

Client Alert

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IDX Welcomes SME Listings to its Acceleration Board

To meet the demand for the listings of shares and equity-type securities by small and medium enterprises (**SMEs**), the Indonesia Stock Exchange (**IDX**) recently issued a new rule that introduces IDX's acceleration board. The acceleration board aims to facilitate the listing of SMEs before they are qualified for listing on IDX's main board or development board.

Who is eligible under this rule?

This new rule is only applicable for proposed issuers that are still considered as SMEs under the OJK SME Offering Rule.¹ The OJK SME Offering Rule recognizes SMEs as small-scale issuers and medium-scale issuers, depending on their total asset value (based on the financial statements used in the submission of a registration statement to OJK).

SMEs are considered as small-scale issuers if their asset value is not more than IDR 50 billion, while SMEs with an asset value of more than IDR 50 billion but not more than IDR 250 billion are considered as medium-scale issuers. Both small-scale issuers and medium-scale issuers must not be controlled (whether directly or indirectly) by a company that:

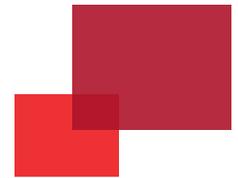
- is a controller of an issuer or public company that is not a small-scale issuer or medium-scale issuer
- has assets of more than IDR 250 billion

As provided under the OJK SME Offering Rule, the maximum size of a public offering by small-scale issuers or medium-scale issuers is IDR 250 billion.

What's different?

While the new rule is similar in most aspects to the general listing rule issued [last year](#), in addition to introducing the acceleration board, the new rule provides more lenient listing requirements than IDX's general listing rules (which are applicable for listing on the IDX's main and development boards).

¹ The criteria of SMEs are as defined under Financial Services Authority (**OJK**) Regulation No. 53/POJK.04/2017 on Registration Statement for Public Offerings and Capital Increases with Pre-Emptive Rights of Issuers With Small Scale Assets or Issuers With Medium Scale Assets.



The new provisions and key differences introduced by this rule (as compared to listing on the IDX's main and development boards) are as follows:

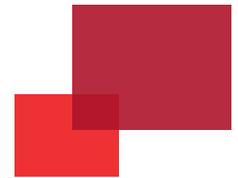
- The issuer must have a "Controller" (as defined in the [OJK Takeover Rule](#)), in line with the controller requirement for SMEs set out above.
- The underwriting agreement with the underwriters (in the case of an IPO) can be made on a "best efforts" basis (it must be with "full commitment" for listing on the IDX's main and development boards).
- The listing application fee and annual listing fee are more affordable:
 - The application fee for listing on the acceleration board is capped at IDR 25 million, while the application fee for listing on the main board and development board ranges up to IDR 250 million and IDR 150 million, respectively.
 - The annual listing fee on the acceleration board is IDR 25 million, while the annual listing fee on the main board and development board is at least IDR 50 million.
- The financial statements submitted to IDX must meet the requirements under the OJK SME Offering Rule.²
- The number of shares held by non-controlling shareholders and non-principal shareholders after the public offering period must be at least 20% of the company's issued and paid-up capital.
- Companies that are delisted from the acceleration board may only submit a relisting request to the IDX for listing on the main board or development board.

More lenient listing requirements

Given that SMEs may not yet have sophisticated corporate governance and business operations, IDX provides more lenient listing requirements for proposed issuers. Below are the key listing requirements that are different from the general listing rules:

² The financial statements used for the submission of a registration statement under the OJK SME Offering Rule must fulfil the following requirements:

- They cover the latest financial year period or the period from the issuer's establishment (for issuers that have been established for less than a year).
- Their preparation can be based on the accounting standards for entities without public accountability (*standar akuntansi keuangan untuk entitas tanpa akuntabilitas publik*).
- The date of issuance of the financial statements must not be more than six months before the date of the effective statement from OJK. If it is more than six months, it must be accompanied with audited interim financial statements. The date of the effective statement must not be more than six months after the date of the audited interim financial statements.
- The audited interim financial statements must be made in comparison with the interim financial statements for the same period in the previous financial year (except for the report on financial position). The interim financial statements used as the comparison can be unaudited.



- The minimum company share price for listing is reduced (i.e., IDR 50, while for general listing it is IDR 100).
- The requirement to have commercial operational activities is not limited to the issuer's core business only (as long as the commercial operational activities conducted have generated operating revenue in the latest financial year).
- There are no net tangible assets or operating profit and share capitalization requirements.
- The minimum number of shareholders at the time of the IPO is 300 (to fulfil the requirement as a public company), which requirement continues post listing. For listing on the main board, the requirement is to have 1,000 shareholders while for the development board, the requirement is to have 500 shareholders.

Transfer to main or development board

IDX has the discretion to assess the listing of an issuer and transfer the listing from the acceleration board to IDX's main board or development board if the issuer has fulfilled several criteria as provided in the new rule. In this case, the listing requirements in the general listing rules (as are applicable for listing on the IDX's main and development boards) will be applicable to the issuer.

Investment and fundraising alternatives

With the existence of the OJK SME Offering Rule and this new listing rule for SMEs, OJK and IDX have shown their commitment to promoting fundraising alternatives for growing SMEs in Indonesia. The acceleration board can also be an alternative for investors that seek to invest their funds in a different base of issuers with different risk and potential growth profiles.



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