

Legal Analysis of Debt Conversion into Mandatory Convertible Bonds in Credit Restructuring

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Abstract. *This study aims to analyze the Supreme Court's legal considerations in Decision Number 2555 K/Pdt/2025 regarding the conversion of PT Bank DKI's debt into Mandatory Convertible Bonds (MCB) by PT Waskita Beton Precast, Tbk. as a credit restructuring instrument. The main problem of this study is how the Supreme Court considers debt conversion validity and MCB limits for banks under prudential banking principles. This study uses a normative juridical method with a statutory regulatory approach, a conceptual approach, and a case approach to the series of decisions related to the PKPU (Subsidiary Suspension of Payment) process, homologation, and Decision Number 2555 K/Pdt/2025. The results show that the Supreme Court considers the debt conversion into Mandatory Convertible Bonds to be a legitimate form of credit restructuring based on three main considerations: the binding force of the homologated peace agreement, compliance with credit restructuring regulations, and the failure to fulfill the elements of an unlawful act. However, the ruling leaves unresolved the distinction between corporate legality and banks' prudential compliance. This study concludes that the legality of converting debt into Mandatory Convertible Bonds must comply with bankruptcy law, corporate law, banking prudential principles, and information disclosure to provide comprehensive legal certainty.*

Keywords: *Banking Prudential Principles; Bankruptcy Law; Credit Restructuring; Mandatory Convertible Bonds; Supreme Court Decision.*

1. Introduction

Credit restructuring is a crucial mechanism for resolving problem loans, used to maintain the legal relationship between creditors and debtors. In banking practice, restructuring is not only defined as changing payment schedules, lowering interest rates, or extending loan terms, but has also evolved into a corporate rescue instrument through various legal and financial schemes. Credit restructuring

essentially aims to maintain the quality of bank assets while providing debtors with the opportunity to fulfill their obligations through adjustments to the financing structure. Hermansyah (2014) explains that credit restructuring is part of a banking strategy to manage problem credit risk to prevent it from disrupting the stability and soundness of the bank as an intermediary institution. Consistent with this, Sentosa (2000) states that debt renegotiation and restructuring are forms of resolution that emphasize restructuring the creditor-debtor relationship to achieve a rational and sustainable solution.

The development of modern restructuring practices indicates that debt resolution is no longer limited to changes in payment obligations but can also be achieved through the mechanism of converting debt into investment instruments. One such mechanism is converting debt into Mandatory Convertible Bonds (MCB). This instrument has a complex legal character because it straddles the concepts of debt and equity participation. On the one hand, MCBs are instruments derived from a debt relationship between creditors and debtors, but on the other hand, they possess characteristics that allow the holder to change their status to a shareholder. Fuady (1999) and Fuady (2017) explains that convertible bonds have a special character because they contain conversion rights, allowing them to function not only as debt securities but also as equity instruments. This opinion is supported by Nasarudin et al. (2014), who state that capital market instruments can have a mixed character, so their legal assessment must consider their substance and economic function.

The use of MCBs in bank credit restructuring raises legal issues because banks are not ordinary creditors but rather institutions that perform an intermediary function using public funds. Therefore, all legal actions by banks must comply with the prudential principle (Asikin, 2015). Usman (2001) emphasizes that the prudential principle is the primary foundation of banking activities because banks have a responsibility to maintain the security of the public funds they manage. Djumhana (2006) and Alqarni (2022) also explains that banking activities not only have a private business dimension but also a public interest dimension, requiring strict state oversight. Therefore, credit restructuring through MCBs must be assessed not only in terms of the success of the company's rescue but also in terms of its compliance with the legal restrictions inherent in banking operations.

In corporate practice, debt conversion is often used as a strategy to improve a company's financial structure. Respatia (2010) and Wibisono (2025) explains that debt-to-equity swaps can be an alternative debt restructuring method because they can reduce the company's cash flow pressure by converting debt into equity participation. Akbar (2022) also states that debt-to-equity swaps can be a legitimate restructuring mechanism if implemented in accordance with corporate law and while maintaining the interests of all parties. However, the application of this mechanism to banks as creditors presents its own challenges, as banks face legal restrictions on

equity participation. Irfany (2023) and Ashady et al. (2025) emphasizes that temporary equity participation by banks for restructuring purposes must still be implemented based on prudent principles to avoid diverting from the bank's primary function as an intermediary institution.

This issue is evident in the dispute between PT Bank DKI and PT Waskita Beton Precast Tbk, as reflected in Supreme Court Decision Number 2555 K/Pdt/2025. The dispute relates to the decision of the Extraordinary General Meeting of Shareholders (EGMS) of PT Waskita Beton Precast Tbk to approve the conversion of debt to PT Bank DKI amounting to Rp745,845,316,361.00 into Mandatory Convertible Bonds. PT Bank DKI argued that the conversion violated prudential banking principles because it transformed the bank's position from a creditor to a holder of instruments potentially convertible into shares. This issue demonstrates a conflict between corporate restructuring interests and the bank's obligation to comply with banking regulations.

From a contract law perspective, freedom of contract cannot be applied absolutely because it remains limited by applicable legal principles. Hernoko (2014) explains that contract implementation must adhere to the principle of proportionality to maintain a balance between the parties' legal relationships. Furthermore, Muslih (2013) and Ramon (2019) states that bank credit agreements must reflect a balance of interests between creditors and debtors to avoid creating injustice for either party.

Previous research on debt conversion indicates that this issue carries a high level of legal complexity. Respatia (2010), Akbar (2022), and Ave et al. (2024) primarily discuss debt conversion in the context of corporate restructuring and bankruptcy, while Irfany (2023) focuses on the principle of prudence in bank equity participation. Putri and Cahyono (2023) demonstrate that the conversion of liabilities into shares must be examined based on its legal substance, not just the formal form of the agreement. Meanwhile, Swaradheka (2019) and Junita (2021) examines the legal consequences of debt-to-share conversion for existing shareholders due to dilution.

Based on this previous research, there remains room for further research into the status of MCB as a credit restructuring instrument when the creditor is a commercial bank subject to prudential principles. This issue is further heightened by differing interpretations between courts of first instance, the appellate court, and the Supreme Court regarding the legality of converting debt into MCB. In this context, legal certainty is a key issue, as corporate, capital market, and banking legal norms must be applied harmoniously. Marzuki (2021) stated that legal certainty requires clear norms so that legal subjects can understand the legal consequences of their actions.

This study aims to analyze the legal considerations of the Supreme Court in Decision Number 2555 K/Pdt/2025 concerning the conversion of PT Bank DKI's debt into Mandatory Convertible Bonds by PT Waskita Beton Precast Tbk as a credit

restructuring mechanism. It also aims to examine the legal certainty and limits of debt conversion into Mandatory Convertible Bonds for banks as creditors in light of the principle of banking prudence.

Based on this background, this study is formulated into two research questions:

RQ1: What are the legal considerations of the Supreme Court in Decision Number 2555 K/Pdt/2025 regarding the conversion of PT Bank DKI's debt into Mandatory Convertible Bonds by PT Waskita Beton Precast Tbk as a form of credit restructuring?

RQ2: What is the legal certainty in Supreme Court Decision Number 2555 K/Pdt/2025 regarding the legal limits of debt conversion into Mandatory Convertible Bonds for banks as creditors based on the principle of banking prudence?

2. Research Methods

This research uses a normative juridical legal research method, which focuses on the study of legal norms through the analysis of secondary legal materials obtained through library research. Normative legal research is conducted by examining laws and regulations, doctrines, legal theories, and scientific literature related to the research object. Soekanto & Mamudji (2006) explain that normative legal research is research conducted through the study of library materials or secondary data as the primary basis for analyzing a legal problem. This opinion is reinforced by Bambang Sunggono, who states that normative legal research uses library materials as the primary source to discover and understand applicable legal norms (Sunggono, 2003; Widiyono, 2006).

The research approaches used are the statute approach and the case approach. The statutory approach is used to analyze the interrelationships and congruences between various regulations governing credit restructuring, bank equity participation, corporate law, and the capital market. According to Marzuki (2021), the legislative approach is conducted by examining all regulations related to the legal issue being studied to find consistency and conformity between norms. Meanwhile, the case approach is used by analyzing the judge's legal reasoning in Supreme Court Decision Number 2555 K/Pdt/2025 along with previous decisions to understand the legal construction regarding the conversion of debt into Mandatory Convertible Bonds in credit restructuring.

The legal materials used consist of primary and secondary legal materials. Primary legal materials include laws and regulations, OJK regulations, and court decisions related to the research object. Secondary legal materials consist of books, scientific journals, and previous research results that provide explanations for the primary legal materials. The collection of legal materials is carried out through a literature review, which involves inventorying, classifying, and systematizing all relevant legal materials. According to Soekanto & Mamudji (2006), systematizing legal materials is

necessary so that the analysis process can be conducted in a structured manner and produce an appropriate legal construction.

The analysis of legal materials was conducted qualitatively through the content analysis method by connecting legal norms, legal principles, theoretical concepts, and the judge's considerations in the decisions that were the object of the research. The analysis process was conducted deductively, namely by starting from general legal principles and norms and then directed to specific issues regarding the legality of converting debt into Mandatory Convertible Bonds. Mertokusumo (2004) explained that the process of legal discovery is carried out through the interpretation of legal norms to obtain an understanding in accordance with the objectives of the law. In addition, Ibrahim (2006) emphasized that normative legal research requires an analysis of legal principles, concepts, and theories in order to be able to find systematic legal arguments for a legal issue. With this method, this study is expected to be able to provide a comprehensive analysis regarding the legal limits of the use of MCB as an instrument for bank credit restructuring.

3. Result and Discussion

3.1 Supreme Court Decision No. 2555 K/Pdt/2025 on PT Bank DKI's Debt Conversion into Mandatory Convertible Bonds for Credit Restructuring

The Supreme Court's legal considerations in Decision Number 2555 K/Pdt/2025, which rejected PT Bank DKI's cassation appeal, demonstrate that the legality of converting debt into Mandatory Convertible Bonds (MCB) is placed within the multi-layered legal framework of credit restructuring. The Supreme Court did not view PT Waskita Beton Precast Tbk.'s issuance of MCB as a stand-alone corporate action, but rather as part of a series of obligations to settle through the Suspension of Debt Payment Obligations (*Penundaan Kewajiban Pembayaran Utang*/PKPU) mechanism, which had previously received a settlement agreement (homologation). Therefore, the Supreme Court's ratio decidendi was constructed through three main arguments: the bindingness of the legally binding settlement agreement, the conformity of the MCB instrument with the credit restructuring mechanism under the provisions of the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK), and the failure to fulfill the elements of an unlawful act in implementing the decision of the Extraordinary General Meeting of Shareholders (EGMS).

The Supreme Court's first argument rests on the legal status of the PKPU settlement agreement, which has been ratified by the court, as a binding legal basis for all parties involved. In the a quo case, the Supreme Court held that the EGMS on June 30, 2023, which resulted in the decision to issue MCB, constituted the implementation of the settlement agreement, which had been homologated through the Central Jakarta District Court's Commercial Court Decision Number 497/Pdt.Sus-PKPU/2021/PN

Niaga Jkt Pst and was confirmed by the Supreme Court Decision Number 1455/Pdt.Sus-Pailit/2022.

This construction is based on the principle that a settlement agreement that has been ratified by the court is binding on all creditors, including creditors who previously did not agree to the settlement plan (Bratton, 1984; Prasetya, 2022). In bankruptcy law and the PKPU law, the creditor voting mechanism is based on the principle of collective debt settlement, allowing the decision of a majority of legally qualified creditors to bind other creditors. Therefore, an individual objection from a creditor does not automatically invalidate a court-approved settlement (Noor, 2014; Akbar, 2022; Lago, 2023).

In the context of this case, PT Bank DKI's position is crucial because the bank is a creditor that objected to the reconciliation plan of PT Waskita Beton Precast, Tbk. However, this objection had already been examined through available legal mechanisms and rejected by the Supreme Court in a previous case. Therefore, when case No. 2555 K/Pdt/2025 was examined, the Supreme Court did not reopen the issue of the validity of the homologation, but instead examined whether the technical implementation of the homologation through the Extraordinary General Meeting of Shareholders (EGMS) had been carried out in accordance with the applicable legal framework.

This approach is closely related to the concept of the binding force of a final and binding decision (*res judicata*). According to Mertokusumo (2004), a final and binding court decision serves to provide legal certainty by ending the possibility of the same dispute arising repeatedly. Without this principle, the judicial process would lose its ultimate function as a definitive dispute resolution mechanism. However, there is a critical issue regarding the extent to which the binding force of homologation can be used as a justification for the MCB instrument, which was only finalized through the 2023 Extraordinary General Meeting of Shareholders. The peace agreement essentially provides only a general framework for resolving obligations through a restructuring mechanism, while the specific form of MCB as a conversion instrument will be determined later (Bratton, 1984; Dendhana, 2013). Thus, there is a distinction between the legitimacy of the general restructuring framework and the examination of specific instruments, which have different legal consequences and risks for creditors.

From a contract law perspective, the existence of a court-approved agreement provides strong legitimacy for its implementation, but such implementation must still comply with other applicable legal boundaries. Hernoko (2014) explains that the principle of legal certainty in contracts cannot be separated from the principle of proportionality, namely the balance between the interests of the parties in a contractual legal relationship. Therefore, even though homologation provides a basis

for legitimacy, the implementation instrument still needs to be examined based on its character and legal consequences.

The Supreme Court's second argument concerns the qualification of MCBs as part of the credit restructuring mechanism. The Supreme Court argued that the conversion of debt into MCBs is based on the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK) regulations permitting credit restructuring through the conversion of credit into temporary equity participation for the purpose of credit rescue (Irfany, 2023; Miosido, 2024). This approach demonstrates that the Supreme Court understands that credit restructuring is not limited to changes in payment schedules or reductions in obligations, but also encompasses a transformation of the legal relationship between creditors and debtors (Hermansyah, 2014; Fitrianto, 2025). In modern banking practice, restructuring often utilizes more flexible instruments to maintain the debtor's business continuity, particularly for companies with business prospects but experiencing liquidity pressures.

However, conceptually, equating temporary equity participation with MCBs presents a problem because Financial Services Authority regulations define temporary equity participation as the investment of bank funds in the form of shares in a debtor to overcome credit failure, whereas MCBs formally remain debt instruments that convert into shares only after a certain period (Santoso, 2000; Malarissa, 2025). This characteristic indicates that MCBs are hybrid instruments containing both debt and equity elements. Ammann & Seiz (2006) explain that mandatory convertible bonds have distinct characteristics from ordinary bonds because they incorporate a mechanism from the outset to change the ownership structure through a future conversion obligation. These instruments straddle the line between debt and equity because, during the pre-conversion period, the instrument holder retains the rights of a debt security holder, but is economically exposed to equity risk.

A similar view is expressed by Tjwan et al. (2025), who explain that mandatory convertible bonds are often used as strategic instruments to gradually change ownership structures. This characteristic makes MCBs not merely an alternative means of payment, but rather an instrument with implications for the capital structure and the relationship between creditors and the company.

If this characteristic were applied to the PT Waskita Beton Precast case, the key issue would not only be whether MCBs could be used as a restructuring instrument, but also when they begin to be categorized as temporary equity participation (Harahap, 2016; Sanusi & Nuridin, 2023). The Supreme Court accepted the construction that MCBs represent an initial step toward temporary equity participation, but did not provide an in-depth explanation of the legal status of MCBs during the ten-year period before conversion into shares. The lack of such analysis is a weakness in the argument, as the period before the conversion is when banks still hold debt

instruments, not shares. Therefore, further explanation is needed regarding how banking prudential risk is maintained during this transition period.

Another key issue concerns the application of Article 16 of POJK Number 40 of 2019. PT Bank DKI argued that accepting MCBs violated the prohibition on banks owning productive assets in the form of shares, an argument accepted by the East Jakarta District Court because PT Waskita Beton Precast, Tbk. was not a financial sector company. However, the DKI Jakarta High Court and Supreme Court adopted a systematic interpretation, recognizing exceptions for temporary capital participation based on prudential principles and Financial Services Authority approval. This approach is methodologically consistent with systematic interpretation, which requires legal provisions to be understood within the broader legal system (Mertokusumo, 2004). However, the Supreme Court's reasoning remains incomplete because it does not establish whether the required Financial Services Authority approval was actually fulfilled.

From a banking law perspective, the prudential banking principle is the primary foundation that limits bank actions and prevents them from taking risks that could disrupt the stability of the institution or the interests of the public using banking services (Pratama et al., 2018; Irfany, 2023). Therefore, the legality of the debtor's corporate actions does not automatically eliminate the bank's independent obligation to ensure compliance with prudential regulations.

The Supreme Court's third argument relates to the failure to fulfill the elements of an unlawful act as referred to in Article 1365 of the Civil Code. The Supreme Court deemed that PT Waskita Beton Precast Tbk.'s restructuring through MCB did not constitute an unlawful act because it was carried out for the purpose of credit rescue. Doctrinally, an act can be categorized as an unlawful act if it meets the elements of an unlawful act, fault, loss, and a causal relationship between the act and the loss. Because the Supreme Court deemed the act to have a valid legal basis, the first element was deemed unfulfilled, thus eliminating the need for further examination of the remaining elements.

This approach is consistent with civil court practice, which often terminates the examination if one of the cumulative elements is not proven. However, in the context of credit restructuring, the analysis of fault actually has a broader dimension, particularly regarding the respective obligations of care for each party (Rahman, 2003; De Spiegeleer, 2014). Mulya et al. (2024) explain that the conversion of debt into shares in the context of bankruptcy and PKPU relates not only to the company's formal authority but also must consider business continuity (going concern) and the protection of creditor interests. Thus, the Supreme Court's consideration of credit rescue as the primary objective is understandable, but it still requires a balance with creditor protection.

Based on this overall structure, the Supreme Court's legal reasoning in Decision Number 2555 K/Pdt/2025 can be considered to have a strong argumentative basis, particularly regarding the binding homologation of the PKPU (Deferred Payment Order) and the application of credit restructuring principles as a business rescue instrument. However, a major weakness lies in the tendency to conflate two distinct legal issues: the validity of the debtor's corporate actions and the prudential compliance of bank creditors. While the EGMS resolution may be valid under corporate law, the bank's acceptance of such an instrument must still be tested based on applicable banking regulations for banks as supervised institutions.

Ave et al. (2023) demonstrate that the practice of converting debt into shares in the context of bankruptcy and PKPU still leaves open the issue of the creditor's position, forced to accept the change in the form of their receivables, particularly when the creditor is a bank with specific prudential obligations. A similar point was made by Muhammad et al. (2024) criticized the use of MCBs in Homologation Decision Number 497/Pdt.Sus-PKPU/2021/PN Niaga Jkt Pst due to the potential conflict between the debt restructuring mechanism and the prohibition on bank ownership of certain assets. However, developments in the case at the appeal and cassation levels indicate that the Supreme Court chose a different approach, interpreting the prohibition in conjunction with its exceptions.

The Supreme Court's reasoning indicates that the conversion of PT Bank DKI's debt into Mandatory Convertible Bonds constitutes a legitimate form of credit restructuring based on three main grounds: first, adherence to the homologated PKPU settlement agreement; second, the MCB's conformity with the credit restructuring mechanism and temporary equity participation; and third, the absence of an unlawful act because the conversion was undertaken to rescue the credit. However, this legal construction leaves unresolved the boundary between the debtor's corporate legality and the bank's prudential obligations as a creditor, particularly concerning the MCB's status as a hybrid instrument and compliance with the Financial Services Authority's approval procedures.

2. Legal Certainty on Banks' Debt Conversion into Mandatory Convertible Bonds under the Prudential Banking Principle

The research results indicate that Supreme Court Decision Number 2555 K/Pdt/2025 provides legal certainty regarding the validity of debt conversion into Mandatory Convertible Bonds (MCB) in the context of credit restructuring. However, this certainty remains partial because it does not fully address the legality of such action from the perspective of protecting banks as creditors. The Supreme Court has affirmed that debt conversion through a restructuring mechanism that has been legitimized through the Suspension of Debt Payment Obligations (*Penundaan Kewajiban Pembayaran Utang*/PKPU) process and the homologation of a settlement agreement cannot be categorized as an Unlawful Act (Ramon, 2019; Akbar, 2022).

However, this decision does not provide a comprehensive construction of how prudential banking principles should be applied when banks accept a change in asset character from receivables to instruments with equity characteristics (Maharani & Jaeni, 2021; Darmawan, 2022).

From a legal certainty perspective, the research findings demonstrate a difference between concrete legal certainty (*post factum*) and preventive legal certainty (*ex ante*). Concretely, Decision Number 2555 K/Pdt/2025 has provided certainty that PT Waskita Beton Precast Tbk's issuance of MCB to PT Bank DKI was legitimate, as it was based on a homologated settlement agreement and complies with the credit restructuring framework set out in the Financial Services Authority Regulation (*Peraturan Otoritas Jasa Keuangan/POJK*). However, as a preventive measure, the decision does not yet provide clear guidance for other banks facing similar circumstances regarding the threshold for accepting credit conversion into convertible instruments without violating prudential banking principles.

From a banking law perspective, the legality of debt conversion is closely related to the application of prudential principles as stipulated in Law Number 7 of 1992 concerning Banking, as amended by Law Number 10 of 1998. Prudential principles require banks to maintain asset quality, soundness, capital adequacy, and the stability of their business activities (Silalahi, 2021; Muhammad, 2024). Therefore, the change in the form of bank assets from credit receivables to convertible instruments with the potential to convert into shares should not only be viewed as a legal consequence of credit restructuring, but also as a change in risk profile that must undergo an internal bank evaluation process (Sentosa, 2000; Bawa et al., 2020; Pertiwi et al., 2025).

However, research has found a tension between the principle of banking prudence and the restructuring mechanism through the PKPU (Deferred Payment Order). In the cases of PT Bank DKI and PT Waskita Beton Precast Tbk, the debt conversion did not arise entirely from the voluntary decisions of individual banks, but rather was a consequence of a settlement agreement that had received the approval of a majority of creditors and court approval (Giffary, 2021; Sitopu, 2022). This situation places banks in a complex position: on the one hand, they are obliged to comply with the binding force of homologation, but on the other hand, they still have an obligation to maintain asset quality based on prudent principles. Thus, there is a legal gap regarding how the protection mechanism for banks as creditors can operate when a majority decision in restructuring has the potential to change the nature of the bank's collection rights.

From a corporate law perspective, the study found that the authority of the Extraordinary General Meeting of Shareholders (EGMS) of PT Waskita Beton Precast Tbk does not directly constitute a source of binding power over PT Bank DKI as an external creditor. In principle, the authority of the EGMS, under Law Number 40 of

2007 concerning Limited Liability Companies, is an internal corporate authority governing the relationship between the company and its shareholders. Therefore, the EGMS's decision regarding the issuance of MCBs cannot independently alter the rights of third-party creditors without an alternative legal basis.

In the a quo case, the binding power over PT Bank DKI derives not solely from the EGMS's decision, but from the homologated settlement agreement for the PKPU (Debt Payment Suspension). This finding suggests that the legality of the EGMS in the context of credit restructuring lies not in its authority to alter creditors' rights, but rather in the extent to which the decision is consistent with the restructuring agreement that has been approved by the court. Thus, the primary issue is not whether the EGMS has the authority to issue MCBs, but rather whether the issued instruments truly represent the technical implementation of the homologation agreement or create new obligations not previously agreed to by creditors.

Furthermore, from a capital market law perspective, the study found that the legal nature of MCBs is a source of complexity in determining their legal boundaries (Yanto, 2025; Damayanthi et al., 2026). MCBs are hybrid instruments with dual characteristics: they act as debt securities before the conversion period and as equity instruments after conversion into shares. This creates a gap between the legal regimes of the capital market and banking law. For public companies like PT Waskita Beton Precast Tbk, issuing MCBs through the Capital Increase Without Pre-emptive Rights (*Penambahan Modal Tanpa Hak Memesan Efek Terlebih Dahulu/PMTHMETD*) mechanism is a permissible corporate action as long as it complies with information disclosure requirements and capital market regulations.

However, the study found that capital market information disclosure mechanisms do not fully address the prudential protection needs of banks as creditors. Information disclosure in the capital market essentially aims to protect investors and public shareholders from unbalanced information, while the principle of banking prudence aims to protect asset stability and bank health. The two regimes have different protection orientations, so there is still room for gaps regarding specific procedures that ensure banks have conducted a risk evaluation before accepting MCB as a replacement for receivables.

Based on these findings, the legality of debt conversion into MCBs by banks acting as creditors depends on several cumulative requirements. First, the conversion must arise from a valid credit restructuring mechanism and be supported by a PKPU (Deferred Payment Order) process and court homologation. Second, the MCBs issued must remain consistent with the substance of the restructuring agreement and must not impose new obligations that are fundamentally different from those originally agreed. Third, banks must continue to conduct internal prudential assessments concerning potential changes in asset quality, notwithstanding approval of the restructuring by the majority of creditors. Fourth, the issuance of MCBs must comply

with applicable capital market regulations, including disclosure requirements and regulatory supervision.

Thus, the research findings indicate that Supreme Court Decision Number 2555 K/Pdt/2025 has strengthened legal certainty regarding the legality of debt conversion into MCB as a credit restructuring instrument. However, this certainty remains limited because it does not provide clear procedural standards regarding the protection of banks as creditors in implementing prudential principles. The decision provides certainty at the level of concrete dispute resolution, but does not fully establish general legal certainty for future banking credit restructuring practices.

4. Conclusion

Based on the analysis of Supreme Court Decision Number 2555 K/Pdt/2025 concerning the conversion of PT Bank DKI's debt into Mandatory Convertible Bonds (MCB) in the credit restructuring of PT Waskita Beton Precast, Tbk., it can be concluded that the Supreme Court considers this action to be a legally valid form of credit restructuring. This consideration is based on three main constructs: the binding force of the settlement agreement that has been homologated by the Commercial Court and reinforced by Decision Number 1455/Pdt.Sus-Pailit/2022; the conformity of the conversion mechanism with the credit restructuring provisions in POJK Number 40 of 2019 and POJK Number 22 of 2022; and the failure to fulfill the elements of an unlawful act as referred to in Article 1365 of the Civil Code. The Supreme Court considers that the EGMS on June 30, 2023, constituted a technical implementation of the settlement scheme that has permanent legal force.

Therefore, PT Bank DKI's objection to the conversion mechanism cannot override the principle of legal certainty and adherence to the homologation results. However, this study shows that the legality of debt conversion into Mandatory Convertible Bonds (MCBs) remains problematic, particularly regarding the separation between the validity of the debtor's corporate actions and the bank's prudential compliance obligations as a creditor. While the decision provides certainty from the perspective of bankruptcy law and corporate law, it has not yet fully elaborated on the fulfillment of banking prudential principles, the approval of the Financial Services Authority (OJK), and the hybrid nature of Mandatory Convertible Bonds as an instrument that falls between debt and equity.

The legality of debt conversion into MCBs for banks must be understood through several conditions, namely, the existence of a legitimate restructuring through a PKPU (Deferred Payment for Debt Settlement) and homologation, the consistency of the conversion instrument with the peace agreement, the fulfillment of the bank's internal prudential assessment process, and the fulfillment of information disclosure obligations if the instrument is related to the capital market regime. Going forward, clearer technical guidelines from the Financial Services Authority (OJK), increased

judicial prudence in ratifying peace agreements involving bank creditors, and further research on the legal status of Mandatory Convertible Bonds within the Indonesian legal system are needed to create more comprehensive legal certainty.

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