

Indonesia Stock Exchange to Issue New Listing Regulation



The Indonesia Stock Exchange (“**IDX**”) is currently preparing a new listing regulation to update the current listing regulation.¹ The new regulation will add a definition of public float, which will address which shareholders of a public company can be calculated as part of the public shares of such company. By issuing this new regulation, the IDX hopes to encourage public companies to obtain more public shareholders in initial public offerings. The new regulation is also in line with a recent OJK regulation on e-bookbuilding (OJK rule No. 41/POJK.04/2020), which was issued to increase public participation in initial public offerings.

The current listing regulation determines public float based on the shareholders who are not a principal shareholder and a controller. Principal shareholders are those who directly or indirectly hold at least 20% or a lower threshold as determined by the IDX of the voting rights of a company’s issued shares, while controllers are parties that directly or indirectly own more than 50% of a public company’s shares with voting rights or can determine, directly or indirectly, the management or policy of such public company.

The new definition proposed by the IDX defines a public float as:

1. shares owned by shareholders holding less than 5%;
2. such shareholders are not controllers of the public company; and
3. such shares are neither in scripless form, nor are they deemed as treasury shares.

However, the new definition does not further detail whether the shareholders must be independent parties and whether the shares are calculated directly or indirectly.

The new listing regulation imposes a very low threshold compared to the current regulation as seen above. Once imposed, shareholders who hold more than 5% but less than 20%, who were previously deemed as public shareholders, will no longer be deemed as such. Existing public companies may need

¹ Currently stipulated under Decree of the Board of Directors of PT Bursa Efek Indonesia No. Kep-00183/BEI/12-2018 on Securities Listing Regulation No. I-A on the General Provisions for the Listing of Equity Securities at IDX.

time to comply with the new public float requirement, and it is essential to note that failure to comply may lead to sanctions from the IDX.

Another change proposed in the new listing regulation is to add or revise provisions on:

1. the requirements for prospective issuers, which will benefit and encourage start-ups to list their shares on the IDX;
2. requirements that must be fulfilled for a public company to remain listed on the main board, which include, among others, positive equity based on the company's latest audited financial statements, having more than 750 shareholders, and no receipt of a third warning letter from the IDX within the last one year; and
3. movement between the development board and the main board.

Currently, the IDX is still in internal discussion. Further updates will be released upon the enactment of the new listing regulation.

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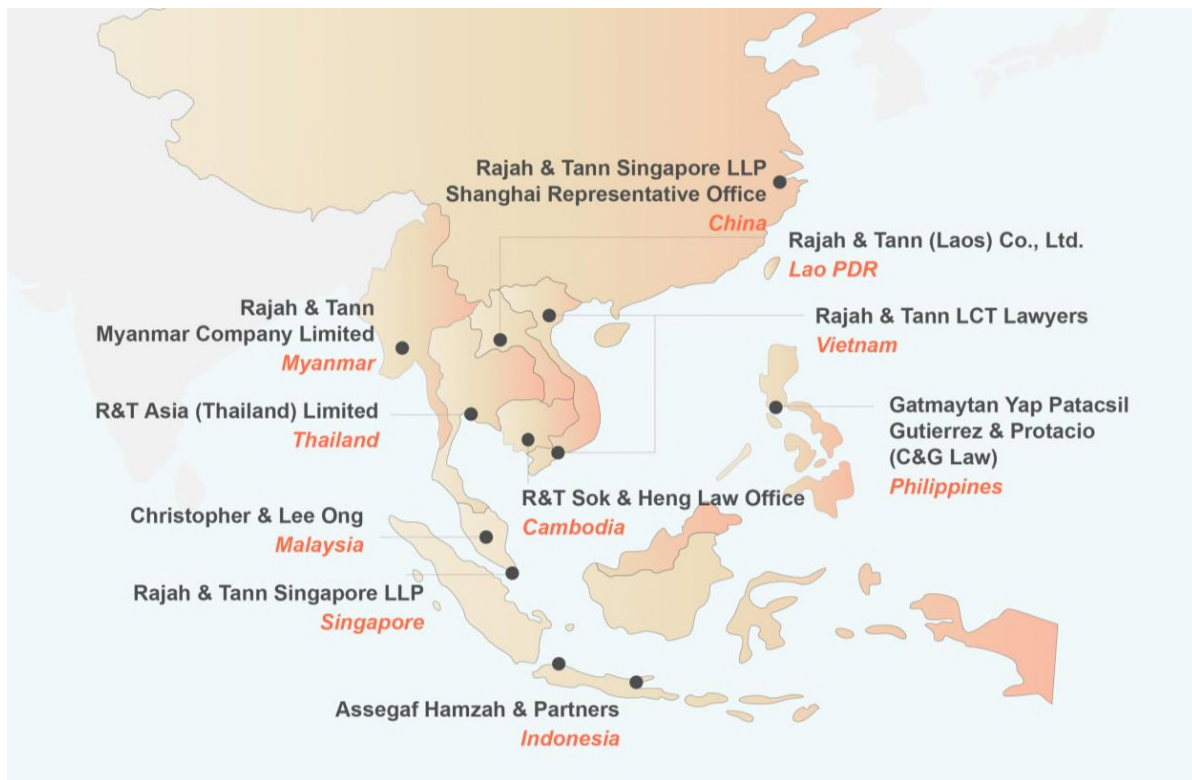
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Client Update: Indonesia

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