

# The Indonesia Stock Exchange - IPO Overview<sup>1</sup>

The capital market in Indonesia existed long before the Independence of Indonesia. The first stock exchange (“**Exchange**”) in Indonesia was established in 1912 in Batavia (now Jakarta) during the Dutch colonial era. At that time, the Exchange was established for the interest of the Dutch East Indies (VOC).

During that era, the capital market grew gradually, and even became inactive for periods of time due to various conditions, such as during World Wars I and II, and during the transition of power from the Dutch government to the Indonesian government.

The Indonesian government reactivated its capital market in 1977, and with the support of incentives and regulations issued by the government, it has grown rapidly since. From 1977 to 1989, there were two Exchanges in Indonesia, namely (i) Jakarta Stock Exchange and (ii) Surabaya Stock Exchange. Coinciding with the 30th Anniversary of the Capital Market Re-Activation in Indonesia, Surabaya Stock Exchange was merged into Jakarta Stock Exchange. This merger created a new entity in Indonesia’s capital market, namely Indonesia Stock Exchange (“**IDX**”).

In the extraordinary general meeting of shareholders held on 30 October 2007, all shareholders of both Exchanges agreed to the merger planning and the formation of IDX. Thus, effective from 1 December 2007, IDX began acting as a single bourse in Indonesia that facilitates equities, fixed incomes, and derivative instruments trading. The existence of this single bourse strengthens the Indonesian capital market and attracts more people to invest in Indonesia.

IDX contains two boards for listings: (i) Main Board; and (ii) Development Board (with the Main Board, each a “**Board**”). The placement of a prospective issuer and that prospective issuer’s listing depends on the fulfillment of the initial listing requirements on each Board.

The Main Board is intended for prospective issuers and issuers of large companies that have track records, while the Development Board is intended for companies that are not yet able to fulfill the listing requirements of the Main Board and companies that are on the state of reorganization.

## 1. Regulatory Background

### 1.1 Overview of Regulatory

The key pieces of legislation are:

1. Law No. 8 of 1995 on Capital Market (“**Capital Market Law**”);
2. BAPEPAM-LK rules and regulations (“**BAPEPAM-LK Rules**”);
3. IDX rules on listing, trading, and membership requirements;

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<sup>1</sup> Indonesia Stock Exchange Website

4. Indonesian Central Securities Depository (*PT Kustodian Sentral Efek Indonesia*) (“**KSEI**”) regulations; and
5. Indonesian Clearing and Guarantee Corporation (*PT Kliring Penjaminan Efek Indonesia*) (“**KPEI**”) regulations.

## 1.2 Regulatory Entities

The capital markets are regulated by the Capital Markets and Financial Institutions Supervisory Board (“**BAPEPAM-LK**”) ([www.bapepam-lk.go.id](http://www.bapepam-lk.go.id)). The following are self-governing bodies:

1. **Ministry of Finance (“MoF”)** - The MoF has the ultimate responsibility for regulating the capital market industry through BAPEPAM-LK. MoF merged Bapepam with the Directorate of Financial Institution (DJLK), (which oversees insurance, multi finance and pension fund industries), in October 2005. The applicable short name is now Bapepam-LK.
2. **BAPEPAM - LK (Indonesian Capital Market and Financial Institution Supervisory Agency)** - BAPEPAM - LK, the capital markets agency of the MoF, acts as a supervisory agency for all capital market participants including *PT Kliring Penjaminan Efek Indonesia* (“**PT KPEI**”) - the successor of KDEI (see the Central Depository section), *PT Kustodian Sentral Efek Indonesia* (“**PT KSEI**”), brokers, and custodian banks. It also approves listings on the IDX. BAPEPAM-LK is also responsible for issuing custodial bank licenses.
3. **Indonesia Stock Exchange (IDX)** - monitors trading, settlement, and listed companies' compliance with its regulations. It also receives corporate action notifications from companies and announces them to the market.
4. **PT KPEI** - A limited liability company, which has obtained a business license from BAPEPAM as a clearing and guarantee institution to provide services in clearing and stock exchange transactions settlement guarantee. KPEI is wholly owned by IDX .
5. **PT KSEI** - KSEI is the only central depository for equity and corporate bonds in the Indonesian market and was set up as a private limited liability company. BAPEPAM-LK is the regulatory authority for the depository.

Since the enactment of the Capital Markets Law, scripless trading has been used (that is, electronic trading where physical share certificates do not change hands). To facilitate this, the KSEI was established. Despite Indonesia being a civil law jurisdiction that generally does not recognize the distinction between legal and beneficial ownership, the Capital Markets Law does acknowledge such a separation. An investor holds its securities beneficially in a security account maintained by the KSEI through the investor's custodian, with the KSEI acting as the legal owner of the securities. In the case of equity, the KSEI acts as global custodian and is recorded in the register of members of the relevant issuer.

Investors also maintain a cash account into which payments related to their securities are made (such as dividend distributions, coupon payments or payments related to the sale of securities).

### **1.3 Required Approvals**

To become a public company whose shares are listed and traded on IDX, a company needs to be granted approval from IDX. As the first step, the company must submit a listing proposal to IDX and enclose with it the necessary documents. It will take ten (10) working days from the submission of the complete set of documents and information for a company to receive the listing principal approval known as the Preliminary Agreement of Securities Listing.

The second step is the filing of a Registration Statement with BAPEPAM-LK prior to a company conducting a public offering. If the Registration Statement is declared effective by the BAPEPAM-LK, the company can then conduct a public offering.

The third and final step is filing the BAPEPAM-LK's effective letter with IDX, together with a set of documents, for the purpose of obtaining listing approval. The listing approval will be granted within five (5) working days from IDX's receipt of the complete set of required documents. IDX shall announce the listing and trading of the relevant shares at the latest one (1) working day at the latest prior to the commencement of trading of such shares.

## **2. Listing Criteria**

The following are the types of securities which can be listed on IDX<sup>2</sup>:

- (a) Stocks (Shares);
- (b) Equity-Type Securities other than stocks which include: pre-emptive Rights, warrants and other derivatives;
- (c) Bonds (Debt) and other debt-type securities including: *Sukuk* (Syariah Bonds) and asset backed securities; and
- (d) Exchange Traded Funds (Units of Participation).

In order to ensure orderly, fair and efficient securities trading, IDX is authorized to approve or reject listing applications including placements on the Main Board or the Development Board. The listed company must list all shares that are issued and fully paid-in (company listing), unless provided otherwise by prevailing laws and regulations.

Listing of stock resulting from the exercise of warrants, convertible bonds, ESOP/MSOPs and pre-emptive rights must be done through a pre-listing process. This means that the approval of IDX should be sought first, prior to the issuance of stock resulting from the exercise of securities. The stock shall be effectively

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<sup>2</sup> IDX Fact Books 2012

listed and traded on IDX after the issue of new shares. Each equity-type security other than Stock, which is listed on IDX shall give the right to its holder to obtain one (1) stock.

In the decision-making process related to the implementation of listing regulation, IDX may request any advice or consideration from the securities listing committee. A listed company is prohibited from changing the nominal value of stock (stock split or reverse stock) for a period of at least 12 months since the first trading day for that particular stock. An additional period of at least 12 months is required if the listed company wishes to change the par value through stock splits or reverse stock splits.

## 2.1 Suitability of Listing Applicant<sup>3</sup>

### Listing Requirements for Stocks and Bonds

No		Requirements for Stock	Requirements for Bonds & Sukuk
1.	Type of entity	legal entity in the form of limited liability company ( <i>Perusahaan Terbatas</i> or PT)	A legal entity
2.	BAPEPAM-LK Registration Statement	The Registration Statement submitted to BAPEPAM-LK has become effective.	
3.	General requirements	Not applicable	(a) Rating of securities with minimum grade of BBB (investment grade); (b) Minimum equity of IDR 20 billion; (c) Having been in operation for at least 3 (three) years; (d) Generated profit for recent one year period; and (e) Audited financial report with minimum of qualified opinion.
4.	Requirements for listings of subsidiaries or holding companies of a listed company	If the prospective listed company is a subsidiary or a holding company of the listed company, then:  (a) Upon termination of affiliation between a	Not applicable

<sup>3</sup> IDX Fact Books 2012

No.		Requirements for Stock	Requirements for Bonds & <i>Sukuk</i>
		<p>prospective listed company and a listed company, each company can continue to perform its operational activity pursuant to the appraisal of an independent party;</p> <p>(b) Pursuant to the proforma financial statement of a listed company, without having consolidated with the financial statement of the prospective listed company, can fulfill the listing requirement;</p> <p>(c) Pursuant to the proforma financial statement of the prospective listed company, without being consolidated with the financial statement of the listed company, can fulfill the listing requirement.</p>	
5.	Composition of the Board of Commissioners – Independent Commissioners	A minimum of 30% of the Board of Commissioners should be comprised of Independent Commissioners, who may be appointed during the company's general shareholders' meeting that is conducted just prior to the company's listing. Such an appointment may become effective once the company's listing is finalized	A minimum of 1 of the Board of Commissioners should be comprised of Independent Commissioners

No.		Requirements for Stock	Requirements for Bonds & <i>Sukuk</i>
6.	Composition of the Board of Commissioners – unaffiliated directors	A minimum of one unaffiliated director of the Board of Directors. This director may be appointed during the company's general meeting of shareholders, prior to the company's listing. Such an appointment may become effective once the company's listing is finalized	Not applicable
7.	Criteria for unaffiliated directors	<p>An Unaffiliated Director is a Director who fulfills the following criteria:</p> <ul style="list-style-type: none"> <li>(a) Unaffiliated with any of the controlling shareholders of the listed company at least 6 months prior to the appointment;</li> <li>(b) Unaffiliated with any Commissioners or Members of the Board of Directors of the listed company;</li> <li>(c) Does not hold any positions as a director in any other companies;</li> <li>(d) Unaffiliated with any of the capital market supporting institutions or professions that rendered services to the listed company, at least within 6 months prior to the appointment.</li> </ul>	Not applicable
8.	Audit Committee Requirement	The Company should have already appointed an Audit Committee. A prospective Listed Company that have not yet appointed an Audit Committee is obliged to declare in a written statement, that an Audit Committee would be appointed no later than 6 months after the Company's listing on IDX	
9.	Corporate Secretary Requirement	The Company should have already appointed a Corporate Secretary	

No		Requirements for Stock	Requirements for Bonds & <i>Sukuk</i>
10.	Minimum nominal value requirement	The minimum nominal value of a prospective Listed Company's shares is IDR 100 (one hundred Rupiah)	Not applicable
11.	Requirements for the members of the board of directors	Members of the board of directors and the board of commissioners of the prospective listed company should be professionals with good reputations amongst other things are proven by the following:  (a) has never been sentenced for conducting a crime for the past 10 (ten) years; (b) has never been declared bankrupt; (c) has never been pleaded guilty for causing the company he/she managed or manages to be declared bankrupt; (d) has never been disrespectfully discharged from a job within the last 5 (five) years; and (e) is not under guardianship.	Not applicable

## 2.2 Track Record Requirement

The following are the minimum requirements for stock listings on the Main Board and the Development Board

No.	Requirements	Main Board	Development Board
1.	Registration Fee for the listing application	IDR 15 million	IDR 10 million
2.	The general listing requirements	Fulfill	Fulfill
3.	Operation period (in the same business core)	3 full consecutive years (36 months).	1 full consecutive years (12 months).

No.	Requirements	Main Board	Development Board
4.	Audited Financial Report	The covering period is 3 years	12 months
5.	Audit opinion of Financial Report	Standard Unqualified Opinion, for the last 2 financial years plus the latest interim Audited Financial Statement	Standard Unqualified Opinion
6.	Net Tangible Asset	IDR 100 billion	IDR 5 billion
7.	Operating Income	Profit	Please see Note below
8.	Shares owned by the minority share holders	100 million shares or 35% of the paid-up capital	50 million shares or 35% of the paid-up capital
9.	Number of shareholders	1,000 shareholders	500 shareholders

**Note:**

Additional procedures for listing on the Development Board include:

A prospective listed company which (i) is suffering an operating loss, (ii) has negative profits; or (iii) has been conducting its operations for less than two (2) years, must:

- (a) Obtain business profit and net profit in accordance with the financial projection at the end of the second financial year of the listed date at the latest.
- (b) For the prospective listed company whose nature of business needs more time to reach a break even point (such as: infrastructure, hard plants plantation, concession of the forest management rights or industrial plantation or other line of business which relates to the public services), they could have an extension up to maximum six financial years for them to start obtaining business profit and net profit.

**Minimum size requirements<sup>4</sup>**

To list on the Main Board, a company must have at least 1,000 shareholders and, to list on the Development Board, a company must have a minimum of 500 shareholders.

**Trading record and accounts**

**Main Board:** A company must show audited financial statements for at least the last three (3) fiscal years, provided that those for the last two (2) fiscal years and the latest interim audited financial statements (if any) have received unqualified

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<sup>4</sup> IDX Fact Books 2012

opinion (that is, they have been certified by an auditor registered with BAPEPAM-LK as being free of material misstatements and represented fairly in accordance with Indonesian Accounting Standards). The company must have net tangible assets of IDR100 billion according to the most recent auditor's report.

**Development Board:** A company must show audited financial statements for at least the last year, and the latest interim audited financial statements (if any), all of which must have received unqualified opinions. The company must be able to show net tangible assets of IDR5 billion according to the most recent auditor's report.

### 3. Overseas Companies

The main securities traded on IDX are shares (including rights) and bonds. Some share options and futures trading are also carried on, but not in a significant amount. To date, no foreign companies have sought a listing on IDX despite the issuance of BAPEPAM-LK's rule in 1997 permitting the issuance of Indonesian Depositary Receipts by foreign companies considering a dual listing, or even an initial public offering in Indonesia. The capital market regulations currently make no provision for safe havens of the type established by Regulation S and Regulation S/Rule 144A under the US Securities Act of 1933 (whereby foreign issuers wishing to list do not have to register or provide a prospectus if offering securities solely to certain classes of investors), although discussions are currently ongoing as to the possibility of providing a similar exemption, not only for foreign issuers on IDX, but also domestic issuers targeting their offerings solely at sophisticated investors.

The same procedures apply to a foreign company applying for a primary listing of its shares as apply to an Indonesian company, provided the foreign company is not listed on another exchange. Should a foreign company seek a listing on IDX, then it would be by way of Indonesian Depositary Receipts.

An Indonesian Depositary Receipt is a security that gives the holder rights in underlying securities that are deposited in a collective manner in a bank custodian that has been approved by BAPEPAM-LK. A public offering of Indonesian Depositary Receipts in which the underlying securities are securities of an Indonesian legal entity must fulfill the requirements of a public offering that apply to the underlying securities. In addition, a public offering of Indonesian Depositary Receipts in which the underlying securities are securities of a legal entity of another country and that have not been sold through a public offering must fulfill public offering requirements that apply in Indonesia.

### 4. Shareholding Requirements

#### 4.1 Public Float

Under BAPEPAM Rule No. IX.H.15, any party acquiring more than 50% of a public listed company will be subject to a tender offer obligation on the side of the

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<sup>5</sup> BAPEPAM Rules No. IX.H.1 on Acquisition of Publicly Listed Company

new controlling party. A party will be deemed as “controller” of a company if: (i) it has more than 50% shareholding in the company; or (ii) it has any direct/indirect control over the company by way of having the ability or power to dismiss or appoint any members of the board of director or the board of commissioners, and/or direct the policy of the company.

There are certain disclosures need to be made during the negotiation period between the parties.

According to BAPEPAM Rule IX.F.16, change of control in a public listed company leads to a mandatory tender offer obligation. The new controlling party is required to make a buying offer to the public shareholders at the highest price of: (i) the average price of highest daily price of the Tbk shares on the stock exchanges in the last 90 calendar days; and (ii) the acquisition price.

Certain announcements and filings will need to be made in this regard with BAPEPAM-LK (the Indonesian capital market supervisory board).

Please note that the required minimum public float is 20%. In the event that the tender offer results in the public listed company having less than 20% public float, the new controlling party shall have an obligation to ensure that the public shareholders hold at least 20% of the listed shares of the company.

#### **4.2 Post IPO Lock-up**

Any party who acquires shares and or other equity securities from issuers with a price, conversion value and or executing price below the price in initial public offering during the period of six (6) months prior to submitting Registration Statement to BAPEPAM-LK is prohibited from transferring some or all ownership of the shares and the other equity securities of the issuers up until eight (8) months after the effectiveness of the Registration Statement<sup>7</sup>.

The prohibition does not apply to ownership of shares or other equity securities either directly or indirectly by the central government, municipal government, or the Indonesian bank restructuring agency.

#### **5. Listing Procedure and Timetable**

An initial public offering (“**IPO**”) commences with the presentation of the prospective issuer's plans to IDX. This is followed by the preparation of the prospectus and agreements related to the public offering, such as a securities underwriting agreement, and agreements with the stock exchange, stock custodian and stock administration bureau. The registration statement is submitted to BAPEPAM-LK, and is assessed by the regulator over a maximum period of 20 working days, during which time requests for further information and clarification can be made to the issuer. After this 20-day period, if everything proceeds as planned, BAPEPAM-LK will grant permission to the issuer to

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<sup>6</sup> BAPEPAM Rules IX.F.1 on Tender Offer

<sup>7</sup> BAPEPAM Rules IX.A.6 on Restriction on Shares Issued Prior to Public Offering

publish the preliminary prospectus. The company must then publish the preliminary prospectus within two (2) working days, and must give proof of publication to BAPEPAM-LK within two (2) working days of publication.

Book building commences immediately after the publication of the preliminary prospectus, and continues for a minimum of seven (7) working days and a maximum of 21 working days. The next stage is the issuance of the statement of effectiveness by BAPEPAM-LK, after which a maximum of 1 (one) working day is allowed for any last minute corrections or additions to the preliminary prospectus.

The public offering period must commence no more than two (2) working days after the statement of effectiveness by BAPEPAM-LK, and runs for between one (1) and three (3) working days. After the end of the public offering period, allotment of the securities must take place within two (2) working days at the maximum, followed by the distribution of the securities or refunds, as the case may be, within another two (2) working days at the maximum.

Finally, listing must take place within one (1) working day after the distribution of the securities.

## **5.1 Marketing the Offer**

Marketing is mainly carried out through the book-building process, and the number of retail investors participating in an Indonesian IPO is generally very small, taking on average between 10% and 20% of offered equity.

There have been discussion among market players, retail investors generally and the regulatory authorities as to how to increase the level of participation of retail investors, such as through mandatory minimum allocations for retail investors, to encourage broader participation and thereby improve market liquidity. However, underwriter confidence in retail participation continues to be quite low.

## **5.2 Required Documentation**

### Preparation for Public Offering & Going Public<sup>8</sup>

A company intending to go public must fulfill the following requirements:

1. The management of the company should make a clear statement that there is a need to raise funds by going public.
2. The plan for going public must be proposed to a general meeting of shareholders for approval, and for the necessary amendments of the articles of association.

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<sup>8</sup> IDX Fact Books 2012

3. The company must appoint the supporting capital market experts and supporting institutions to assist in preparation of the following documentations:
  - a. The underwriter to underwrite the offering and to assist the issuing company in the process of going public;
  - b. Supporting experts:
    - (i) Independent auditor, to audit the company's financial statements.
    - (ii) Notary public, to prepare the amendments of the articles of association, the various agreements underlying the public offering, and minutes of meetings;
    - (iii) Legal consultant, to provide the relevant legal opinion;
    - (iv) Appraisal company, to appraise the fixed assets owned by the issuing company (if necessary/any);
    - (v) Mine reserve appraisal company, to value the resources indicated at concession area (for mining company).
  - c. Supporting institutions:
    - (i) Trustee to represent bond holder interests (for bond issues);
    - (ii) Guarantor;
    - (iii) Securities Administration Bureau (for stock issues);
    - (iv) Custodian.
    - (v) Payment agent (for (bond issues)
    - (vi) Rating agency (for (bond issues)
  - d. Prepare all the documents required for the public offering.
  - e. Arrange a preliminary agreement with the Exchange.
  - f. Deliver the registration statement and supporting documentation to BAPEPAM-LK.

#### Registration at BAPEPAM-LK<sup>9</sup>

After fulfilling the administrative requirements, a company intending to conduct a public offer should do the following steps:

1. Confirm that BAPEPAM-LK has received the statement of registration.
2. BAPEPAM-LK will study the documentation, which consists of:
  - a. a cover letter;
  - b. a prospectus;

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<sup>9</sup> IDX Fact Books 2012

- c. a summary prospectus to be used in the public offering;
- d. a preliminary prospectus to be used for book building (if any);
- e. the proposed issue schedule;
- f. a draft of the securities certificate;
- g. the audited financial statement;
- h. a comfort letter from the accountant with respect to changes after the date of the audited financial statements;
- i. a written statement from the issuer with regard to accounting matters;
- j. further information on a forecast and or projection, if included in the Prospectus;
- k. a legal audit report and opinion;
- l. the curriculum vitae of members of the board of commissioners and the board of directors;
- m. Underwriting agreements (if any);
- n. Trust agent agreements (if any);
- o. Guarantee agreement (if any);
- p. a preliminary agreement with one or more securities exchange (if securities are to be listed on Exchange(s));
- q. other information requested by BAPEPAM-LK as deemed necessary in reviewing the Registration Statement to the extent that it can be made available to the public without adversely affecting the interest of the prospective Issuer or others associated with the public offering process;
- r. a rating published by a securities rating agency on bonds or other debt securities;
- s. a statement concerning the completeness of the public offering documents from the issuers, the managing underwriter(s), and capital market supporting professionals.

After receiving all required documents, BAPEPAM-LK will evaluate the application based on the following criteria:

- 1. Completeness of documentation;
- 2. Adequacy and clarity of information;
- 3. Disclosure of legal, accounting, financial and management aspects.

The summary/preliminary prospectus shall not be announced before the BAPEPAM-LK statement that the company is permitted to do so (including the public exposé). If there is no response from BAPEPAM-LK within 45 (forty-five) days, the registration statement is automatically declared effective.

## **6. Documentary Requirements**

For an initial public offering, the listing company must first submit a listing application using the prescribed form to IDX and pay an application fee of IDR15 million. The application must be accompanied by, among other things:

- 1. The company's deed of establishment/articles of incorporation.

2. Information on such things as:
  - a. the company structure;
  - b. directors and supervisors' backgrounds;
  - c. the company's finances and prospects;
  - d. shareholders;
  - e. proposed number of shares to be offered and use of proceeds;
  - f. material agreements;
  - g. business ratios.
3. A legal opinion.
4. An independent appraiser's report.

Additional information is required for companies operating in specific sectors, such as mining.

After submitting the application, the company must then make a presentation on its plans to IDX. Based on this a decision will be made as to whether the application should be accepted or rejected. An applicant must be notified within ten trading days from receipt of the completed application by IDX.

The next step is the signing of a preliminary listing agreement by the company and IDX.

Thereafter, a registration statement must be submitted to BAPEPAM-LK. After the registration statement submitted to BAPEPAM-LK is declared effective, the company must submit a number of documents to IDX, including evidence of the registration statement's effectiveness, copies of the prospectus, and a declaration stating the company's willingness to abide by capital market and IDX rules and regulations.

When all of these requirements have been fulfilled, approval for listing shall be given by IDX in five (5) working days. IDX must announce the listing at least one (1) trading day before the commencement of trading in the company's shares.

### **Equity prospectus/main offering document**

A prospectus is required for any equity offering, except in the case of private placement, and must be submitted to BAPEPAM-LK as part of the registration statement. After BAPEPAM-LK issues the pre-effective statement, the company must publish an abridged prospectus in at least one (1) nationally circulated Indonesian language daily newspaper, no later than two (2) working days after the statement is issued. If the company wishes to conduct a public expose (a public briefing on the firm and its prospectus with a view to encouraging public interest in purchasing shares during the offering), it then distributes a preliminary prospectus. The abridged and preliminary prospectuses set out information regarding the company and the offering (except for the offering price) and are used for book-building purposes.

Following the statement of effectiveness from BAPEPAM-LK, the company will then issue the final prospectus. This supersedes the abridged and preliminary prospectuses, and includes detailed information on the number of shares to be offered, the offering price, and underwriting commitments.

Prospectuses are normally distributed by the underwriters. The prospectus is prepared by the lead underwriter who will invite the company (or its representatives), the company's legal adviser and the company's accountant to discussions as part of the due diligence process. The lead underwriter then prepares the prospectus based on responses from the company to the questions posed, other information supplied by the company and input and comments from the legal advisers and accountants.

BAPEPAM-LK has been encouraging the responsibility for drafting the prospectus to be handed over to lawyers to make prospectuses more of a legal rather than marketing document. It is expected that lawyers will assume the lead role in writing prospectuses within the next five years.

Further, a prospectus is not required if the offering is conducted by way of private placement, that is, where securities are offered to maximum 100 potential buyers or sold to maximum 50 buyers.

## 7. **Financial Information**<sup>10</sup>

The management of a public company is responsible for preparing and presenting the company's financial statement. Financial statement should be presented in Bahasa Indonesia. If the financial statement is presented in a foreign language, the financial statement should represent the same information. In case there is any different interpretation due to language translation, the financial statement in Bahasa Indonesia should prevail.

A complete set of financial statement includes the following components:

1. **Balance Sheet** – a balance sheet is a statement that presents the financial position of a company consisting of assets, liabilities and equity of a company on a particular date. In a balance sheet, current and non-current assets and current non-current liabilities are presented as separate classification, except for certain regulated industry. Current assets are presented in order of their liquidity while liabilities in order of the maturity date.
2. **Income Statement** – an income statement is the summary of a company's business activities for a given period that shows net income or loss from business activities or other activities.
3. **Statement of Changes in Stockholders' Equity** – a statement of changes in stockholders' equity is a statement that shows any changes in

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<sup>10</sup> BAPEPAM Rules No. VIII.G.7 on the Guidelines of Financial Report Presentation

company equity either increasing or decreasing in net assets or worth during the reporting period.

4. **Cash Flow Statement** – a cash flow statement shows cash inflows and outflows during the period classified by operating, investing and financing operating.
5. **Notes to Financial Statement** – notes to the financial statements explain the general description of a company, the accounting policies, the descriptions of accounts in the financial statements and other significant information. In addition, the notes to financial statements should be presented in a systematic manner. Each item on the face of the balance sheet, income statement, statement of changes on stockholders' equity and cash flow statement should be cross-referenced to any related information in the notes.

## **8. Parties Involved**

### **8.1. Sponsor and Other Advisers<sup>11</sup>**

The company must appoint the supporting capital market experts and supporting institutions to assist in preparation of the following documentation:

1. The underwriter to underwrite the offering and to assist the issuing company in the process of going public;
2. Supporting Experts:
  - a. Independent auditor, to audit the company's financial statements.
  - b. Notary public, to prepare the amendments of the articles of association, the various agreements underlying the public offering, and minutes of meetings;
  - c. Legal consultant, to provide the relevant legal opinion;
  - d. Appraisal company, to appraise the fixed assets owned by the issuing company (if necessary/any); and
  - e. Mine reserve appraisal company, to value the resources indicated at concession area (for mining company).
3. Supporting institutions:
  - a. Trustee to represent bond holder's interests (for bond issues);
  - b. Guarantor;
  - c. Securities administration bureau (for stock issues);
  - d. Custodian;
  - e. Payment agent (for bond issues); and
  - f. Rating agency (for bond issues).

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<sup>11</sup> IDX Fact Books 2012

## 9. Listing Costs

### 9.1. Listing Fees

1. Initial listing fee<sup>12</sup>:
  - a. The initial listing fee is fixed at IDR 1 million for each multiplication of IDR 1 billion of the share capitalization value, at the minimum of IDR 10 million and at the maximum of IDR 150 million.
  - b. In calculating the share capitalization values, the multiplication of the share capitalization value which is less than IDR 1 billion shall be rounded up to IDR 1 billion.
  - c. In calculating the initial listing fee, the share price used to calculate the share capitalization value of a prospective listed company shall be as follows :
    - (i) For a prospective listed company, which is an issuer, it shall be calculated in accordance with the initial offering price.
    - (ii) For a prospective listed company whose shares are listed at another stock exchange, it shall be calculated on the basis of the average share closing price of the listed company concerned on the regular market during 25 exchange days prior the approval of the application for listing by the stock exchange.
    - (iii) For a prospective listed company which is a public company, it shall be calculated in the accordance with a fair price determined by an independent party.
    - (iv) For a prospective listed company which submits a relisting, it shall be calculated in accordance with a fair price which determined by an independent party or in accordance with the closing price of the company's shares during the delisting of its shares from the securities list at the Exchange, whichever is higher.
  - d. The initial listing fee for the relisting of the company's shares or which have been listed at another stock exchange is determined to be IDR 1 million for each multiplication of IDR 1 billion of the share capitalization value, at minimum IDR 10 million and at maximum IDR 150 million.
2. Annual Listing Fee
  - a. The annual listing of shares fee is fixed at IDR 500,000.- for each multiplication of IDR 1 billion of the total paid-up capital of the

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<sup>12</sup> IDX Fact Books 2012

listed company concerned, and at minimum of IDR 5 million and at maximum of IDR 100 million.

- b. In calculating the annual listing fee, the multiplication of the paid-up capital which is less than IDR 1 billion will be rounded up to IDR 1 billion

### 3. Payment of Listing Fee

- a. The initial listing fee shall be imposed one time to the prospective listed company, and shall be paid at the latest two (2) exchange days prior to the stipulated listing date.
- b. The annual listing fee must be paid in advance for a period of 12 months from January to December, and shall be received by IDX at the latest at the end of business day on January, with an exception for a listed company which has recently been listed :
  - (i) The annual listing fee shall be proportionally calculated, as of the month of the initial listing is conducted to December in the relevant year.
  - (ii) The payment of the annual listing fee shall be conducted together with the initial listing fee at the latest two (2) exchange days prior to the proposed listing date.
- c. The listing fee shall be subject to tax in accordance with the prevailing tax provisions.
- d. The initial listing of additional shares must be paid to the Exchange at the latest one (1) exchange day prior to the date of the intended listing.
- e. The delay of payment of an initial listing fee, annual listing fee and additional shares listing fee from the limit of time shall be subject to 2% penalty per month which proportionally calculated in accordance with the total days of the delay of the total outstanding.

## **9.2. Sponsor's Fees and Lawyers' and Accountants' Fees**

Fees charged by the professional advisers to the issuer will vary according to the size and complexity of the issue.

## **10. Corporate Governance Requirements**

In relation to the implementation of the good corporate governance, a listed company must have the followings:

- a. The number of independent commissioners which is in proportion to the total number of shares owned by the non-controlling shareholders provided that the number of independent commissioners shall comprise

at least 30% (thirty percent) of the total members of the board of commissioners;

- b. Audit committee; and
- c. Corporate secretary.

## 11. Continuing Obligations

Listed companies are required to submit periodical reports and incidental reports to both, BAPEPAM and IDX. All reports will be immediately published through electronic reporting system. Investors can obtain the reports directly from the IDX website.

### Reporting Requirements for Share & Bond Listing Companies<sup>13</sup>

No.	Required Reporting	Deadline for Stock Issuer	Deadline for Bonds & Sukuk Issuer
<b>1.</b>	<b>PERIODICAL REPORTS</b>		
1.1	Financial Reports		
	Annual Financial Statement	Audited statement by 90 days	
	Advertised annual financial statement	At least in two (2) widely circulating National newspaper.	
	(Quarterly & Mid-year financial statement)	Unaudited: 30 days, Limited Review: 60 days and Audited: 90 days (for Bonds & Sukuk Issuer, 1st and 3rd Quarter Reports are not mandatory)	
	Advertised mid-year financial statement	At least in one (1) widely circulating national newspaper	
1.2	Annual Report	Maximum 4 months after end of year book.	Maximum 5 months after end of year book for Debt Issuing Company
1.3	Other Report		
	Exploration Report For Mining Company	Monthly. At the latest of the 12 <sup>th</sup> day of the following month	
	Exploration Report for Listed Company which has subsidiary in the mining sector	Monthly. At the latest of the 12 <sup>th</sup> day of the following month	

<sup>13</sup> IDX Fact Books 2012

No.	Required Reporting	Deadline for Stock Issuer	Deadline for Bonds & Sukuk Issuer
	The use of the IPO fund	Quarterly (March, June, September and December) and submitted to Bapepam and IDX by the 15 <sup>th</sup> day of the following month.	
	Listed Company, which issues Convertible Bond, Warrant and other converted stocks	Periodically, after the conversion of a convertible bond, warrant and other converted stock	
	Corporate Action	At the latest the following exchange day after the listed company has decided to take such actions.	
	Rating Update Report		At least 14th days after rating period started
<b>2.</b>	<b>INCIDENTAL REPORTS</b>		
	Each important event of relevance	As soon as possible, after the occurrence of the events.	
	Amendment to the Articles of Association	At the latest on the following exchange day after the report of the amendment to the articles of association	
	Planned of the General Meeting of Share/Bond Holders	Before advertised.	
	Change in Corporate Secretary, Public Accountant and Security Administration Bureau	At the latest on the following exchange day after the changes	
<b>3.</b>	<b>PUBLIC EXPOSE</b>		
	Annual Public Exposé	At least once a year. Public exposé can be held on the same day as the general shareholders' meeting.	
	Submission of the annual public exposé plan	At the latest ten (10) exchange days before the date the public exposé is held	
	Submission of the annual public exposé materials	At the latest three (3) (three) exchange days before the date the public exposé is held	
	Submission of the Public Exposé Reports to the Exchange	At the latest three (3) exchange days after the date the Public Exposé is held	

## **12. Our Office**

For further information, please contact:

**Dini S. Purwono**

Christian Teo Purwono & Partners  
Indonesia Stock Exchange Building  
Tower II Floor 16 Suite 1604  
Sudirman Central Business District  
Jl. Jend. Sudirman Kav. 52-53  
Jakarta 12190, Indonesia  
Phone : +62-21 515 0280  
Email : [dspurwono@cteolaw.com](mailto:dspurwono@cteolaw.com)

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