Cross-Border Listings Guide - Indonesia Stock Exchange

Overview of exchange

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# Overview of exchange

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Currently, the Indonesia Stock Exchange (*PT Bursa Efek Indonesia,* or theIDX) is the only stock exchange in Indonesia.

Several kinds of securities may be listed on the IDX, such as shares and bonds. This description focuses on the listing of shares. Only Indonesian legal entities in the form of limited liability companies (*Perseroan Terbatas*) that are established and existing under the laws of Indonesia may list shares on the IDX. Indonesian capital market regulations allow foreign companies to issue and list Indonesian Depositary Receipts (*Sertifikat Penitipan Efek Indonesia*, or SPEI) on the IDX.

SPEI are depositary receipts issued by a local custodian (depositary). Each SPEI represents a proportional ownership interest in a fixed number of underlying shares of the relevant company. The shares underlying the SPEI are deposited with the local custodian that has been approved by the Financial Services Authority (*Otoritas Jasa Keuangan*, or OJK). An SPEI holder is entitled to the same rights granted to equity shareholders of the relevant company for each of the underlying shares represented by its SPEI. However, in exercising its rights, the SPEI holder must be represented by the relevant depositary. A SPEI holder is not a shareholder, and therefore, it cannot attend and vote in any general meetings of shareholders of the company, except, as earlier stated, through the relevant depositary.

Similar to the listing of shares, in theory, the listing of SPEI is subject to regulation by the appropriate divisions of the IDX and OJK. The IDX has issued specific rules for the listing of SPEI whereby companies that issue SPEI must submit a registration statement to the OJK and the registration statement must be declared effective by OJK. However, in practice, due to the ambiguity of the OJK rules on the issuance of SPEI by foreign companies, no foreign company has yet successfully listed SPEI on the IDX. As such, our description below will not go into detail on how to list SPEI for foreign companies on the IDX.

There are four boards on the IDX where issuers may list their securities:

The Main Board, which is generally used for listings by companies that meet the core business activities, financial, net tangible asset, shareholders and profit standards required for listing on the Main Board of the IDX.

The New Economy Board, which is generally used for listings by companies that use technology to create product and/or service innovations that increase productivity and economic growth and have a social benefit and high growth rate. Companies must meet the requirements for both the New Economy Board and the Main Board to maintain a listing on this board.

The Development Board, which is generally used for listings by companies that cannot meet the core business activities, financial, net tangible asset, shareholders and profit standards required for the Main Board, and could be a steppingstone towards listing on the Main Board.

The Acceleration Board, which is generally used for listings by small and medium-sized enterprises that cannot meet the business and financial standards required for the Development Board or Main Board.

This description focuses on the Main Board.

The aggregate market capitalization of listed securities on the IDX at the end of 2022 was IDR 9.50 trillion (approximately US$617.44 million), up approximately 15% from IDR 8.26 trillion (approximately US$536.64 million) at the end of 2021. At the end of 2022, 360 companies were listed on the Main Board, down from 366 at the end of 2021. IDX itself does not specialize in or encourage listings by particular types of companies.

The operation of securities trading on the IDX is conducted through the Jakarta Automated Trading System (JATS). JATS handles all financial products (stocks, bonds and derivatives) in one platform. Trading of securities on the IDX is divided into three market segments: regular market, negotiated market and cash market. The regular market is the mechanism for trading stock in standard lots on a continuous auction market during exchange hours. Regular market and cash market trading must be carried out in unit lots of 100 shares. Negotiated market trading is carried out by direct negotiation between (i) members of the IDX, (ii) clients through one member of the IDX, or (iii) clients and members of the IDX. Negotiated market trading does not use round lots.

Any proposed listing would be subject to regulation by the appropriate divisions of the IDX and OJK. The prospective listed company must submit a registration statement to the OJK, consisting of documents such as the prospectus, financial statements that have been audited by an independent auditor, legal due diligence report, legal opinion and other documents as may be required by the OJK. One of the requirements for listing is that the OJK declares the registration statement to be effective.

The OJK and the IDX permit dual listed companies. In such a case, generally, the OJK requires that the listed companies fulfil the listing standards and compliance requirements of the exchange that has the stricter listing standards and compliance requirements (except for filing annual reports as discussed below).

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