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Regulation of Treasury shares in Public Companies and Share Governance

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ABSTRACT

This study discusses the regulation and application of treasury shares in public companies from the perspective of corporate law and capital markets. Treasury shares are understood as shares that have been issued and then repurchased by the company for specific purposes that are legally valid. In the corporate legal system, these shares are classified as passive shares that do not have voting rights or dividend rights, so their status is different from shares owned by active shareholders. This study uses a normative juridical method with a regulatory and corporate law doctrine approach. The results of the study show that the regulation of treasury shares is designed to maintain a balance between the interests of corporations in managing capital structure and the rights of shareholders to legal protection. Capital market regulations set quantitative limits, information disclosure obligations, and shareholder approval mechanisms as control instruments. The application of treasury shares has direct implications for corporate governance through increased director accountability, policy transparency, and strengthened protection for minority shareholders. In addition, supervision by capital market authorities and the application of administrative sanctions serve as guarantees of legal compliance. With a structured legal framework, treasury shares can function as a legitimate capital management instrument without disrupting the fairness and integrity of the capital market.

INTRODUCTION

The development of modern capital markets has encouraged public companies to manage their capital structure more actively and measurably. One instrument that is increasingly being used is the repurchase of shares by companies, known as treasury shares. This practice is no longer understood solely as a technical financial measure, but rather as a corporate policy that has legal, governance and shareholder protection implications. In the context of public companies, every action related to outstanding shares is directly linked to transparency, fair pricing, and public confidence in the capital market (Galanov & Galanova, 2020). Therefore, the regulation of treasury shares requires a clear legal basis so as not to cause information distortion, conflicts of interest, or abuse of authority by company organs.

In international practice, treasury shares are often used to maintain share price stability, support employee share ownership programmers, or optimize capital structure. However, in the national legal system, the application of this mechanism cannot be separated from the principles of prudence and compliance with capital market regulations. Public companies have an obligation to maintain a balance between managerial flexibility and investor protection. Any share buyback policy has the potential to affect market liquidity and investor perception, so the state, through regulation, seeks to ensure that such policies are carried out transparently and responsibly. The principles of transparency and accountability to the public become even more relevant when viewed in the context of service-oriented governance. As stated by Rojak (2021), a public service orientation in governance emphasizes accountability, responsiveness, and alignment with the public interest. The ultimate goal is to achieve a balance between economic, social, and environmental aspects (Mardikaningsih & Hariani, 2021).

In Indonesia, regulations regarding treasury

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shares have developed in line with the strengthening of the capital market legal regime and corporate governance (Wibhawa, 2022). Limited liability company laws and capital market regulations provide clear restrictions on the conditions, procedures, and objectives of share buybacks. These restrictions are intended to prevent market manipulation and insider information abuse. Thus, treasury shares are positioned as a legally valid instrument, as long as they are implemented in accordance with applicable regulations and good governance principles.

Public companies face greater pressure than private companies because every corporate policy is under the supervision of regulators and the public (Hamzah & Wajdi, 2019). The board of directors and board of commissioners are required to understand the legal implications of every action related to company shares. Errors in the application of treasury shares can result in administrative sanctions, civil liability, and even potential criminal violations in the capital market. Therefore, a comprehensive legal understanding of treasury share regulations is an integral part of managing a public company.

In addition to positive legal aspects, treasury shares are also closely related to corporate governance principles. Share buyback policies must reflect accountability, information disclosure, and protection of minority shareholders' interests. Without clear regulations and effective supervision, treasury shares can be used as a tool to consolidate controlling power or influence the ownership structure unfairly (Herdiani, 2022). These principles of good governance are in line with the factors that determine the effectiveness of an organization. Organizational effectiveness is enhanced by the distribution of key factors such as a strong control system, transparency, and compliance with sound governance principles. Therefore, treasury share regulations not only serve as a legal control instrument but also as a mechanism to maintain the integrity of the capital market.

Based on these developments, studies on the regulation and implementation of treasury share systems in public companies have high academic and practical relevance. This discussion is necessary to understand how national law regulates the scope of public companies in repurchasing shares, while also assessing the implications of this policy on corporate governance. With a normative juridical approach, this study is expected to provide a systematic understanding of the position of treasury shares in the corporate and capital market legal system.

The regulation of treasury shares in public companies raises issues related to the limits of the authority of corporate bodies in making share buyback policies (Herdiani, 2022). The board of directors has a management responsibility, but strategic decisions that affect the capital structure require strong legal legitimacy. Uncertainty in the interpretation of these powers has the potential to cause disputes between corporate bodies and shareholders, especially when treasury share policies are considered detrimental to certain interests. As analyzed by Mardikaningsih and Darmawan (2021), uncertainty in the regulatory and governance framework requires companies to develop adaptive strategies to maintain business sustainability.

Another issue relates to transparency and disclosure of information in the implementation of treasury shares. Public companies are required to disclose complete and timely information to the public. However, in practice, share buyback policies can create information asymmetry between management and investors. This raises questions about the effectiveness of regulations in preventing insider information abuse and maintaining market fairness. Enforcing the principles of fair and healthy business competition is an important pillar in creating a fair investment climate, which ultimately also protects investors from practices that can damage market integrity (Firmansyah et al., 2023). As stated by Darmawan and Grenier (2021), competitive advantage can be built through an integrated strategy portfolio, where credibility and trust born from ethical governance, such as transparency in treasury share policies, can serve as intangible assets that strengthen a company's competitiveness and resilience in the market.

In addition, there are issues regarding the implications of corporate governance in the application of treasury shares. This policy has the potential to affect the ownership structure, voting rights, and control of the company. Without adequate supervision, treasury shares can be used to strengthen the position of the controlling party or weaken the protection of minority shareholders. This highlights the challenge of balancing corporate policy flexibility with fair governance principles.

The increasingly complex dynamics of the capital market require public companies to have adaptive capital management instruments that remain compliant with the law. Treasury shares are one of the policies often used in response to market volatility and capital restructuring needs. This condition makes the legal regulation of treasury shares a relevant issue to be examined systematically.

On the other hand, the strengthening of

corporate governance and investor protection regimes requires clarity regarding the legal limits and responsibilities in every corporate policy. This study is important to ensure that the application of treasury shares does not obscure the principles of transparency and accountability, which are the foundations of a healthy capital market.

This study aims to analyses the legal regulations of treasury shares in public companies and examine their legal implications for corporate governance and shareholder protection. Theoretically, this research is expected to enrich the study of corporate and capital market law regarding the management of company shares. Practically, this research provides a reference for market participants, company managers, and regulators in understanding the limits of authority and legal responsibilities in the application of treasury shares.

RESEARCH METHOD

This study uses a normative juridical method with a qualitative literature review approach. This method was chosen because the focus of the study is directed at analyzing the legal norms governing treasury shares in public companies, including laws, implementing regulations, and legal doctrines that have developed in the field of corporate law and capital markets. The normative juridical approach allows researchers to examine the systematic regulations, legal principles, and rationality of legislators in regulating the repurchase of shares by companies. Through this approach, law is understood as a norm that contains values, objectives, and limitations that guide the behavior of legal subjects, particularly corporate bodies and capital market participants.

The literature study was conducted using a targeted search technique of primary and secondary legal materials. Primary legal materials include limited liability company laws, capital market regulations, and supervisory authority provisions governing treasury shares and information disclosure. Secondary legal materials include legal research methodology books and academic literature discussing corporate governance and share buyback policies. The inclusion criteria were determined based on direct relevance to the theme of treasury shares, the applicability of regulations, and the clarity of the issuing authority. Meanwhile, exclusion criteria were applied to sources that lacked academic legitimacy or were not directly related to the subject matter of the research.

Data analysis was conducted through thematic synthesis by grouping legal norms based on regulatory functions, protection objectives, and governance implications. Each norm was systematically analyzed to identify the relationship between corporate authority and legal oversight mechanisms. The coding process was conducted conceptually by placing treasury shares as a legal object that intersects between company law and capital market law. The quality assurance of the analysis was carried out through consistency of argumentation, traceability of references, and the conformity of interpretations with applicable legal principles. With this method, the study is expected to produce a structured analysis that is scientifically accountable and relevant to the development of business law.

RESULT AND DISCUSSION

Legal Provisions Governing Treasury Shares in Public Companies

A basic understanding of the concept of shares and their legal status will lead to an explanation of treasury shares. The legal regulations regarding treasury shares in public companies are based on the basic principles of company law, which place shares as a representation of ownership and a means of participation for shareholders in the company. Law No. 40 of 2007 on Limited Liability Companies stipulates that issued shares may be repurchased by the company under certain conditions, particularly as long as the repurchase does not result in a reduction in the minimum paid-up capital required by law. This provision indicates that the repurchase of shares is understood as a legal action that is justified as long as it maintains the sustainability of the company's capital structure.

The repurchase of shares (treasury shares), namely the repurchase of company shares by the company, is intended to use the company's excess cash to buy its traded shares, which are called treasury shares (Kanakriyah, 2020). Treasury shares are positioned as shares that have been issued and are then returned to the company's control, so their legal status differs from shares owned by active shareholders. This difference has clear legal implications, as these shares do not confer voting rights at the AGM and do not give rise to dividend rights (Tarhan, 2022). With this arrangement, company law limits the consequences of internal share ownership so as not to create hidden domination by company organs over corporate decision-making mechanisms. This construction shows that share buybacks are legally recognized but placed within strict limits.

The practice of share buybacks must also be understood in the context of corporate value enhancement strategies. The main steps to increase shareholder value include share buybacks, special dividends, and mergers. However, specifically in the context of public companies, share buyback strategies cannot be understood solely as internal corporate policies (Fichtner, 2020). In the capital market legal system, treasury share regulations are subject to stricter supervision because public companies involve the interests of the public and a wide range of investors. The Financial Services Authority, through OJK Regulation Number 30/POJK.04/2017 and OJK Regulation Number 29 of 2023, stipulates that share buybacks by public companies must be carried out based on legitimate and measurable objectives (Wibhawa, 2022).

Buybacks are not viewed as the absolute freedom of directors, but rather as corporate actions that must be in line with the stability of securities trading and investor protection. This regulation limits the conditions that allow buybacks, such as significant market fluctuations or the implementation of employee share ownership programmers. With these restrictions, capital market law emphasizes that treasury shares are not merely capital management instruments, but part of market governance under regulatory supervision. This regulation also narrows the scope for speculation that could harm public shareholders. This approach emphasizes that share buybacks are within the broader framework of public interest. Research by Putra and Arifin (2023), which reviews ethical principles in corporate financial management, including investment decision-making and risk management. The review emphasizes that compliance with regulations, such as those governing treasury shares, must be based on a more fundamental ethical commitment to ensuring fairness, transparency, and accountability, values that are also the spirit of OJK regulations.

Information disclosure is the main foundation of investor confidence in corporate actions. The aspect of information disclosure is a central element in the regulation of treasury shares in public companies. Capital market law requires that every share buyback plan be publicly announced through the information disclosure mechanism on the Stock Exchange. The information that must be disclosed includes the purpose of the buyback, the number of shares to be repurchased, the source of funding, and the implementation period. This obligation aims to ensure that every investor has equal access to material information that may affect investment decisions (Wibhawa, 2022). Thus, the regulation of treasury shares cannot be separated from the principle of disclosure as a main pillar of capital market law. Without transparency, share buybacks have the potential to become a tool for price control that is detrimental to minority investors. Therefore, the law places transparency as a prerequisite for the validity of buyback actions by public companies. Transparency serves as a preventive mechanism against the misuse of material information.

In addition to transparency, quantitative restrictions play an important role in maintaining market stability. Quantitative restrictions are also an important element in the regulation of treasury shares. Capital market regulations stipulate that the number of shares that can be repurchased by a public company may not exceed a certain percentage of paid-up capital, and must leave a minimum number of shares outstanding in order to maintain market liquidity. These restrictions have strategic legal significance, as they prevent stock drying up in the market, which can trigger price distortions. From a legal perspective, these provisions reflect the regulator's prudence in maintaining a balance between the interests of issuers and investors. Treasury shares are positioned as limited instruments whose use is controlled normatively so as not to interfere with the mechanism of fair price formation (Asiali & Achadiyah, 2021). These restrictions explain that the function of law is to maintain market balance.

The accounting dimension also strengthens the systematic regulation of treasury shares. From a corporate accounting perspective, treasury shares are also strictly regulated within the legal framework of public companies. Repurchased shares are recorded as a reduction in equity, not as assets, so as not to give the impression of an increase in the company's wealth. This provision emphasizes that share repurchases are an internal capital restructuring, not an investment that generates direct added value (Junizar & Septiani, 2013). If a company has treasury shares, these shares must be excluded from the calculation of the number of shares outstanding because the number of shares outstanding are shares circulating in the market or among the public that have not been repurchased by the company (Sudrajat & Daud, 2020). Capital market law requires public companies to clearly reflect the position of treasury shares in their published financial statements. This accounting transparency is part of investor protection so that they can objectively assess the impact of buybacks on the company's capital structure and financial health. Accounting regulations ensure that the impact of buybacks can be assessed rationally.

The regulation of treasury shares is also related to the distribution of authority among corporate bodies. The regulation of treasury shares is also closely related to the authority of corporate bodies. Company law places the GMS as the main body that approves share buybacks, as a form of shareholder oversight of the directors' actions. However, capital market law provides limited exceptions under certain conditions that allow directors to conduct buybacks without GMS approval, as long as they meet the conditions set by the regulator. This mechanism reflects a balance between managerial flexibility and shareholder control. Treasury shares thus become the meeting point between the authority of the directors, the rights of shareholders, and the supervisory function of regulators. This balance is a key feature of corporate governance in public companies.

The utilization of treasury shares must adhere to the principles of fairness and compliance. The use of treasury shares for employee and management share ownership programmers is also regulated by norms. Capital market regulations require the approval of the General Meeting of Shareholders and disclosure of information regarding the scheme and purpose of using these shares. This regulation aims to prevent conflicts of interest and abuse of authority by management. Treasury shares should not be a means of unilateral distribution of benefits that are detrimental to other shareholders (Roncaglio, 2015). With this regulation, the law places the principle of fairness as the basis for the utilization of buyback shares. This principle ensures that the benefits of buybacks are distributed proportionally.

The effectiveness of the regulation cannot be separated from the existence of legal sanctions. Legal sanctions are an important instrument in ensuring compliance with treasury share regulations. The OJK has the authority to impose administrative sanctions if a public company conducts a buyback without complying with legal provisions (Chaerani & Sulistyowati, 2014). These sanctions can take the form of fines, restrictions on business activities, and further supervisory measures. The existence of sanctions emphasizes that treasury shares are subject to strict supervision, which requires full compliance with the procedures and objectives set by law. Sanctions serve as a deterrent and a means of enforcing compliance.

Investor protection is the main focus of capital market law. From an investor protection perspective, treasury share regulations serve to prevent price manipulation and information abuse. Buybacks conducted without a clear legal basis have the potential to create an illusion of value and harm public investors. Therefore, capital market law establishes a regulatory framework that places the interests of investors as the primary consideration. Treasury shares are regulated so that they do not become an instrument of domination by majority shareholders or management. Strict supervision of share buybacks is necessary so that management's authority is not used as a means of controlling share prices to the detriment of public shareholders' interests. This approach confirms the protective orientation of capital market law.

In a conceptual context, the regulation of treasury shares demonstrates the relationship between several legal rules. Systemically, the regulation of treasury shares reflects the interaction between company law and capital market law. Company law provides the basis for authority, while capital market law provides operational restrictions and supervisory mechanisms. Both work simultaneously to ensure that share buybacks remain within the corridor of lawful regulations. This interaction reinforces the consistency of the corporate legal system.

The principle of prudence is a common thread in share buyback regulations. These regulations also indicate that treasury shares are not understood as an absolute right of the company, but rather as a conditional legal action subject to the principle of prudence. Every buyback decision must consider the capital structure, investor interests, and the stability of securities trading. With this approach, the law establishes disciplined governance. The prudential approach becomes the standard for evaluating corporate actions.

These regulations form a comprehensive normative framework. Ultimately, the regulation of treasury shares in public companies forms a legal framework that balances flexibility in capital management and protection of public interests. Through a combination of company norms and capital market regulations, treasury shares are directed as a legitimate, controlled, and responsible instrument in the governance of public companies. This framework demonstrates the role of law not only as a constraint, but primarily as a guide and guarantor that corporate dynamics are in line with the collective goals of a healthy and sustainable capital market.

Thus, this regulatory mechanism shows that market integrity is not a by-product, but rather a primary objective pursued through precise provisions. Every element, from restrictions on buyback objectives and disclosure requirements to shareholder approval, is designed to create an ecosystem in which corporate decisions can be verified, accounted for, and ultimately trusted by the public. This is the essence of the role of law as the guardian of market and corporate integrity: building a system that prevents deviations by promoting transparency and accountability as the norm.

This coherent normative framework ultimately unites legal compliance with long-term value creation. Good treasury share governance, realized through comprehensive regulation, not only fulfils legal obligations but also strengthens the foundations of corporate sustainability by maintaining investor confidence. From a broader perspective, this framework bridges the gap between a company's short-term economic interests and its social responsibility towards the stability of the national financial system, with the law acting as the glue that ensures corporate practices contribute to the overall welfare of the capital market.

The implications of treasury shares on corporate governance and shareholder protection

Treasury shares have consequences for the governance structure of public companies. The use of treasury shares in public companies has direct implications for corporate governance because it affects the ownership structure, distribution of power, and internal control mechanisms. Treasury shares are formed through the repurchase of shares that were previously publicly traded, so that legally these shares are under the control of the company without attaching voting rights or economic rights. This situation places treasury shares as a passive element in the ownership structure, but they still have a significant impact on the balance of power between shareholders. A reduction in the number of outstanding shares can change the relative ownership proportion, thereby affecting the bargaining position of majority and minority shareholders (Al Aqib et al., 2023). Therefore, corporate governance must be able to anticipate these changes through clear oversight mechanisms so that treasury shares do not become a means of strengthening hidden control by management or certain groups within the company. This condition emphasizes that the existence of treasury shares requires governance arrangements that are sensitive to changes in the power structure.

The principle of fairness is the main focus in assessing the implications of treasury shares on governance. The next implication can be seen in the principle of fairness, which is the foundation of public company governance. The provision that treasury shares do not have voting rights and are not entitled to dividends serves as a legal safeguard so that the company does not use its own shares to influence GMS decisions (Wibhawa, 2022). This principle ensures that strategic decisions remain determined by shareholders who have a real economic interest in the company. With these restrictions, company law ensures that treasury shares do not create distortions in the corporate decision-making process. This protection is particularly relevant for minority shareholders who are vulnerable to voting dominance if buyback shares are given participation rights. Sound governance requires that any changes to the capital structure do not diminish the legal position of legitimate shareholders. Through this approach, the law seeks to maintain a balance of participation in corporate decision-making.

Information disclosure is an important prerequisite for the responsible management of treasury shares. From a disclosure perspective, the use of treasury shares reinforces the demand for transparency in the management of public companies. Every buyback policy must be accompanied by a clear explanation of its objectives, impact on the capital structure, and implications for share value (Alberto & Martins, 2020). Such transparency enables shareholders to make rational assessments of management policies. Without adequate disclosure, treasury shares have the potential to create information asymmetry that is detrimental to public investors. Therefore, corporate governance places disclosure obligations as a means of legal protection so that shareholders obtain equal information before making investment decisions or taking a stance at the AGM. The implementation of good corporate governance with transparency as its main pillar protects the interests of stakeholders, which is the foundation for the sustainability and competitiveness of companies in the global market (Rojak & Al Hakim, 2023). Information disclosure serves as the main instrument for preventing the misuse of buyback policies.

Quantitative aspects also play a strategic role in maintaining the quality of corporate governance. Restrictions on the number of shares that can be repurchased also have direct implications for governance and shareholder protection. The maximum buyback limit provision ensures that stock liquidity in the market is maintained. Healthy liquidity is a prerequisite for the creation of fair share prices that objectively reflect the value of the company (Sabri, 2003). If companies are given unlimited freedom to conduct buybacks, the risk of price manipulation and reduced market transparency will increase. Therefore, quantitative restrictions serve as a legal instrument that protects the interests of public investors from practices that can obscure market mechanisms. These restrictions demonstrate the role of law in maintaining the stability and integrity of stock trading.

The dimension of managerial accountability is an important focus in treasury share policy. The implications of treasury shares are also closely related to board accountability. The decision to buy back shares is a strategic action that has a broad impact on financial structure and market perception. The board of directors, as the governing body, is legally and morally accountable to shareholders for this policy. The obligation to obtain GMS approval under normal conditions reflects the principle of shareholder oversight of management actions (Caton et al., 2015). This mechanism ensures that treasury shares are not used as a unilateral tool for managerial purposes that are not in line with the interests of shareholders as a whole. This accountability strengthens the legitimacy of the buyback policy in the eyes of shareholders.

The relationship between treasury shares and the protection of minority shareholders requires special attention. In relation to minority shareholders, treasury shares have structural implications for protection. A reduction in outstanding shares due to buybacks can increase the relative percentage of ownership of majority shareholders. This situation has the potential to alter the balance of power within the company. Therefore, corporate governance must ensure that treasury share policies do not result in disproportionate control. The protection of minority shareholders is realized through restrictions on the purpose of buybacks, disclosure requirements, and prohibitions on the use of treasury shares for internal control purposes. This approach affirms the legal commitment to the principle of shareholder protection.

The use of treasury shares as an incentive instrument has its own governance consequences. The use of treasury shares for management or employee incentive programmers also has significant governance implications. Such schemes can increase internal loyalty and performance, but at the same time open up room for conflicts of interest if not closely monitored. Therefore, GMS approval and information disclosure are key prerequisites. Good governance requires that shareholders clearly understand how treasury shares are allocated, to whom, and for what purpose. Creating an inclusive and sustainable work environment requires a transparent and fair reward and incentive system, as this not only improves performance but also builds trust and strengthens the Company's competitiveness (Mardikaningsih & Hariani, 20222). With these arrangements, shareholder protection remains safeguarded from potential abuse of authority. This oversight ensures that the principle of incentives is not misused as a means to serve certain interests.

The presentation of financial information plays an important role in supporting corporate governance. Other implications are evident in the presentation of financial statements. The recording of treasury shares as a deduction from equity reflects the principles of prudence and accuracy in financial reporting (Alberto & Martins, 2020). Shareholders need an honest picture of the company's capital position in order to assess the risks and prospects of their investment. The transparency of financial reports is an integral part of corporate governance as it allows for external oversight by investors and market authorities. The honesty of financial reports forms the basis of trust in corporate policy. As stated by Saputra et al. (2021), effective law enforcement against violations in financial reporting is an important way to prevent corrupt practices in business and investment. From a legal perspective, as described by Sahid et al. (2023), the availability of reliable and accountable information is a central element in investment risk mitigation strategies, as it enables investors to make decisions based on complete and verified data. This investment risk analysis is also reflected in the research by Mardikaningsih and Darmawan (2023), which shows that financial literacy plays an important role in shaping a person's ability to assess and manage risk, which ultimately determines the accuracy of their investment decisions.

The relationship between companies and regulators is also influenced by treasury share policies. The implementation of treasury shares also has an impact on the relationship between companies and capital market regulators. The obligation to report periodically on the implementation of buybacks strengthens the external control mechanism. This supervision provides assurance that treasury share policies are implemented in accordance with the announced plan and do not deviate from legitimate objectives. Shareholder protection is strengthened through access to up-to-date information on the realization of buybacks. Regulatory oversight serves as an additional layer of control beyond internal mechanisms.

Law enforcement is an important element in ensuring compliance with treasury share regulations. The existence of administrative sanctions for violations of treasury share provisions strengthens corporate governance systemically. Based on POJK Number 10 of 2022, these administrative sanctions can take the form of fines, written warnings, restrictions on activities, suspension of licenses, or revocation of licenses (Khalid, 2023). The threat of sanctions encourages public companies to comply with procedures and principles of prudence in every buyback policy. Sanctions serve as a deterrent so that treasury shares are not used opportunistically. Thus, shareholder protection does not depend solely on internal mechanisms, but also on law enforcement by regulators. The existence of sanctions reinforces the position of treasury shares in strict compliance.

In general, treasury share policies require high standards of governance. Overall, the implementation of treasury shares requires disciplined, transparent, and accountable corporate governance. This instrument provides flexibility for companies in managing their capital structure, but at the same time carries risks if not strictly regulated. Therefore, company law and capital markets have established a regulatory framework that places shareholder protection as the main orientation in every treasury share policy. This framework demonstrates an effort to balance the interests of companies and investors.

The implications of treasury shares reflect the role of law in maintaining a balance of interests. Ultimately, the implications of treasury shares for corporate governance and shareholder protection demonstrate the legal system's efforts to maintain a balance between corporate freedom and fairness for investors. With restrictions on rights, disclosure obligations, approval mechanisms, and legal sanctions, treasury shares are intended to function as a legitimate managerial instrument without sacrificing shareholder rights. Such governance is not only procedural but also substantial, ensuring that every corporate policy is placed within a clear framework of accountability and protection.

Good governance of treasury shares ensures the sustainability of public trust in public companies and capital markets. Public trust is the main foundation for the sustainability of the capital market, because without trust, liquidity and investor participation will decline, thereby disrupting the market's function as a means of financing and investment. In other words, regulations governing treasury shares are essentially instruments for maintaining the most valuable intangible assets in the capital market, namely credibility and trust.

This principle of sustainability takes on a deeper dimension when linked to the theory of value creation through long-term relationships. As stated in the study by Lil Alamin et al. (2021), sustainable value creation through strong relationships is an important foundation for building long-term resilience and engagement. In the context of treasury shares, good governance serves to create and maintain this sustainable value by maintaining investor trust, which is a prerequisite for the health and stability of the capital market. Thus, proper regulation of treasury shares not only prevents abuse but also actively builds relational capital that enhances the resilience of companies and markets in the face of economic turmoil.

CONCLUSION

The regulation and implementation of treasury shares in public companies demonstrates that the corporate and capital market legal systems have established a strict control framework to maintain a balance between flexibility in capital management and shareholder protection. Treasury shares are positioned as passive shares that do not carry voting or dividend rights, and therefore cannot be used to influence company decision-making. Through regulations on repurchase limits, disclosure requirements, general meeting of shareholders approval, and supervision by capital market authorities, the law emphasizes that treasury shares are not a free instrument, but rather a managerial tool that must be exercised responsibly. This framework places transparency, accountability, and fairness as key principles in maintaining the integrity of public company governance.

The legal implications of the application of treasury shares are reflected in the strengthening of corporate governance oriented towards investor protection. The buyback policy encourages directors to act more cautiously because every decision has a direct impact on the capital structure and ownership balance. For shareholders, especially minority shareholders, the treasury share arrangement provides legal certainty that their rights will not be reduced by hidden control practices. At the capital market level, this arrangement contributes to the creation of a more transparent and equitable trading mechanism, thereby maintaining public trust in public companies on a sustainable basis.

Consistency in the application of the principles of transparency and supervision in every treasury share policy is necessary to ensure that the objectives of capital stabilization and management do not shift into a means of narrow interests. Public companies should integrate buyback policies into a clear internal governance framework, accompanied by periodic evaluation mechanisms. On the regulatory side, substantive supervision needs to be continuously strengthened to ensure that the application of treasury shares remains in line with shareholder protection and capital market stability.

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