

Client Alert

March 2020

For More Information:

Iqbal Darmawan

Partner
+62 21 2960 8567
iqbal.darmawan@bakermckenzie.com

Indah Respati

Partner
+62 21 2960 8512
indah.respati@bakermckenzie.com

Ken Prasadtyo

Associate Partner
+62 21 2960 8543
ken.prasadtyo@bakermckenzie.com

Armand Harahap

Associate
+62 21 2960 8592
armand.harahap@bakermckenzie.com

IDX's Recent Policies in Responding to the COVID-19 Outbreak

In the past few weeks, the Indonesia Stock Exchange (**IDX**) has taken several actions to anticipate further declines of the IDX composite index (**IHSG**) and any further negative impact on Indonesia's stock market resulting from, among other things, the COVID-19 outbreak across the globe. These are the actions taken by the IDX so far.

Prohibition of Short Selling

Even though there have been no changes to the regulatory framework in Indonesia on short selling, on **2 March 2020**, the IDX determined that no securities on the IDX can be used for short selling until further notice. [The announcement made by the IDX](#) essentially removes all securities that are eligible for short selling and renders the list that had been issued for March 2020 unusable. This situation has made short selling as regulated under Indonesian regulations not doable until further notice.

Implementation of Trading Halts/Suspensions

As instructed by the Financial Services Authority (**OJK**), on **10 March 2020**, [the IDX announced](#) that it will implement the following trading halts/suspensions if the IHSG experiences the following declines:

- A decline of 5% will result in a 30-minute trading halt.
- If the total decline reaches 10%, it will result in a further 30-minute trading halt.
- If the total decline reaches 15% or more, it will result in a trading suspension for:
 - (i) the rest of that trading session; or
 - (ii) more than one trading session (if agreed or instructed by the OJK).

There were 30-minute trading halts on 12 March (during the afternoon trading session) and 13 March (during the morning trading session).

Changes to Auto Rejection Threshold

Also driven by the OJK's instruction, on **9 March 2020** the IDX initially [stipulated](#) that the maximum fall in price for auto rejection to occur on the IDX's regular market and cash market would be 10% of a listed share's relevant reference price. To anticipate further decline of the IHSG, on **13 March 2020** the IDX changed the maximum fall in price for auto rejection to occur to 7%. In its [announcement](#), the IDX clarifies that the changes are



only applicable to shares that affect the IHSG. This means the auto rejection threshold for other securities that do not affect the IHSG (e.g., shares that are listed on the acceleration board, participation units of infrastructure funds (DINFRA), rights resulting from rights issues and warrants) are not changed.

Further developments

Given the rapid developments that are taking place, as can be seen from the various policies issued within a very short period, it is expected that the IDX or other regulators (including the OJK) may take other measures or issue additional policies to mitigate the current situation.

www.hhp.co.id

HHP Law Firm
Pacific Century Place, Level 35
Sudirman Central Business District Lot. 10
Jl. Jenderal Sudirman Kav. 52-53
Jakarta 12190
Indonesia

Tel: +62 21 2960 8888
Fax: +62 21 2960 8999

©2020 Hadiputranto, Hadinoto & Partners is a member firm of Baker & McKenzie International, a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner, or equivalent, in such a law firm. Similarly, reference to an "office" means an office of any such law firm.

This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.

This alert is provided as general information and does not constitute legal advice.