Surat Utang (Obligasi)</i>	A debt security is an investment that carries debt and can be bought and sold on an open market. Different from promissory notes, a debt security can be issued by corporations, and organizations, and even governments (such as treasury bonds) while	“Securities are promissory notes, commercial paper, shares, bonds , evidences of indebtedness, Participation Units of collective investment contracts, future contracts related to securities, and all derivatives of securities.” (Article 1, Point Number 5,

²⁴⁶KUHD, Article 504.

²⁴⁷GoCardless, “What are the Types of Negotiable Instruments?” GoCardless, accessed August 16 2026, available on <https://gocardless.com/guides/posts/types-of-negotiable-instruments>

²⁴⁸KUHD, Article 179, Paragraph (4).

			investors act as lenders. Debt securities come with the obligation that issuers will repay lenders the entire principal with an agreed upon interest rate. ²⁴⁹	Law No. 8 of 1995 on Capital Market) ²⁵⁰
5.	Promissory notes	<i>Surat Sanggup</i>	Promissory note is an unconditional promise to pay a fixed sum of money to a named party or the holder of the note, or to deposit that money as such person directs. A promissory note must be in writing and signed by the maker of the promise. ²⁵¹	“A document not indicating one of the statements in the aforementioned article, shall not prevail as a promissory note , except in the events set forth herein under.” (Article 175A, Indonesian Commercial Code) ²⁵²
6.	Shares	<i>Saham</i>	Shares represent an individual's ownership in a company's assets, typically issued in the form of a document. Stockholders are entitled to a share of the	“Shareholders shall be given share ownership receipt for any share possessed.” (Article 51, Law No. 40 of 2007 on Limited Liability

²⁴⁹Morningstar, s.v., “Debt Security”, accessed August 15 2026, available on <https://www.morningstar.com/investing-terms/debt-security>.

²⁵⁰Law on Capital Market, Article 1, Point Number 5.

²⁵¹Legal Information Institute, “Promissory Note,” *Wex*, Cornell Law School, accessed August 23 2026, available on https://www.law.cornell.edu/wex/promissory_note.

²⁵²KUHD, Article 175A.

			company's profits proportional to the number of stock lots they own. The returns earned from stock investments are known as dividends. ²⁵³	Company) ²⁵⁴
Parties to Negotiable Instruments				
Pihak-Pihak dalam Surat Berharga				
7.	Acceptor	<i>Akseptan</i>	An acceptor is a drawee who has accepted liability to conduct payment under a negotiable instrument. As the principal debtor, the acceptor is primarily liable for fulfilling the obligations stated in the instrument. ²⁵⁵	“Up to the payment maturity date, the bill of exchange may be submitted by a valid holder or by a party only carrying it , to the drawee at his address for acceptance.” (Article 120, Indonesian Commercial Code) ²⁵⁶
8.	Carrier	<i>Pengangkut</i>	The party such as a shipping company, airline, or trucking company that physically possesses the goods and issues the shipping contract and bill	“The sender may request that the carrier issue a bill of lading for the goods received for transport, in exchange for surrendering any receipt previously issued by the carrier.”

²⁵³CIMB Niaga, “Pahami Perbedaan Saham dan Obligasi”, CIMB Niaga, accessed August 16 2026, available on <https://www.cimbniaga.co.id/id/inspirasi/bisnis/pahami-perbedaan-saham-dan-obligasi>.

²⁵⁴Company Law, Article 51.

²⁵⁵“Acceptor: Understanding Legal Responsibilities and Definitions,” US Legal Forms, accessed August 16, 2026, available on <https://legal-resources.uslegalforms.com/a/acceptor>.

²⁵⁶KUHD, Article 127.

			of lading to legally promise the transportation of the cargo to the rightful receiver. ²⁵⁷	(Article 504, Indonesian Commercial Code) ²⁵⁸
9.	Drawee	<i>Tertarik/ Tersangkut</i>	This term refers to a person or entity, typically a bank, responsible for transferring the amount of money specified in the instrument towards the payee. ²⁵⁹ The drawee is responsible for fulfilling the payment obligation under the instrument. ²⁶⁰	“The aforementioned check must be drawn on a banker in control of the funds for the drawer's interests.” (Article 180, Indonesian Commercial Code) ²⁶¹
10.	Drawer	<i>Penarik/Penerbit</i>	The drawer is the person or company who makes or executes a draft. ²⁶²	“Bills of exchange may be issued to the persons appointed by the drawer .” (Article 102, Indonesian Commercial Code) ²⁶³
11.	Endorsee	<i>Penerima Endosemen</i>	A person or entity who is entitled to payment under	“Every bill of exchange, including those which do

²⁵⁷LSD Law's Legal Dictionary, s.v. “Negotiable Bill of Lading,” accessed August 18 2026, available on <https://definitions.lsd.law/negotiable-bill-of-lading>.

²⁵⁸KUHD, Article 504.

²⁵⁹Cambridge Dictionary, s.v. “drawee,” accessed August 10, 2026, available at <https://dictionary.cambridge.org/dictionary/english/drawee>.

²⁶⁰Negotiable Instruments, pp. 1–2.

²⁶¹KUHD, Article 180.

²⁶²National Association of Credit Management, Principles of Business..., p. 716

²⁶³KUHD, Article 102.

			a negotiable instrument through the process of endorsement. ²⁶⁴ The endorsee is someone who receives the right to payment from the initial receiver (payee).	not expressly refer to the person designated, can be handed over to another person by way of endorsement. (Article 110, Indonesian Commercial Code) ²⁶⁵
12.	Holder	<i>Pemegang</i>	A general term that refers to an individual who has lawfully received possession of a property. ²⁶⁶	“The person holding a bill of exchange shall be deemed as the valid holder , if such party proves his right by presenting a series of uninterrupted endorsements, even though the last endorsement is made as a blank endorsement.” (Article 115, Indonesian Commercial Code) ²⁶⁷
13.	Maker	<i>Pembuat</i>	The maker is the person or company who signs and executes a promissory note, thereby assuming	A promissory note shall include the following: (7) signature of the party issuing such document.

²⁶⁴Cambridge Dictionary, s.v. “endorsee,” accessed August 10, 2026, available on <https://dictionary.cambridge.org/dictionary/english/endorsee>.

²⁶⁵KUHD, Article 110.

²⁶⁶“Holder,” Wex, Legal Information Institute, Cornell Law School, accessed August 10 2026, available on <https://www.law.cornell.edu/wex/holder>.

²⁶⁷KUHD, Article 115.

			primary liability for payment of the amount stated in the note. ²⁶⁸	(Article 174, Point Number 7, Indonesian Commercial Code) ²⁶⁹
14.	Payee	<i>Penerima Pembayaran/ Pihak Terbayar</i>	The designated recipient of a payment under a negotiable instrument. ²⁷⁰	“Bills of exchange shall include the following (6) name of the party receiving payment , or another party appointed to receive such payment.” (Article 100, Point Number 6, Indonesian Commercial Code) ²⁷¹
Negotiation and Transfer of Instruments				
<i>Negosiasi dan Pengalihan Surat Berharga</i>				
15.	Endorsement/Indorsement	<i>Endosemen</i>	The signing of a negotiable instrument by its holder to negotiate, transfer, or otherwise establish rights in the instrument, typically to another person (the endorsee). ²⁷²	“Each Bill of Exchange, including those that do not expressly state to the appointed party, may be transferred to another party by way of endorsement .” (Article 110, Paragraph

²⁶⁸National Association of Credit Management, Principles of Business..., p.7.

²⁶⁹KUHD, Article 174 Paragraph (7).

²⁷⁰"Payee," Wex, Legal Information Institute, Cornell Law School, accessed August 10 2026, available on <https://www.law.cornell.edu/wex/payee>.

²⁷¹KUHD, Article 100 Paragraph (6).

²⁷²"Endorsement," Wex, Legal Information Institute, Cornell Law School, accessed August 19 2026, available on <https://www.law.cornell.edu/wex/endorsement>.

				(1), Indonesian Commercial Code) ²⁷³
16.	Negotiation	<i>Negosiasi</i>	Negotiation means a transfer of possession, whether voluntary or involuntary, of an instrument by a person other than the issuer to a person who thereby becomes its holder. ²⁷⁴	“Negotiation of securities in the form of time export drafts is excluded from the calculation of the Maximum Limit for Provision of Funds as referred to in Article 5 and Article 9, provided that certain requirements are met.” (Article 34, Paragraph (1), Financial Services Authority Regulation No. 32/POJK.03/2018)²⁷⁵
17.	Transfer	<i>Pengalihan</i>	The transfer of an instrument refers to the process by which a person, who is not the original issuer, delivers a financial instrument (such as a check or promissory note) to another person. ²⁷⁶	“If the drafter's bill of exchange contains the words not to the designated person or any other term, then the bill of exchange cannot be transferred to another person but in the form of an ordinary <i>cessie</i>

²⁷³KUHD, Article 110 Paragraph (1).

²⁷⁴Legal Information Institute, “§ 3-201. Negotiation,” *Uniform Commercial Code*, Cornell Law School, accessed August 16, 2026, available on <https://www.law.cornell.edu/ucc/3/3-201>

²⁷⁵Financial Services Authority Regulation Number 32/POJK.03/2018 concerning the Maximum Legal Lending Limit and Large Exposure Provision for Commercial Banks, Article 34 Paragraph (1).

²⁷⁶US Legal Forms, “Transfer of Instrument,” *US Legal Forms Legal Resources*, accessed August 16, 2026, available on <https://legal-resources.uslegalforms.com/t/transfer-of-instrument>.

				with all the consequences.” (Article 110, Paragraph (2), Indonesian Commercial Code) ²⁷⁷
Liability and Dishonor of Negotiable Instruments				
<i>Tanggung Jawab Hukum dan Wanprestasi Surat Berharga</i>				
18.	Acceptance	<i>Akseptasi</i>	Acceptance is an important representation of the willingness and ability to enforce and execute payment through the decided bills of exchange according to the maturity date agreed upon by both parties. ²⁷⁸	“Up to the payment maturity date, the bill of exchange may be submitted by a valid holder or by a party only carrying it, to the drawee at his address for acceptance .” (Article 120, Indonesian Commercial Code) ²⁷⁹
19.	Aval (Guarantor)	<i>Avalis (Penjamin)</i>	An aval is a guarantee by a third party, often a bank, to ensure payment on a debt if the original issuer defaults. They are typically given to issuers with strong credit ratings	“The payment of a bill of exchange may be guaranteed by a guarantee agreement (aval) for the entire or partial amount of such bill of exchange. Such guarantee may be

²⁷⁷KUHD, Article 110 Paragraph (2).

²⁷⁸Rosyda, “Pengertian Akseptasi: Perhitungan Tagihan Akseptasi dan Syarat Membuat Akseptasi”, *Gramedia*, accessed August 17 2026, available on <https://www.gramedia.com/literasi/pengertian-ekonomi-kreatif-contoh/>.

²⁷⁹KUHD, Article 120.

			and useful to strengthen deals by providing added security for transactions. ²⁸⁰	granted by a third party, or even by a person whose signature is indicated in such bill of exchange.” (Article 129, Indonesian Commercial Code) ²⁸¹
20.	Formal Protest	<i>Protes non-akseptasi</i> or <i>Protes non-pembayaran</i>	A protest is a notarial certificate setting out the reason for dishonour and recording the details of the presentment in a more formal way than the note. ²⁸²	“The rejection of acceptance or payment must be drawn up in an authentic deed (protest for non-acceptance or non-payment). Protests for non-acceptance must be filed within the time frame determined for submission for acceptance.” (Article 143, Indonesian Commercial Code) ²⁸³
21.	Joint and Several Liability	<i>Tanggung Renteng</i>	Two or more persons who have the same liability on an instrument as makers, drawers, acceptors, endorsers who endorse as	“Every person drawing, accepting, endorsing or signing a bill of exchange for aval, shall be bound to its holder with the

²⁸⁰James Chen, “What is an Aval? Understanding Third-Party Debt Guarantees”, *investopedia*, April 22 2026, accessed August 17 2026, available on <https://www.investopedia.com/terms/a/aval.asp>, accessed on August 17 2026.

²⁸¹KUHD, Article 129.

²⁸²Cheeswrights, “Protesting Bills of Exchange,” Cheeswrights, accessed August 29, 2026, available on <https://cheeswrights.com/protesting-bills-of-exchange/>.

²⁸³KUHD, Article 143.

			joint payees, or anomalous indorsers are jointly and severally liable in the capacity in which they sign according to the regarded negotiable instrument. ²⁸⁴ This excludes if otherwise already provided in the instrument.	former's personal assets. Furthermore, a third party at whose expense such bill of exchange was drawn and he already benefited from the value thereof shall also be responsible to the holder concerned.” (Article 146, Indonesian Commercial Code) ²⁸⁵
22.	Right of Recourse	<i>Hak Regres</i>	This right grants the owner or holder to explicitly pursue the prior endorsers, drawers, and other bound parties for their liability for the payment if the instrument is dishonored. ²⁸⁶	“The holder of a bill of exchange may exercise his regress right towards the endorsing parties, towards the drawer and other debtors of the bill of exchange.” (Article 142, Indonesian Commercial Code) ²⁸⁷

²⁸⁴Delaware Code Annotated, tit. 6, § 3-116 ("Joint and several liability; contribution") (2025).

²⁸⁵KUHD, Article 146.

²⁸⁶Tim Hukumonline, “Mengenal Jenis-Jenis Wesel dalam KUHD”, [hukumonline.com](https://www.hukumonline.com/berita/a/jenis-jenis-wesel-lt6655bd6166daf/), accessed August 17 2026, available on <https://www.hukumonline.com/berita/a/jenis-jenis-wesel-lt6655bd6166daf/>.

²⁸⁷KUHD, Article 142.



MINI QUIZ

**ALSA LEGAL ENGLISH
GLOSSARIUM #5**

ALSA Legal English Glossarium #5 Mini Quiz

I. Multiple Choice Quiz



1. In the company, she serves on the ____.
- Board of Commissioners
 - General Meeting of Shareholders
 - Employees



2. A contract in which the terms and conditions that are agreed upon must be articulated explicitly in words, either verbally or in writing, is a(n) ____.
- Good Contract
 - Express Contract
 - Implied Contract



3. He is 8 years old. Yet he somehow purchased the latest iPhone with some cash he saved up. In this case, the contract is ____.
- Voidable
 - Null and Void
 - Quasi Contract



4. The car is borrowed. Therefore, the asset is under her ____.
- Ownership
 - Possession
 - Encumbrance



5. Each of them owns stocks in EDDams.Ltd. Therefore they are ____.
- Shareholders
 - Board of Directors
 - Endorsees



6. How can we ensure the rights someone has over this asset?
- Fiduciary Security
 - Promissory Notes
 - Mortgage Rights

II. Word Search Puzzle

E	G	E	Y	T	I	C	A	P	A	C	P	S	E
N	L	P	O	N	O	V	A	T	I	O	N	Q	P
E	N	Q	U	T	I	C	O	F	R	Q	I	E	U
G	N	T	E	T	S	O	H	E	E	R	L	N	I
I	A	O	E	F	R	I	Q	E	U	U	F	F	Y
F	N	A	V	A	L	P	C	N	Q	O	T	F	B
T	E	Q	U	Q	E	E	S	I	E	U	E	I	R
C	G	E	C	N	A	R	U	S	N	I	E	E	O
F	E	U	G	N	F	P	A	Y	E	E	O	S	K
C	I	P	A	F	F	O	T	E	S	D	F	Y	E
E	O	K	S	S	D	T	S	P	P	U	F	E	R
F	S	K	A	E	G	D	E	L	P	S	E	C	U
P	S	E	R	E	U	S	S	I	L	O	R	E	G
Y	S	T	E	F	R	R	P	S	U	A	V	F	P

Across

1. An independent intermediary who arranges buyer-seller contracts and earns a commission.
2. The legal competence and authority required for a person to perform legal acts.
3. A written payment instrument where the payer's financial institution pays out these funds to the bearer.
4. The process of replacing an existing agreement or obligation with a new one that is tailored to the current conditions and needs of the parties.

Down

1. A guarantee by a third party, often a bank, to ensure payment on a debt if the original issuer defaults.
2. The person or company who makes or executes a note.
3. An offer to sell securities by an issuer.
4. The designated recipient of a payment under a negotiable instrument.

Surprise!

There are three hidden words within the puzzle. Can you find them based on the clues below?

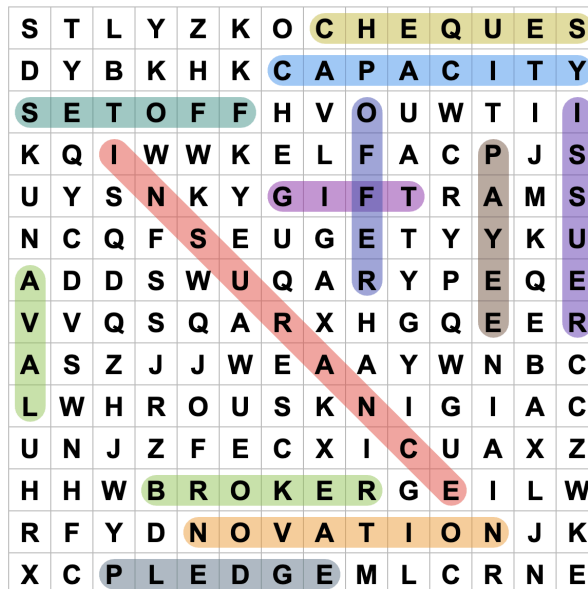
1. A legal right that allows a party to deduct the amount they owe to the other party when both parties are indebted to each other.
2. A type of security interest where the creditor holds collateral from the debtor until the debt is fulfilled.
3. A voluntary transfer of something valuable without expecting anything in return

Answer Key

I. Multiple Choice Quiz

1. a. Board of Commissioners
2. b. Express Contract
3. a. Voidable
4. b. Possession
5. a. Shareholders
6. c. Mortgage Rights

II. Word Search Puzzle



Down

1. Aval
2. Issuer
3. Offer
4. Payee

Across

1. Broker
2. Capacity
3. Cheques
4. Novation

Surprise

1. Setoff
2. Pledge
3. Gift

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