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IDX Issues New Listing Regulation

On 26 December 2018, the Indonesia Stock Exchange (“**IDX**”) issued a new IDX listing regulation under the Decree of the Board of Directors of PT Bursa Efek Indonesia No. Kep-00183/BEI/12-2018 (the “**New Listing Regulation**”), which replaced the previous Decree of the Board of Directors of PT Bursa Efek Indonesia No. Kep-00001/BEI/01-2014 regarding Securities Listing Regulation No. I-A on General Provisions for the Listing of Equity Securities at IDX.

The New Listing Regulation, which became effective on 27 December 2018, adjusted and amended certain listing provisions to be in line with the regulations of the Financial Services Authority (*Otoritas Jasa Keuangan* or “**OJK**”). Furthermore, through the New Listing Regulation, the Indonesian government also hoped to encourage more companies to list its shares on the IDX.

Below are the key changes under the New Listing Regulation:

1. **Adjustment of the Corporate Governance Provisions**

In the New Listing Regulation, IDX removed the corporate governance provisions with regards to the independent commissioner, independent director, audit committee, internal audit unit, and corporate secretary. As a result:

- a. the requirement for a public company to have an independent director is no longer applicable; and
- b. all provisions related to the independent commissioner, audit committee, internal audit unit and corporate secretary shall refer to the related prevailing OJK regulations.

2. **No Minimum Requirement on Nominal Value**

Besides removing the corporate governance provisions, the New Listing Regulation also requires the minimum shares price at the time of the initial listing, as opposed to the minimum nominal value of shares under the previous listing regulation, to be at least IDR 100 (one hundred Rupiah).

3. **Listing Requirements**

Main Board: new additional requirement

In general, listing requirements for the main board remain the same. However, IDX added a new requirement that the prospective listed company shall have a recorded operating income for the last three years, in addition to the operating profit for the last one financial year.

Development Board: flexibility of listing requirements

For listing at the development board, the New Listing Regulation provides a new option where the commercial operational activities can be conducted by the subsidiaries of the prospective

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listed company instead by the prospective listed company itself. However, IDX also added a requirement that such commercial operational activities shall be evidenced by having recorded operating income for the last one year. While the New Listing Regulation requires the prospective listed company to have net tangible assets of at least IDR 5,000,000,000 (five billion Rupiah), IDX also provides other options that can be fulfilled by such prospective listed company if it could not fulfil the net tangible assets requirement above. These options are as follows:

- a. the prospective listed company must have:
 - an operating profit for the last one financial year of at least IDR 1,000,000,000 (one billion Rupiah); and
 - shares capitalisation value of at least IDR 100,000,000,000 (one hundred billion Rupiah) before the listing date; **or**
- b. the prospective listed company must have:
 - an operating income for the last one financial year of at least IDR 40,000,000,000 (forty billion Rupiah); and
 - shares capitalisation value of at least IDR 200,000,000,000 (two hundred billion Rupiah) before the listing date.

4. **Simpler Listing Procedures**

In the New Listing Regulation, IDX removes the obligation of the prospective listed company to submit the required documents in its hardcopy format. Instead, the prospective listed company shall submit documents in its softcopy format through the Integrated Licensing and Registration System (*Sistem Perizinan dan Registrasi Terintegrasi* or SPRINT).

Compared to the previous listing regulation, the listing procedures under the New Listing Regulation have been simplified as follows:

- a. The prospective listed company shall submit the securities registration application to the IDX at the same time as the submission of the registration statement to OJK.
- b. Based on its evaluation and assessment, IDX will reject or issue the initial approval (*persetujuan prinsip*) within 10 Exchange Days as of receipt of the complete documents and/or information. This initial approval replaces the preliminary agreement signed by IDX as regulated under the previous listing regulation.
- c. In the event that OJK has not issued the effective statement and there is a change to the documents that have been submitted, then:
 - (i) the prospective listed company shall submit the amendment to IDX, which could affect the initial approval that has been issued by IDX prior to the effective statement from OJK at the same time with the submission of such amendment to OJK; and

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- (ii) the initial approval shall be null and void if the change to the data and/or information is material, which results in the prospective listed company no longer complying with the initial registration requirements or matters that form the basis for the issuance of the initial approval.
- d. The prospective listed company that has received an effective statement from OJK shall submit additional information to IDX within two Exchange Days after the issuance of effective statement by OJK. Such additional information shall at least consist of:
 - (i) the effective statement from OJK;
 - (ii) the final prospectus; and
 - (iii) report on allotment result, which shall be submitted at the latest one Exchange Day before the proposed listing date.
- e. The prospective listed company shall submit to IDX proof of shares distribution to the shareholders at the latest before the listing.
- f. Approval on securities listing will be given by IDX within five Exchange Days after IDX receives the complete additional information as mentioned in point d above, except for the report on allotment result.
- g. IDX shall announce the shares listing and trading of the prospective listed company at the latest one Exchange Day before the shares trading commences.
- h. The prospective listed company is no longer obligated to conduct a mini expose, but IDX may request the prospective listed company to conduct the same if necessary.

Moreover, under the New Listing Regulation, IDX also applies a much simpler procedure for the listing of additional shares, as follows:

- a. The listed company shall submit information on the plan to issue additional shares to the IDX at the same time as the announcement of such information to the public;
- b. The listed company shall submit the listing application for the additional shares pursuant to the following procedures:
 - (i) for additional shares from a stock split, the listing application shall be submitted within five Exchange Days before the announcement date of the trading schedule with the new nominal value;
 - (ii) for additional shares from the exercise of pre-emptive rights, the listing application shall be submitted within two Exchange Days after the registration statement becomes effective;

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- (iii) for additional shares from capital increase without pre-emptive rights, shares dividend and bonus shares, the listing application shall be submitted within six Exchange Days before the listing date of such additional shares;
- (iv) for additional shares from the exercise of warrant or convertible bonds, the listing application shall be submitted within 10 Exchange Days before the listing date of such warrant or convertible bonds; and
- (v) for additional shares from an employee shares ownership program, the listing application shall be submitted within 10 Exchange Days before the commencement date of the exercise period of such employee shares ownership program.

5. **Lock-up on Stock Split or Reverse Stock**

Once a prospective listed company is registered, the IDX needs to ensure that such company remains in a good financial condition to protect the minority shareholders. As such, under the New Listing Regulation, IDX now prohibits a listed company to conduct a stock split or reverse stock for at least 12 months as of (i) the listing date of its shares on IDX, or (ii) its last stock split or reverse stock.

6. **Requirements for Listed Companies to Remain Listed at IDX**

In addition to the previous requirements where a listed company shall have (i) non-controlling shareholders and shareholders who are not main shareholders to hold at least 50,000,000 (fifty million shares) and at least 7.5% (seven point five per cent) of its total paid-up capital, and (ii) at least 300 shareholders, the New Listing Regulation added two new requirements as follows:

- a. If the listed company conducts any corporate actions that result in the failure to comply with requirements under points (i) and (ii) above, such listed company shall submit a proposal to IDX on its plan, including proposed time limit, to comply with such requirements no later than two Exchange Days after the listed company becomes aware of such non-compliance. IDX is then authorised to approve or reject such request with regards to the time limit to comply with the requirements.
- b. If the listed company could not fulfil the requirement in point (i) above as a result of a mandatory tender offer, then the listed company must fulfil such requirement no later than two years as of the completion of such mandatory tender offer.

7. **Pricing Regulation for Additional Shares**

To increase investors' interests, IDX has revised the pricing regulations in the New Listing Regulation, specifically for (i) additional shares from capital increase without pre-emptive rights, and (ii) exercise of warrants.

With regards to the capital increase without pre-emptive rights, the price for the additional shares shall be at least 90% (ninety per cent) of the average closing price for a period of 25 consecutive Exchange Days in the Regular Market before the date of the listing application for

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such additional shares. However, this pricing requirement does not apply to capital increase without pre-emptive rights in order to improve a company's financial position where the price will be determined on an arm's length basis as agreed by the company and its creditor in the case of debt to equity conversion.

With regards to warrants, the exercise price shall be at least 90% (ninety per cent) of the average closing price for a period of 25 consecutive Exchange Days in the Regular Market before the date of submission of the registration statement to OJK.

In addition to the above, IDX has also set a minimum price for all additional shares, which shall be at least equal to the lowest price limit for shares traded in the Regular Market and Cash Market, i.e., IDR 50 (fifty Rupiah).

8. **Deletion of Lock-Up Provision**

Previously, additional shares from the capital increase without pre-emptive rights could not be traded at the IDX for at least one year as of its listing date in order to protect the interest of the non-controlling shareholders. However, this provision has been deleted in the New Listing Regulation. We believe that this deletion could increase the investor's interest to subscribe to additional shares in the listed company.

In conclusion, besides conforming to the OJK regulations, the New Listing Regulation also aimed to encourage companies to list its shares on the IDX. The IDX hopes that the New Listing Regulation will not only broaden access to funding from the capital market, but also gives certainty to market players and investors.

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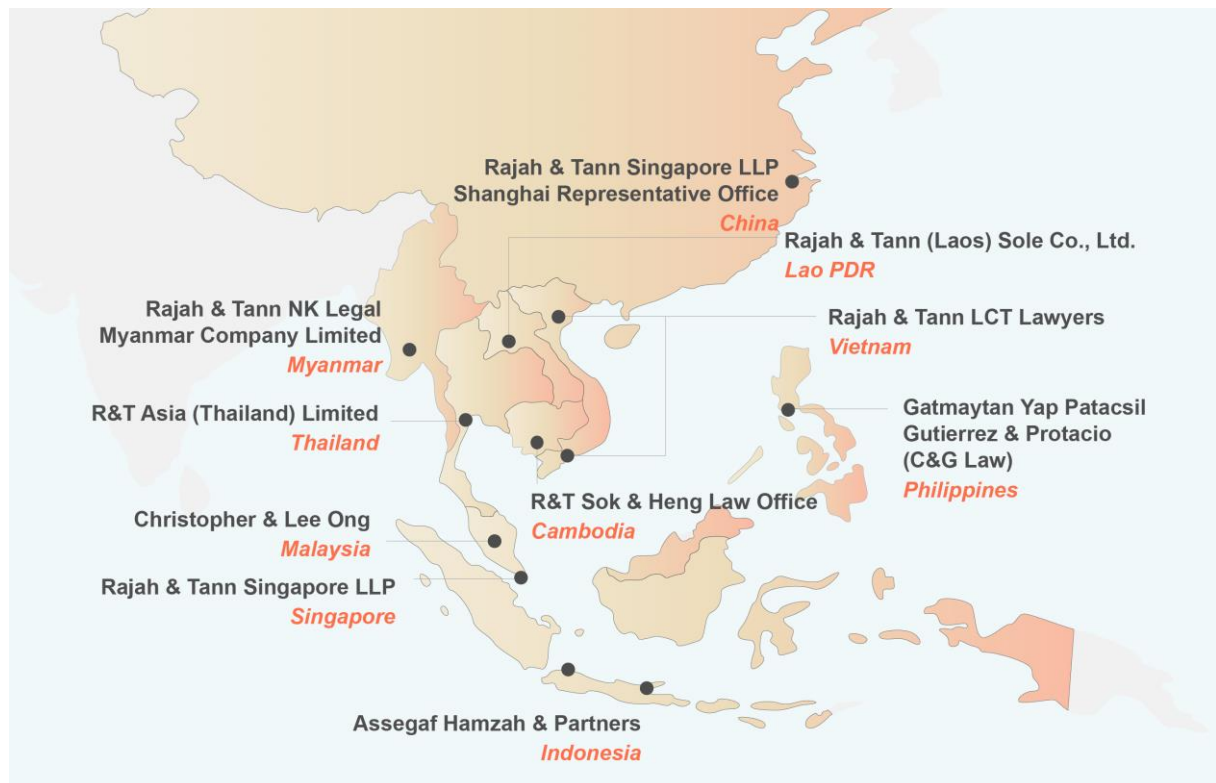
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