

Client Update: Indonesia 19 February 2021

IDX Pushes for Increased Transparency and Dissemination of Information



Recognising the need to synergise the various rules in the capital market sector, the Board of Directors of the Indonesia Stock Exchange (IDX) recently issued a decree to amend IDX Rule No. I-E on Obligation of Information Submission. The rule on information submission was issued in 2004, and in light of other newer regulations in the stock exchange, amendments to this rule are certainly overdue.

The new rule contains several notable elements, which we will discuss below. These elements are introduced to ensure that the public can receive information quickly while protecting issuers from burdensome obligation.

New Obligations

Aligning with existing OJK regulations, the new rule requires all information submitted to IDX to be made in Indonesian and English, except for information submitted by small-scale and medium-scale issuers.¹

Previously, dual language material information is only required to be published on the listed company's website. Despite already being prepared in English, that same information only has to be published in Indonesian on the IDX's website. As a result, foreign investors might not receive the same information at the same time. This is an issue, especially if the information is of an urgent nature.

A listed company must now publish the information in Indonesian and English in its website and the IDX's website. This requirement ensures that local and foreign investors will receive the same information, at the same time.

¹ Small-scale and medium-scale issuers are defined under OJK Regulation 43/POJK.04/2020 as, respectively, issuers with a total asset of less than IDR 50 billion and issuers with a total asset of between IDR 50 billion to IDR 250 billion. Both must not be controlled by a non-small-scale or non-medium scale controller and/or a company with an asset of more than IDR 250 billion.

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The IDX also streamlines the submission of financial reports by requiring listed companies to submit their financial reports in XBRL² format provided in the IDX's electronic reporting system. XBRL is universally used for the transmission and exchange of business information. By introducing this requirement, the IDX hopes to improve the efficiency, speed, and automation of data processing for users, including analysts, investors, and regulators. The XBRL-based financial report submitted by a listed company must use the active financial report taxonomy when the submission is made. If required, the IDX can change the financial report taxonomy.

Stricter Deadline for Reporting

Generally, the new rule tightens the period for reporting. Listed companies must now respond to IDX's request for clarification within two business days (from previously three business days) from receiving such request.

In addition, listed companies must now submit monthly report on shares ownership registration activity and structure and composition of warrant holders by the 10th day of the following month (from previously the 12th day of the following month). Listed companies should also note that the shares ownership registration activity report must include the name of the company's ultimate beneficial owner. The new rule does not define the term 'ultimate beneficial owner' that must be included in the report. Hence, it is unclear whether listed companies should refer to:

1. a 'person' that satisfied certain criteria and is defined as a 'beneficial owner' under OJK regulation on implementation of anti-money laundering program and prevention of terrorism funding (OJK Regulation No. 12/POJK.01/2017, as amended by OJK Regulation No. 23/POJK.01/2019); and/or
2. a 'private individual' that satisfied certain criteria and is defined as a 'beneficial owner' under presidential regulation on beneficial owner recognition (Presidential Regulation No. 13 of 2018) and its implementing regulations.

Like the 2004 rule, a listed company must publish an incidental report to the public (via the IDX's website or newspapers, and its own website) of events, information, or facts related to such company or its consolidated subsidiary that may affect the price of the company's securities and/or the investment decision of an investor. But the 2004 rule left the deadline for submission of the incidental report open-ended. It merely required the company to submit the report as soon as possible. Under the new rule, the company must submit the report within two business days after the event, information, or fact, occurred, except if regulated otherwise by OJK.

Unusual Market Activity

The 2004 rule was silent on any announcement obligation for a listed company that is considered to have an unusual market activity. Under the new rule, if the IDX announces a share transaction in a listed

² <https://www.idx.co.id/perusahaan-tercatat/xbrl/>

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company as unusual market activity, such company must submit information to the IDX within one business day after IDX's announcement, on:

1. any material information that was already announced to the public;
2. any material information that has not been announced to the public; and
3. the company's confirmation or disagreement of public information (i.e. information published in the mass media).

Relaxation

Despite tighter reporting obligations as detailed above, the new rule also relaxes certain reporting requirements. Listed companies are now only required to submit a utilisation report of IPO funds once every six months (from previously once every three months). Further, mining companies can submit their exploration activity report once every three months, instead of monthly.

Lastly, the new rule also relaxes the public expose requirement by allowing a listed company to conduct an annual public expose once it has published all the required information for an annual public expose in its audited annual financial reports.

Key Takeaways

The new rule is certainly welcomed as it facilitates faster, more accurate, and equal dissemination of information to the public (including analysts, investors, and regulators). The stricter deadlines, while not much of a departure, also follows the same thread.

Some of obligations, like the dual language requirement, should not be a burden as companies are already required to prepare an English language information before the enactment of this regulation. But companies should note and be prepared for the new obligations, namely the submission of financial reports in XBRL format, information on unusual market activity, and determination and reporting of ultimate beneficial owner (with criteria that are yet to be determined by the IDX), which may require some adjustment on their end.

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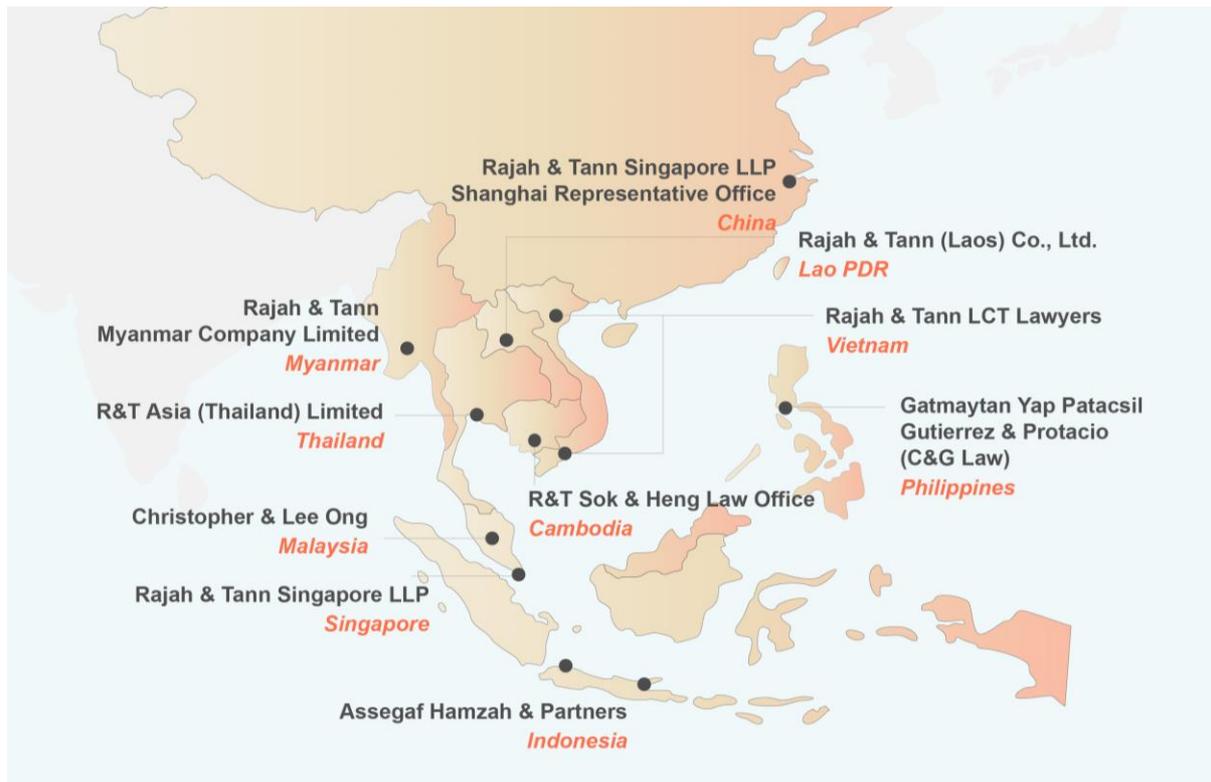
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