

CLIENT ALERT

IDX Introduces New Listing Rule

On 21 December 2021, the Indonesia Stock Exchange (“**IDX**”) issued a new IDX listing rule, which is Rule No. I-A on Listed Shares and Equity Securities other than Shares Issued by Listed Companies, as attached to Decision of the Board of Directors of the IDX No. Kep-00101/BEI/12-2021 (“**New Listing Rule**”).

This New Listing Rule introduces (i) a new free float definition, (ii) new requirements for an initial listing and maintaining listing on the IDX, and (iii) new procedures and requirements for transferring the listing of a listed company from the IDX’s main board to the development board and vice versa. This New Listing Rule also accommodates the listing of tech start-ups on the IDX to address the procedures under the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* – “**OJK**”)’s rule governing the implementation of classes of multiple voting rights share, which we discussed [here](#).

In this Client Alert, we are highlighting the key features of the New Listing Rule that would significantly affect listed companies or private companies that are preparing for their initial listing.

New Free Float Definition

Unlike under the 2018 IDX listing rule where any shares owned by a non-controlling shareholder and any shareholder who owns fewer than 20% shares are considered to be part of the free float shares, the New Listing Rule now defines free float shares as:

1. shares owned by a shareholder that holds fewer than 5% of the total listed shares;
2. shares not owned by a controlling shareholder and an affiliate of the listed company;
3. shares not owned by a commissioner or director of the listed company; and
4. shares not part of the treasury shares of the listed company.

Further, the requirement for the free float shares on listing and post-listing is also slightly different. Instead of referring to the total issued shares, the New Listing Rule now refers to the total listed shares. So the requirement for the free float shares:

1. on listing becomes at least 20%, 15% or 10% of the total listed shares depending on the equity value of the prospective listed company; and
2. post-listing becomes at least: 50 million shares and 7.5% of the total listed shares.

This new definition would significantly affect how parties will going forward structure (i) technical listings on the IDX or (ii) mandatory sell-downs under the OJK’s Takeover Rule (i.e., OJK Rule No. 9/POJK.04/2018 on Takeover of Public Companies) given unlike previously (where the cap was fewer than 20% of the total issued shares) there is now a cap of fewer than 5% ownership of the total listed shares to be considered part of the free float. That being said, the New Listing Rule grants the IDX discretion in designating certain shareholders that do not meet this maximum shareholding limit to be considered part of the free float as long as their investment is a portfolio (non-controlling) investment.

New Initial Listing Requirements

The new initial listing requirements introduced by this New Listing Rule (as compared to 2018 IDX listing rule) are as follows:

1. The New Listing Rule introduces additional listing requirements for listing on the main board and development board:

| Main Board | Development Board |
|--|---|
| <p>To list on the main board, recording profits from the past one year is no longer a requirement. Instead, a prospective listed company may satisfy any of the following requirements:</p> <ol style="list-style-type: none"> a. Having profit before tax in the last financial year and net tangible assets of at least IDR 250 billion. b. Having accumulated profit before tax in the last two financial years of at least IDR 100 billion and shares capitalization value of at least IDR 1 trillion. c. Having revenue in the last financial year of at least IDR 800 billion and share capitalization value of at least IDR 8 trillion. d. Having assets in the last financial year of at least IDR 2 trillion and share capitalization value of at least IDR 4 trillion. e. Having cashflow from cumulative operating activities in the last two financial years of at least IDR 200 billion and share capitalization value of at least IDR 4 trillion. | <p>To list on the development board, the New Listing Rule has increased the certain thresholds regarding among other things net tangible assets and share capitalization value and introduced a new concept of cashflow from cumulative operating activities. In this regard, a prospective listed company must now satisfy any of the following requirements:</p> <ol style="list-style-type: none"> a. Having net tangible assets of at least IDR 50 billion. b. Having accumulated profit before tax in the last two financial years of at least IDR 10 billion and shares capitalization value of at least IDR 100 billion. c. Having revenue in the last financial year of at least IDR 40 billion and share capitalization value of at least IDR 400 billion. d. Having assets in the last financial year of at least IDR 250 billion and share capitalization value of at least IDR 500 billion. e. Having cashflow from cumulative operating activities in the last two financial years of at least IDR 20 billion and share capitalization value of at least IDR 400 billion. |

2. The New Listing Rule grants the IDX the discretion to approve listing applications even though certain listing requirements are not satisfied as long as the prospective listed company satisfies among other things any of the following characteristics:
 - a. having high revenue growth; or
 - b. using technology to create an innovative product or service that increases economic productivity and growth and have broad social benefits.

In addition to the above characteristics, the New Listing Rule allows the IDX to determine other characteristics. The above characteristics mirror the requirements set out under OJK Rule No. 22/POJK.04/2021 (on Stipulation of a Share Classification with Multiple Voting Rights by an Issuer with Innovation and High Growth Level that Conducts an Equity Securities Public Offering in the form of Shares) and was introduced to accommodate the listing of tech start-ups on the IDX.

New Listing Maintenance Requirements

The new listing maintenance requirements introduced by the New Listing Rule (as compared to 2018 IDX listing rule) are as follows:

1. Maintaining the above post-listing minimum free float requirement. This requirement is effective as of 21 December 2021.
2. To maintain listing on the main board, listed companies must satisfy certain additional requirements. These requirements include:

| No. | Requirements | Grace Period to Satisfy New Requirements |
|-----|--|--|
| 1. | Must not have negative equity in its latest financial statements. | 2 May 2022 |
| 2. | Must not have been imposed with a written sanction III (<i>peringatan tertulis III</i>) from the IDX within the past one year. | |
| 3. | Must have more than 750 shareholders with a KSEI (the central custodian) issued Single Investor Identification (<i>Nomor Tunggal Identitas Pemodal</i>). | 21 December 2023 |
| 4. | Must satisfy the following free float shares share capitalization value: <ol style="list-style-type: none"> a. If the free float shares represent $\geq 10\%$ of the total listed shares, then the free float shares share capitalization value must be more than IDR 200 billion. b. If the free float shares represent fewer than 10% of the total listed shares, then the free float shares share capitalization value must be more than IDR 1 trillion. | |
| 5. | Must have their annual audited financial statements obtain an opinion without modification for the last two consecutive financial years. | |
| 6. | Must satisfy any of the following requirements: <ol style="list-style-type: none"> a. not having suffered net loss in the past two consecutive years. b. having compound annual growth rate of revenue of at least 20% within the last three years. | 2 May 2025 |

By the end of the grace period of the relevant requirements above, listed companies whose shares are listed on the main board but fail to satisfy the above requirements will be transferred to the development board. The IDX has authority to make such a transfer every May and November of each year.

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Key Contacts

For more detailed information, please contact:

Ken Prasadtyo

Partner

e: ken.prasadtyo@tjajolaw.id

p: +62 21 2251 3653

Kevin Yehezkiel

Senior Associate

e: kevin.yehezkiel@tjajolaw.id

p: +62 21 2251 3653

Yonastan Pangestu

Associate

e: yonastan.pangestu@tjajolaw.id

p: +62 21 2251 3653

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