

Indonesian Government begins Easing Rules in light of Covid-19

CAPITAL MARKETS

In light of the spread of the Covid-19 outbreak, on Wednesday (18 March 2020), the OJK, Indonesia's Financial Services Authority, relaxed the rules on submission of reports and holding of general meeting of shareholders for public companies. Under OJK Letter No. S-92/D.04/2020 ("**Letter**"), OJK not only extends the deadline for the submission of several reports, including annual reports and financial statements, but also touches upon the holding of a general meeting of shareholders ("**GMS**") via an e-proxy.

Submission of Reports

Pursuant to the Letter, the deadline to submit the following reports will be extended by two months from their respective deadlines:

1. annual financial statements;
2. annual report for issuers and public companies; and
3. evaluation report of the audit committee on the provision of audit service of issuers and public companies.

The extension also applies for the submission of the annual financial reports by the Indonesia Stock Exchange (IDX), the Clearing and Underwriting Institution (KPEI), the Depository and Settlement Institutions (KSEI), securities companies, securities investor protection funds (*penyelenggaraan dana perlindungan pemodal*), securities assessment institutions, Indonesian Securities Funding Institutions, securities administration bureau, mutual funds, collective investment contract of real estate investment funds, asset-backed securities collective investment contract, asset-backed securities in the form of participation letters, collective investment contract for infrastructure investment funds and securities rating agency.

GMS

The deadline to hold an annual GMS for public companies is also extended by two months to 31 August 2020.

The Letter also allows public companies to hold their annual GMS by granting an electronic proxy or e-proxy by using the electronic GMS ("**e-GMS**") system provided by the Indonesia Central Securities Depository or KSEI, without reducing the validity of the GMS implementation based on the current OJK rule and the Companies Law.

Currently, the government has not issued any specific rule on e-proxy to tackle the uncertainties brought by the outbreak. It is important that the government ensures that any rule on e-proxy must be suitable for all circumstances, not just Covid-19.

Uncertainties ahead?

While the Letter states that the implementation of a GMS using the e-GMS system will follow the rules that will be determined by KSEI, to date, KSEI is still in the process of developing the e-proxy system.

Based on news reports, the technical readiness and system to implement e-proxy in the IDX has reached 95%. But as with all technological developments of a large scale, there is no guarantee that the e-proxy and e-GMS system will be ready for immediate use. It is certain that further coordination between the different entities and the users will be required.

In any event, if a public company must convene physical meeting, they must follow the instructions from the Indonesian National Board for Disaster Management (BNPB), Jakarta Regional Government and the building management.

COMPETITION

Amidst the current situation with COVID-19 in Indonesia and following the direction from the Indonesian government on social distancing, on 16 March 2020, the Indonesia Competition Commission (*Komisi Pengawas Persaingan Usaha* or "KPPU") issued a decree to temporarily halt its enforcement activities until 31 March ("**Closure Period**"). According to the decree, the following activities will be temporarily stopped:

1. case hearing;
2. case handling;
3. assessment and clarification for merger filings.

The decree is silent on how the Closure Period will affect statutory timeline, including merger filings with deadlines during the Closure Period. We have requested for further clarifications with the KPPU and, we understand that:

1. the KPPU would not accept or register any merger filings during the Closure Period and will only begin accepting filings on 1 April 2020;
2. the Closure Period will not extend the 30-business day deadline for merger filings; and
3. parties in a transaction with a deadline during the Closure Period can submit their filing to the KPPU on 1 April 2020 and KPPU will waive the penalty for late filing.

Consequently, we expect that any timeline, e.g., the deadline for mergers reviewing stage and the issuance of KPPU decisions/opinion, will be extended according to the Closure Period.

As for merger notification, businesses should check and calculate their notification deadline from the effective date of the transaction to ensure that they will still comply with the KPPU's merger control regulation. This is particularly important for any notifiable transaction that closes or must be notified during the Closure Period.

CONCLUSION

For now, we view both the OJK and KPPU's actions as a sensible guidance, and it is good to know that the regulators are putting appropriate measures in place to deal with the uncertainty brought by the outbreak.

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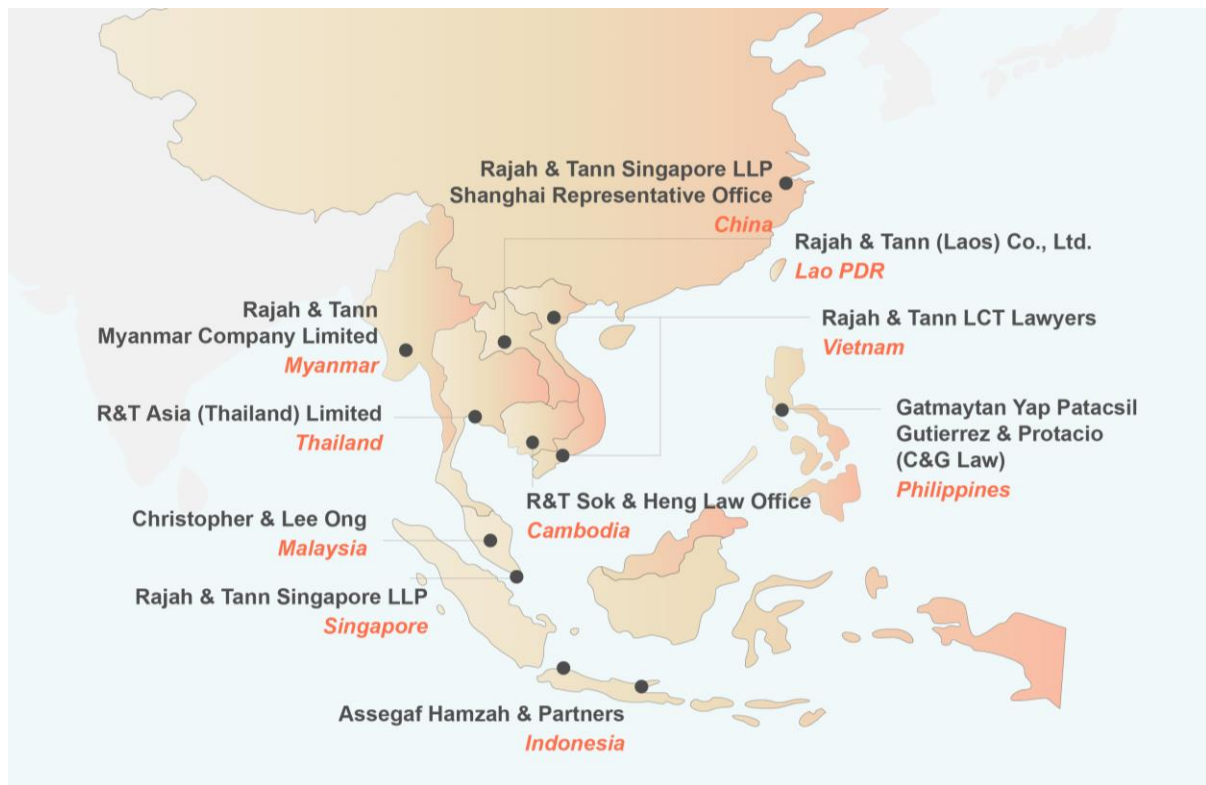
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