



Salam Indonesia

A Guide for Foreign Investors:
Initial Public Offerings in Indonesian Equities

#PositiveImpact





Borobudur,
Central Java, Indonesia

The world's largest Buddhist monument, Borobudur is one of the great archaeological sites of Southeast Asia. Climbing up through the levels of Borobudur, one is meant to be progressively transformed with the revelation of more profound doctrines nearer to the summit. The topmost terrace, whose main stupa contains a statue of Buddha partially hidden from view, symbolises the ultimate spiritual state. The statue sits in the *Dharmachakra Mudra*, symbolically setting into motion the 'turning of the wheels of *dharma* (law)'.

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Foreword

While most of the world's Equity markets are underperforming due to significant macroeconomic challenges – geo-political risks, inflation and central bank interest rate hikes; Indonesia's Equity markets are pushing towards record highs.

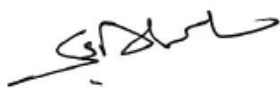
Indonesia ranks among the top 20 economies by GDP size and is a member of the G-20 forum. As the 4th most populous nation with a large young workforce, Indonesia has significant optimism about economic growth prospects.

Indonesia has also been at the forefront of digitalisation and new economy, with the largest fintech/ e-commerce sector in southeast Asia. It is expected to continue to lead a vibrant ASEAN region in the coming decade.

Equity flows into Indonesia have decisively swung upwards over the last year in portfolio investments in listed equities and the FDI category. 2021 was a record year for raising capital on IDX, with 54 listed issuers raising USD 4.4 billion via IPOs and USD 12.6 billion raised via Rights issues.

In this context, we publish this first-of-its-kind guide to Indonesian IPOs, as we believe that Indonesia Equity issues will continue to attract interest from cross-border and local institutional investors.

Our objective is to provide international investors with a comprehensive reference guide as they look to participate in Indonesian Equity markets.



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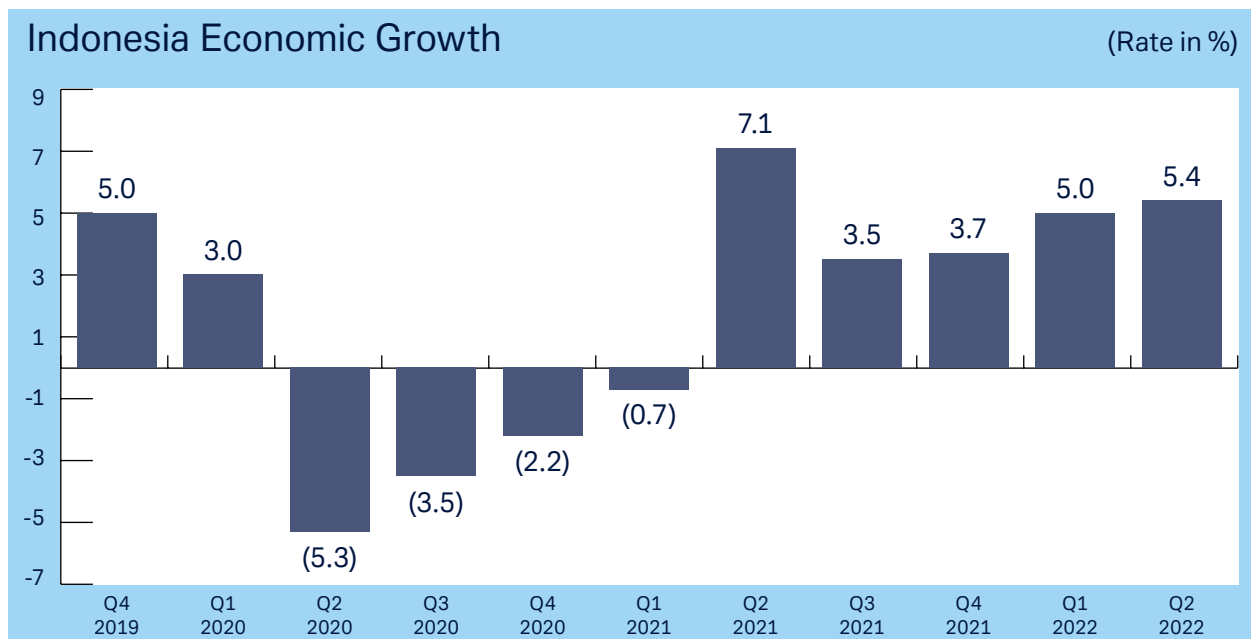
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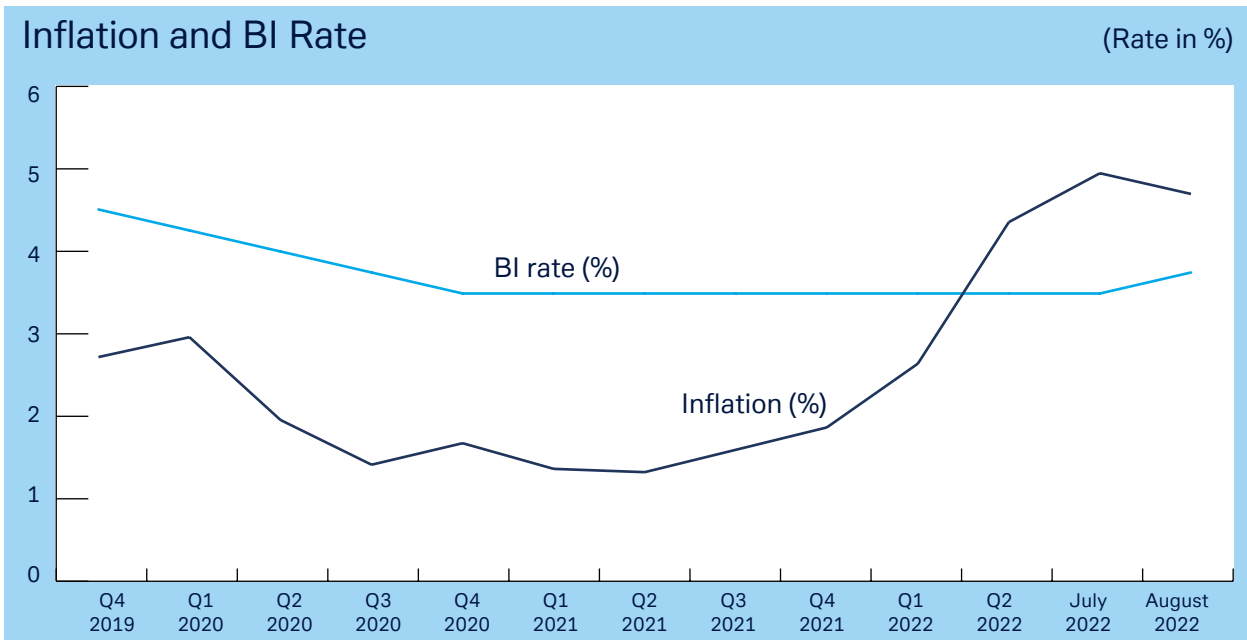
1 | Introduction to Indonesia Market and IPO

1.1 Indonesia Macroeconomics and Capital Market Statistics

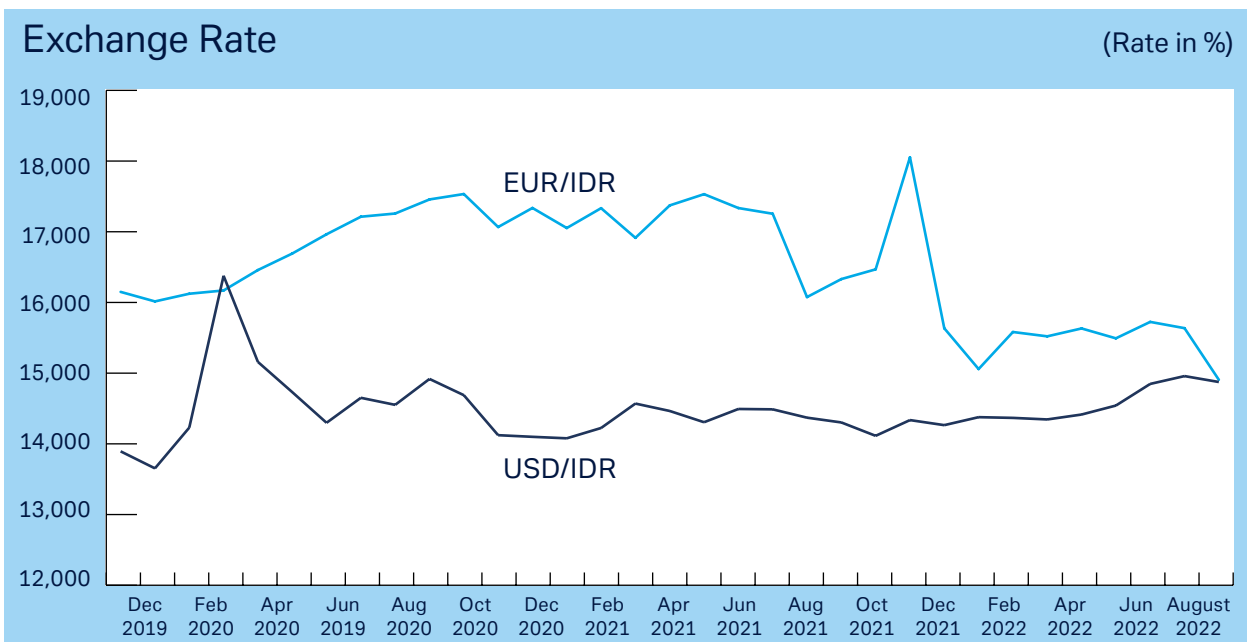
- Indonesia's economic growth (GDP) is recovering strongly from a contraction of 5.32% YoY in 2Q 2020 at the height of the pandemic to a positive 5.44% YoY two years later
- GDP growth for FY 2022 has been forecasted to be between 5.2% to 5.4%, with an inflation target of 3.0% (to be reviewed due to global conditions)
- In August 2022, Bank Indonesia, the central bank, increased the benchmark rate by 25 bps to 3.75% to mitigate inflationary pressures, taking into consideration an expected fuel price hike and volatile food prices



Source: Indonesia Central Statistics Agency (BPS)



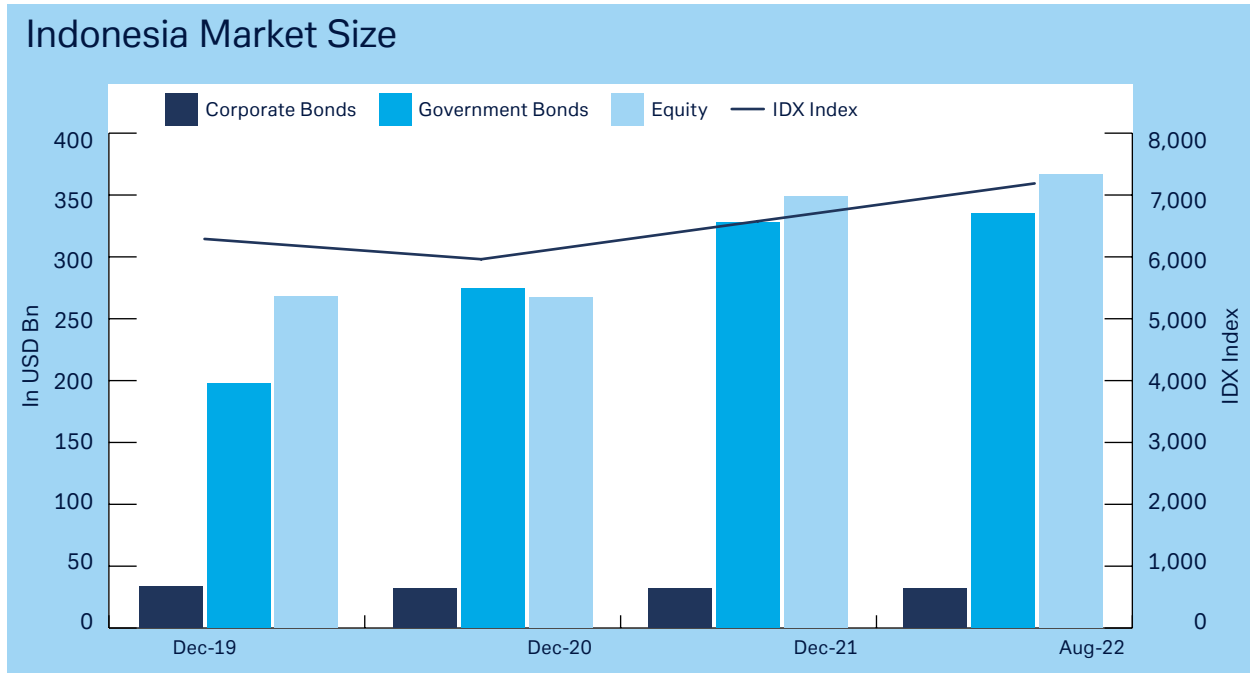
Note: BI Rate is the base rate that Bank Indonesia uses



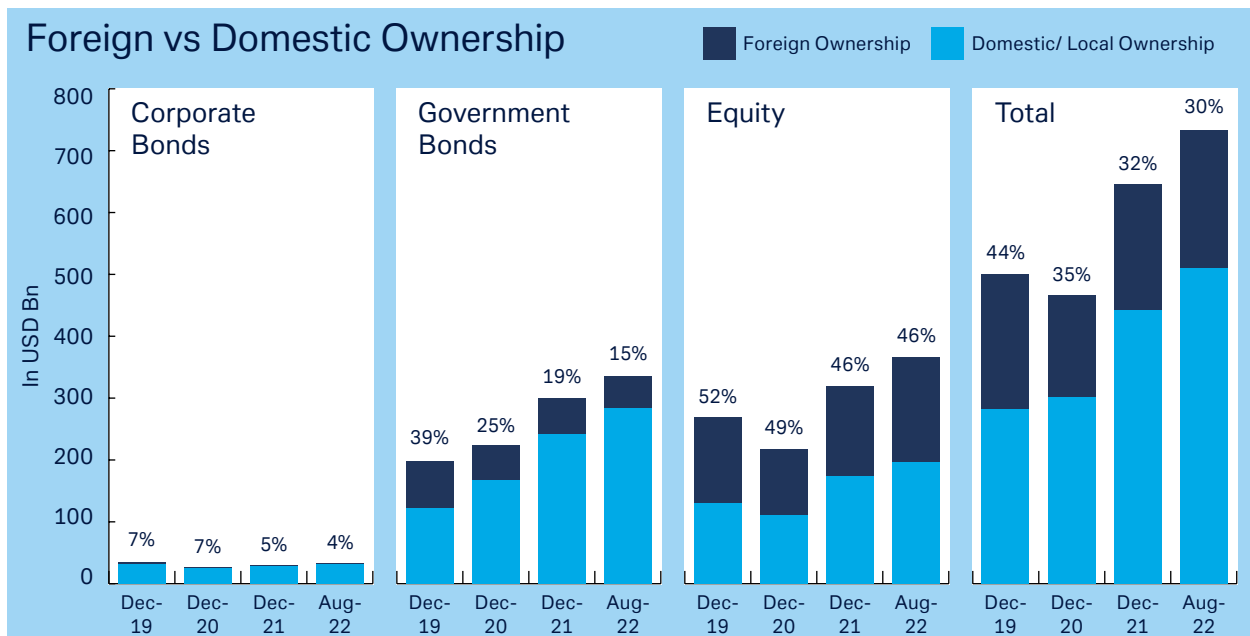
Indonesia Sovereign Ratings			
Agency	Rating	Outlook	Update
S&P	BBB	Stable	Apr-22
Moody's	Baa2	Stable	Feb-22
Fitch	BBB	Stable	Jun-22

Source: Bank Indonesia (BI, the central bank)

- Indonesia’s capital market also surged with the IDX composite index of 7,178 by August 2022. It is a growth of 16.7% YoY and a 58.2% increase since the lowest index point during the pandemic in March 2020
- Retail domestic investors are gaining momentum across asset classes (equity, corporate bonds and government bonds). The level of foreign investor ownership in portfolio investment is steadily decreasing.



Source: Indonesia Central Securities Depository (KSEI), Indonesia Stock Exchange (IDX), and Ministry of Finance



Source: Indonesia Central Securities Depository (KSEI), Bank Indonesia (BI, the central bank) and Ministry of Finance

1.2 Regulators

The regulatory structure of the Indonesia market:



Ministry of Finance, Government of Indonesia

The Ministry of Finance (MoF), Government of Indonesia, is a body responsible for the administration of finances of the Central Government and all economic and financial matters affecting the country. MoF oversees various financial affairs, including:

- State Budget
- Taxation
- Government Debt Securities
- Customs and Exercise
- Fiscal policy

Directorate General of Taxation (DGT)

The Directorate General of Taxation (DGT) is a government institution under the Ministry of Finance (MoF) that regulates and supervises taxation activities in Indonesia. The MoF mandates DGT to formulate and implement tax policies per the rules and regulations.

The DGT organisation is divided into headquarters and operational office units. With hundreds of active offices and thousands of personnel spread across Indonesia, it is one of the major organisations in the MoF. In carrying out the duties, the DGT organises the following functions, among others:

- Formulating the policies, standards, procedures, and criteria in taxation, as well as implementing taxation policies
- Conducting supervision, evaluation and reporting in taxation

Bank Indonesia

Bank Indonesia (BI) is the central bank of Indonesia. It became an independent central bank with the enactment of The Central Bank Act, the UU No. 23/1999, on May 17, 1999. The Act confers the status and position of an independent state institution without any intervention from the Government or any other external parties. BI is fully autonomous and has the authority to formulate and implement regulations as stipulated in the Act.

BI is responsible for:

- Maintaining stability of the Rupiah (IDR)
- Monetary policy
- Payment system
- Issue any regulation related to monetary and payment system

BI also acts as the central registry for the settlement and safekeeping of government bonds and certificates of BI (locally known as Sertifikat Bank Indonesia or SBI).

Indonesia Financial Services Authority (OJK)

Otoritas Jasa Keuangan (OJK) was established in a bid to ensure that the overall activities within the financial services sector are:

- Implemented in an organised, fair, transparent and accountable manner
- Able to realise the financial system that grows sustainably and stably; and
- Capable of protecting the interests of consumers and the society

The primary function of OJK is to promote and organise a system of regulations and supervision that is integrated into the overall activities of the financial services sector.

OJK performs its regulatory and supervisory duties over financial services activities in banking, capital markets and non-bank financial industries.

Indonesia Stock Exchange (IDX)

The Indonesia Stock Exchange (IDX) is the only stock exchange in Indonesia, which was formed due to a merger of the Jakarta Stock Exchange and the Surabaya Stock Exchange on November 30, 2007.

The scope of activities of IDX is as follows:

- To support the Government in the development of the capital market as an alternative source of financing to support the business industry in relation to National Development
- To provide vast opportunities to the public in obtaining various kinds of securities, as well as to facilitate the business industry in raising funds by offering its stocks to the public through the capital market
- To establish regular, fair and efficient securities trading activities

Indonesia Clearing and Guarantee Corporation (KPEI)

PT Kliring Penjaminan Efek Indonesia (KPEI) was established in 1996 as a Clearing and Guarantee Institution or Central Counterparty (CCP) for the Indonesian capital market.

The scope of activities of KPEI are as follows:

- Support the Government's policy in developing the capital market by providing Clearing and Guarantee services for the settlement of stock exchange transactions and securities transactions in an orderly, fair and efficient manner per the applicable laws and regulations
- Supporting Government activities in Financial Market Development by carrying out functions as Central Counterparty to achieve Financial Markets with integrity, efficiency, order, regularly and transparency
- Organising other financial service support activities

Central Depository and Settlement (KSEI)

The Indonesia Central Securities Depository (KSEI) is a Depository and Settlement Institution in the Indonesian capital market that provides organised, standardised and efficient central custodian and securities transaction settlement services in compliance with Law No. 8 Year 1995 on the Capital Market.

KSEI was established to support the Indonesian Government's policies in developing the capital market in conjunction with national development by providing central custodial services and orderly, fair and efficient transaction settlement and other related services.

Key regulations impacting foreign investors in the Indonesian capital market are, among others:

Capital Market Law No. 8 Year 1985

The Law provides general provisions for capital market activities and is the basis for implementing rules issued by regulators. It covers various aspects of the capital market as follows:

1. Capital market supervisory agency (OJK)
2. Stock exchange, clearing and guarantee institution and safekeeping and settlement institution
3. Mutual fund
4. Securities company and investment manager
5. Capital market supporting institutions
6. Transaction settlement in the stock exchange and collective safekeeping
7. Capital market supporting professionals
8. Issuers and public companies
9. Reporting and information disclosure
10. Market fraud, manipulation and insider trading
11. Examination and investigation
12. Administrative sanction and criminal provisions

FX regulation

Bank Indonesia regulations No. No.24/7/PBI/2022 and No.24/10/PADG/2022 governing the transaction in Foreign Exchange (FX) market. The regulations govern FX transactions against IDR and FCY between banks and clients (residents and non-residents). It covers the following essential aspects:

1. Types of transactions in the FX market such as Tod, Tom, Spot and Derivative
2. Obligation to submit underlying transaction documents and supporting documents when conducting certain FX transactions above a prescribed threshold
3. Prohibition for banks to conduct/ provide certain activities for non-residents
4. Requirements for IDR transfer into non-residents' accounts with a value above a threshold

Implementation of tax treaty

The Directorate General of Taxation (DGT) has issued regulation No.PER-25/PJ/2018 governing the procedure for the implementation of the Double Taxation Convention (DTC). An investor residing in a country with a DTC with Indonesia does not automatically enjoy the DTC rates. The eligible investor should submit the Director General Tax (DGT) Form to apply for the tax treaty benefits. The regulation provides the requirement and procedure for the submission of the DGT Form, with the below highlights:

1. DGT Form must be completed and signed by the non-resident taxpayer as well as certified by the competent authority or authorised tax office at which the non-resident taxpayer is registered
2. Non-resident taxpayers are required to fill in the DGT Form relevant to their institution types, i.e., individuals, institutional (other than bank and pension fund), banks and pension funds, which each of them has different requirements
3. Trustee, agent, nominee, conduit or fiduciary acting on behalf of the valid owner of the asset or income is not considered a beneficial owner and, therefore, is not eligible to benefit from DTC
4. The certification by the competent authority or authorised tax office of the non-resident taxpayer's country in the DGT Form can be replaced by a Certificate of Resident (COR)

Shares ownership disclosure requirement

OJK had issued regulation No.11/POJK.04/2017 governing the reporting of listed company's shares ownership or its changes. Members of the Board of Directors and Commissioners are obligated to report to OJK on their listed company's shares ownership and every change of ownership directly or indirectly.

The reporting obligation, as mentioned above, is also applied to every party who owns, directly or indirectly, at least 5% of the listed company's shares. This reporting obligation applies for every change of shares ownership of a minimum of 0.5% of the listed company's paid capital, which is conducted through single or multiple transactions.

The report for BoD/ C and other parties mentioned above must be submitted within ten days after the shares' ownership or changes of ownership occur.

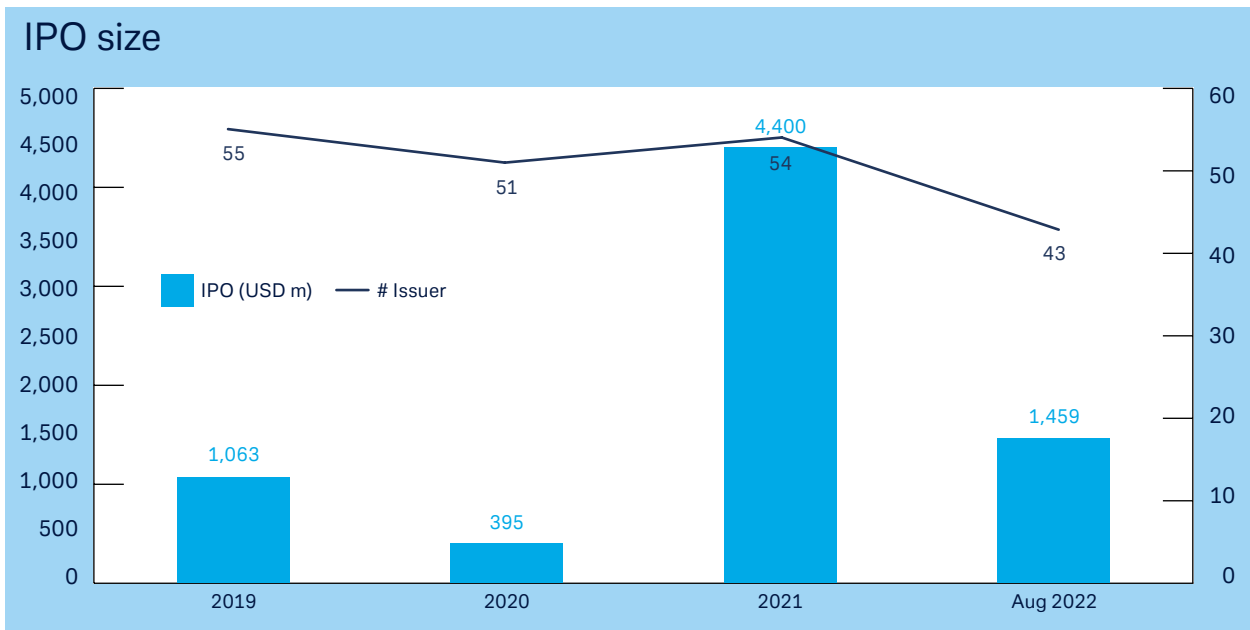
Please note that a monetary fine of IDR 200,000 is imposed daily for any delay in report submission.

The parties mentioned above are determined as fail to submit the shares ownership report, if they do not submit it after [AS1] 1 month from the submission deadline. OJK imposes a fine of IDR 50 million to the parties who fail to submit the report.

1.3 IPO Highlights

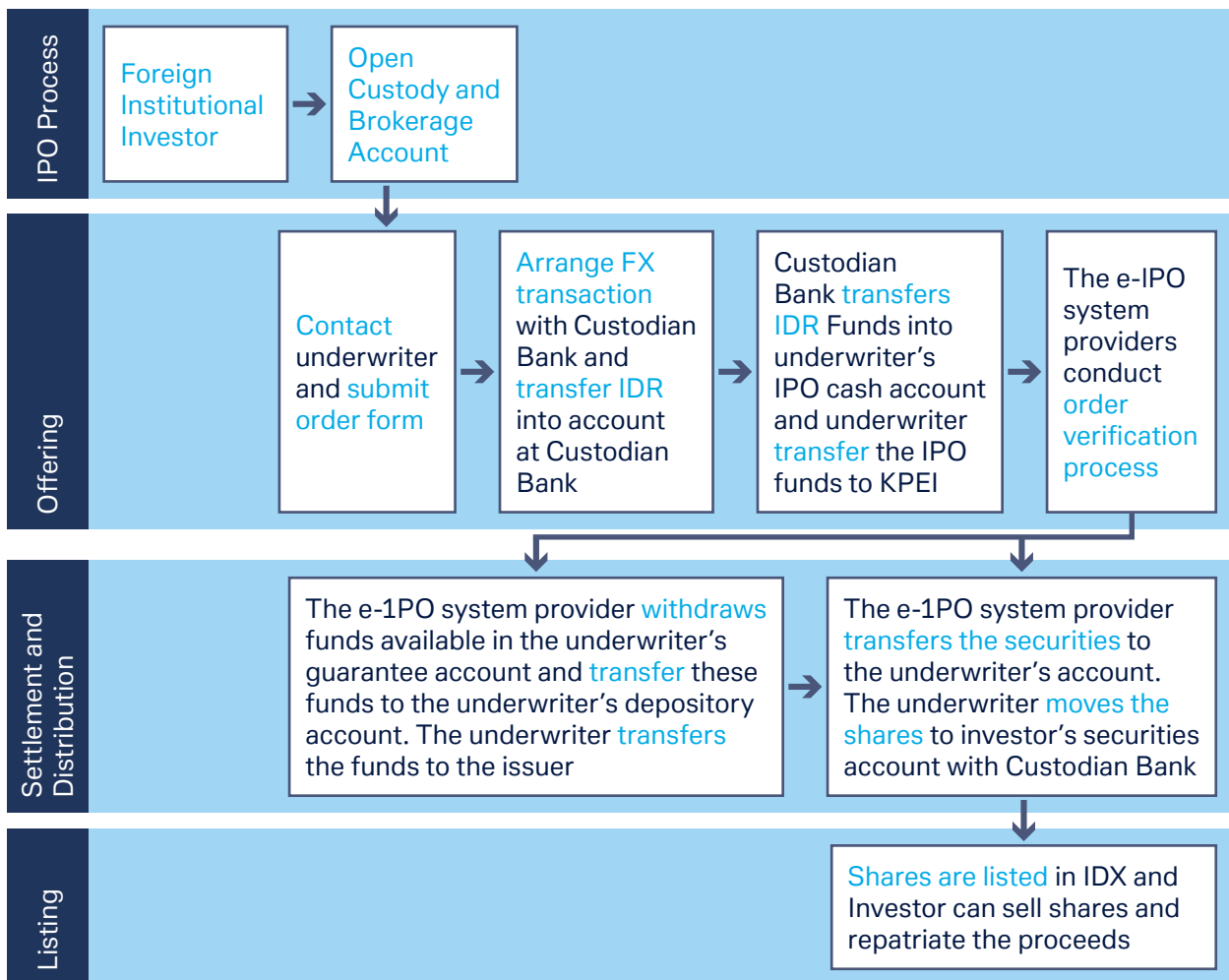
IPO Highlights	
Parties involved	Issuer (company), OJK, IDX, KPEI, KSEI, underwriter, broker, securities administration bureau
IPO platform	Electronic Indonesia Public Offering (e-IPO) since mid-2021
e-IPO system providers	IDX, KPEI and KSEI
e-IPO participants	Underwriter, broker
Eligible investors	— Domestic investors — Foreign investors
Preparation for foreign investors	— Open securities and cash accounts with broker/ underwriter and/ or custodian bank — Obtain SID (Single Investor Identification number) issued by the central securities depository (KSEI)

IPO Highlights	
IPO stages and timeline	<ul style="list-style-type: none"> — Registration statement of IPO: <ul style="list-style-type: none"> — Filed with Regulator OJK for approval, which may take up to three months, depending on company preparation — Book building: <ul style="list-style-type: none"> — Can begin after preliminary go-ahead is received from Regulator (Pre-Effective Date) — Approximately six working days (market practice) — Effective Date of IPO: <ul style="list-style-type: none"> — Indicates final Regulatory approval - a key date. — Offering period: <ul style="list-style-type: none"> — It starts two working days after the Effective Date — Between three to five working days (market practice) — IPO securities orders and funding conducted in this period — Verification of funds: <ul style="list-style-type: none"> — On the last day of the offering period, after the offering period is closed, conducted by e-IPO system providers — Allotment: <ul style="list-style-type: none"> — On the last day of the offering period, after the verification of funds is conducted — Settlement and distribution: <ul style="list-style-type: none"> — One working day after allotment — Listing in IDX: <ul style="list-style-type: none"> — One working day after settlement and distribution
Securities order	<ul style="list-style-type: none"> — Investors submit orders in the fixed allotment channel through the underwriter — Investors submit orders in the Centralised allotment channel through brokers or directly via e-IPO platform
Allotment channel	<ul style="list-style-type: none"> — Centralised allotment for individual and institutional investors — Fixed allotment for institutional investors
Investors' funding	A foreign investor arranges FX with a bank for funding, and the bank transfers the fund to the underwriter
Settlement and distribution	<ul style="list-style-type: none"> — The shares and funds are exchanged in the e-IPO platform — Investors receive the shares through the underwriter — The Issuer receives the IPO funds from the underwriter
Restriction	Shares purchased within six months before submission of Registration Statement (Pre-IPO investors), with the price below the eventual IPO price, are not allowed to transfer within eight months after the Registration Statement becomes effective
IPO sizes in recent history	<ul style="list-style-type: none"> — 2020: 51 companies with approximately USD 395 million — 2021: 54 companies with approximately USD 4.4 billion (7 companies generated 88% of IPO funds, with jumbo IPOs from BUKA and MTEL accounting for 65% of the funds with USD 2.85 billion) — YTD August 2022: 43 companies with approximately USD 1.4 billion, with jumbo IPO from GOTO, accounted for 63% of the funds with USD 0.9 billion)



Source: IDX

1.4 Steps to Participate in IPO and Process flow



2 | Market Entry

2.1 Market Entry for Foreign Investors

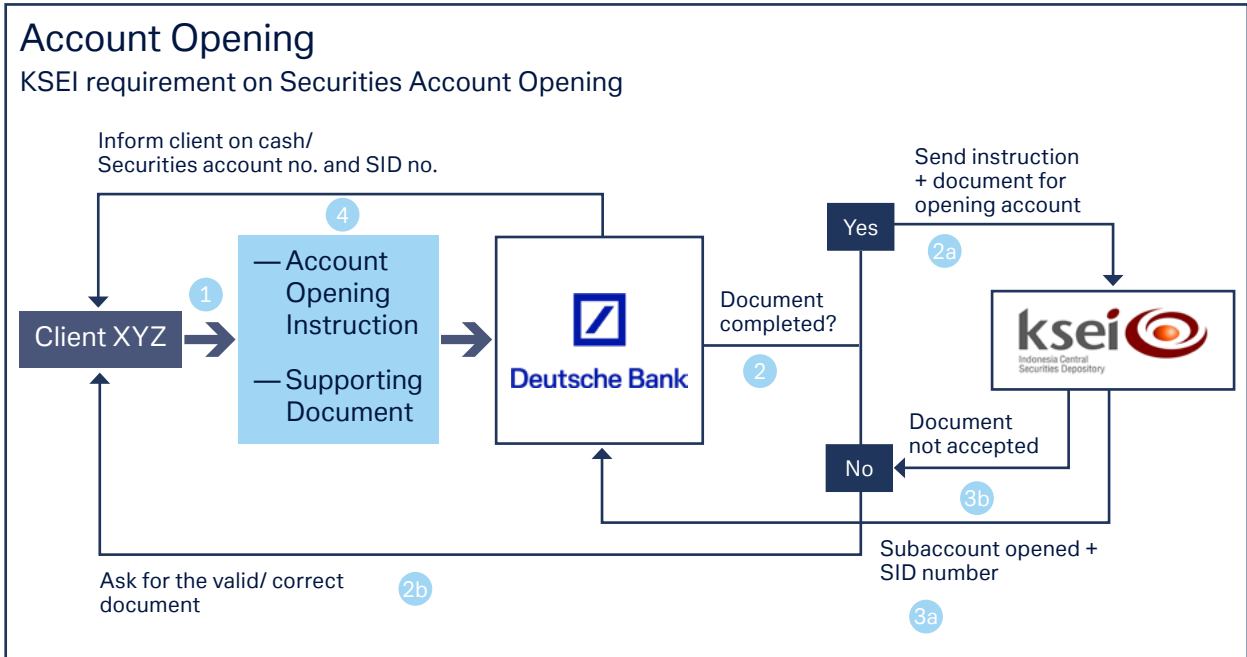
- Foreign investors are free to invest in the Indonesian market. No specific license or approval is required. However, investors opening accounts in Indonesia must apply for a Single Investor Identification number (SID) issued by Indonesia's central depository KSEI. Deutsche Bank, as a custodian bank, will assist in obtaining the SID
- Before investing, investors need to open securities and cash accounts with a custodian bank and a trading relationship with a broker/ underwriter
 - Each respective industry's regulators regulate foreign ownership limits for various sectors, per provisions of the Omnibus Law. (for information published on specific industry sectors, please reach out to your Deutsche Bank Relationship Manager)
- A portion of the shares traded in IDX is already deducted from the restricted portion. Thus, the shares in IDX are freely traded between foreign and domestic investors

2.2 Account Opening and Structure

- The local market supports both the omnibus and segregated account structures. There are no requirements for specific licenses or types of accounts for investors investing in Indonesia
- Clients opening securities accounts at local custodian banks, which in turn open securities accounts at the Central Depository (KSEI), need to apply and obtain a Single Investor Identification number (SID). To get a SID, clients are required to provide several mandatory information supported by a copy of documents as evidence of the Date of Establishment/ Birth and the Business Registration/ Tax ID of the client/ investor in the account opening instruction
- SID will also serve as a Trading ID and must be used for buying and selling orders entered by local brokers into the IDX trading system
- The securities accounts holding clients' positions are opened at KSEI, mirroring clients' accounts opened at Deutsche Bank AG, Jakarta Branch. Securities are deposited with the KSEI in a dematerialised format at the level of sub-accounts bearing clients' names as opened with Deutsche Bank AG, Jakarta Branch
- The sale of listed equity shares on an Indonesian stock exchange is subject to final Withholding Tax (WHT) at the rate of 0.1% (applied to the gross amount of the sale transaction). The Withholding Tax agent is the Stock Exchange through a broker at the time of transaction settlement. The brokers forward the tax withheld to the Stock Exchange for further submission to the Tax office
- WHT is applicable to capital gain and interest from Fixed Income investments and corporate action income collection from equity investment (such as dividends, bonuses, etc.) Please note that to benefit from lower tax treaty CGT rates, the beneficial owner will need to submit a local tax document, locally known as the Directorate General of Taxation (DGT) Form and Certificate

of Residence (CoR). The account name opened in the custodian bank and KSEI must match the beneficial owner’s name stated on the DGT form or CoR. The name of the beneficial owner must be stated in the tax document. Hence, a segregated securities account structure in the name of the beneficial owner is required for the application of tax documentation. The naming for a segregated account would be “Client’s name S/A WXYZ”

- The market does not recognise the ultimate beneficial owners under the omnibus account structure; therefore, tax treaty rates cannot be applied to omnibus accounts



3 | Electronic Indonesia Public Offering (e-IPO)

3.1 General

- Starting in 2021, Initial Public Offering activities in Indonesia's capital market were conducted through an information technology system and platform known as Electronic Indonesia Public Offering or e-IPO
- OJK has appointed IDX, KSEI and KPEI as the provider of e-IPO. Participants of e-IPO are underwriters and securities companies (brokers)
- e-IPO covers all activities in the public offering process, i.e., initial offering, securities offering, securities allotment and settlement of the securities offered
- Companies must announce the information related to the public offering through e-IPO and daily newspapers in Indonesia language with national distribution
- For the e-IPO pipeline in IDX, please refer to the link: <https://www.e-ipo.co.id/id>

3.2 Legal Framework

OJK has issued the following regulations on e-IPO:

- No.41/POJK.04/2020 governing public offering activities for equities, fixed income securities and/or Sukuk (fixed-income securities based on Syariah principles) conducted through an electronic platform (e-IPO). Please refer to the link: <https://www.ojk.go.id/id/regulasi/Pages/Pelaksanaan-Kegiatan-Penawaran-Umum-Efek-Bersifat-Ekuitas,-Efek-Bersifat-Utang,-dan-atau-Sukuk-Secara-Elektronik.aspx>
- No.15/SEOJK.04/2020 provides a guideline for implementing equities' electronic public offering process. Please refer to the link: <https://www.ojk.go.id/id/regulasi/Pages/Penyediaan-Dana-Pesanan,-Verifikasi-Ketersediaan-Dana,-Alokasi-Efek-Untuk-Penjatahan-Terpusat.aspx>

3.3 Investors' Preparation

- Foreign institutional investors who intend to participate in an e-IPO must open securities and cash accounts at the local broker/ underwriter and/ or custodian bank and must also obtain SID

3.4 Fixed and Centralised Allotment Channels

- The centralised allotment channel is allocated for individual and institutional investors, while the Fixed allotment channel is for institutional investors
- Companies must allocate a number of the securities offered for the Centralised allotment mechanism. A portion of the securities offered in Centralised allotment must be allocated for retail Centralised allotment. Retail investors in the retail Centralised allotment are the parties who submit an order on the securities with a maximum value of IDR 100 million
- A portion in the Centralised allotment channel, non-retail and retail, can be allocated for

investors with specific categories such as gender, age or region/province

- The size of public offering concerning the allocation for Centralised allotment is regulated as follows:

Level	Size of the public offering	Size of Centralised allotment
I	Up to IDR 250 billion	At a minimum of 15 percent or IDR 20 billion, whichever is higher
II	Above IDR 250 billion up to IDR 500 billion	At a minimum of 10 percent or IDR 37.5 billion, whichever is higher
III	Above IDR 500 billion up to IDR 1 trillion	At a minimum of 7.5 percent or IDR 50 billion, whichever is higher
IV	Above IDR 1 trillion	At a minimum of 2.5 percent or IDR 75 billion, whichever is higher

Please note currently USD 1 = approximately IDR 14,300

3.5 Securities Order

- Retail investors must have SID, and securities guarantee sub-account and client's cash account
- Institutional investors submitting securities orders in the Fixed allotment channel must have SID
- Retail investors can submit interest in the securities or securities order directly in the e-IPO system or through the brokers
- Institutional investors can submit interest in the securities (during book building period) or securities order (during offering period) in the Fixed allotment channel through the underwriter. Investors in the Fixed allotment channel can also submit securities orders in the Centralised allotment channel through the same e-IPO participant (underwriter)

3.6 Book Building Period

- The company sets the securities offering price range in the initial offering (book building) period
- Investors can only submit interest in the securities (volume and price) during the book-building period. Investors can change or cancel the submission of interest in the securities
- In the book building period, if the price submitted by the investor is the same or higher than the IPO price, the interest in the securities will be carried over into securities order in the offering period after confirmation from the investor
- The company and underwriter set the securities price and volume to be offered, taking into consideration the result from the book-building period
- Book-building is conducted approximately in six working days

3.7 Offering Period

- Investors state the volume of securities in the securities order during the offering period. For institutional investors, the underwriter will input volume and price (although the price has been set)
- Investors submitting securities orders in the Fixed allotment channel can also submit securities orders in the Centralised allotment channel through the same broker (underwriter)
- Investors can change or cancel the submission of securities orders during the offering period
- The underwriter has the right to determine or make an adjustment on the investors' securities orders that will get securities allocation in the Fixed allotment channel
- If an investor submits more than one securities order in the Centralised allotment channel through different brokers, the orders must be merged into one
- The offering period starts right after the Registration Statement is approved by OJK, and it takes between three to five working days
- The offering period is usually closed at 10:00 on its last day

3.8 Allotment

- In the event of oversubscription in the Centralised allotment channel, the underwriter can shift the shares from the Fixed allotment channel to cover it. This will result in some clawback of the portion of the shares for the Fixed allotment channel
- In the event of oversubscription in the Centralised allotment channel, the quantity of the shares allocated for the Centralised allotment channel, as shown in the table under point 4.4 above, will be adjusted as the below table:

Public Offering Class	Shares Allocation Percentage for Centralised Allotment Channel	Order Level and Allocation Adjustment		
		Adjustment I	Adjustment II	Adjustment III
		$2.5x \leq X < 10x$	$10x \leq X < 25x$	$\geq 25x$
I	$\geq 15\%$	$\geq 17.5\%$	$\geq 20\%$	$\geq 25\%$
II	$\geq 10\%$	$\geq 12.5\%$	$\geq 15\%$	$\geq 20\%$
III	$\geq 7.5\%$	$\geq 10\%$	$\geq 12.5\%$	$\geq 17.5\%$
IV	$\geq 2.5\%$	$\geq 5\%$	$\geq 7.5\%$	$\geq 12.5\%$

Suppose the oversubscription in class I reaches the level of 2.5 up to 10 times. In that case, the minimum shares allocation for the Centralised allotment channel will be adjusted from 15% to 17.5% (adjustment I), and so on. In such a case, there will be a clawback of the portion of the shares in the Fixed allotment channel.

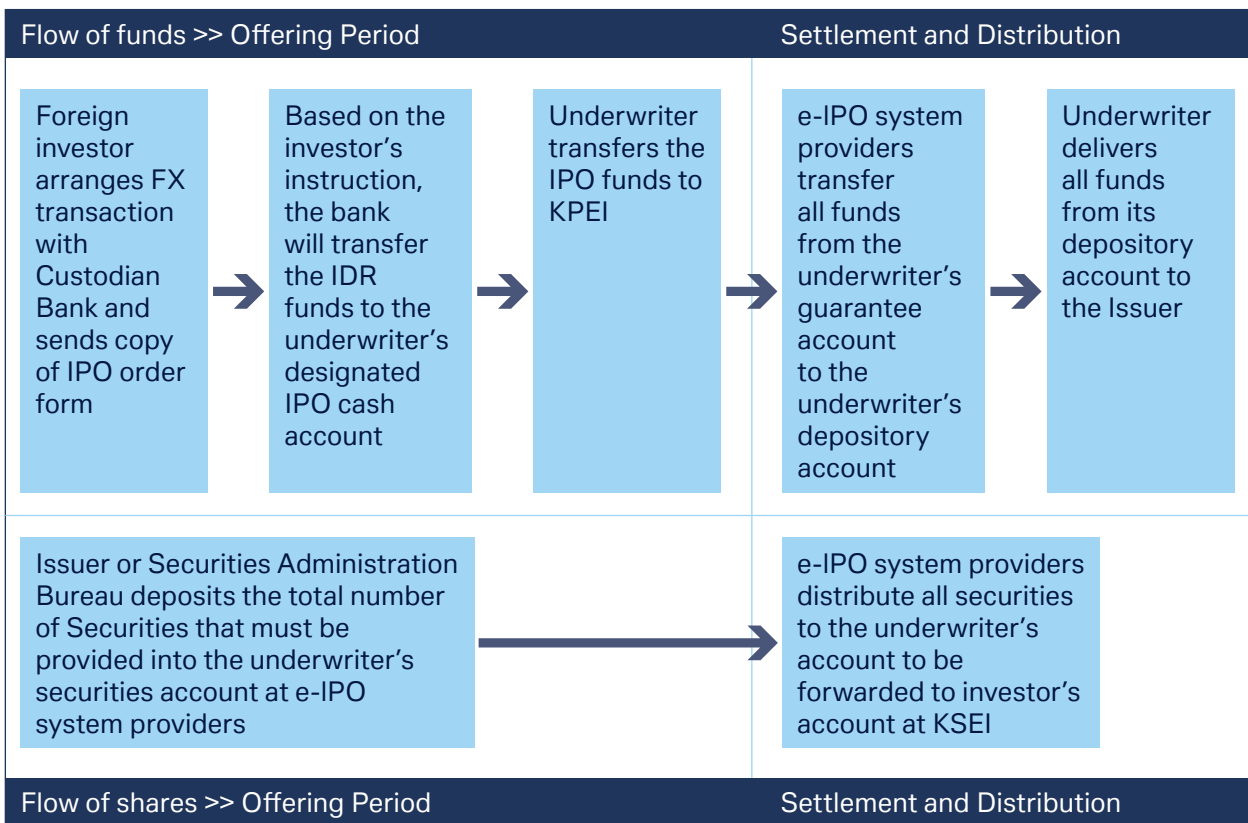
Please have a look at the example below for Class I and Adjustment I:

Size of public offering	IDR 200 billion (Class I)
Price per share	IDR 500
Number of shares offered	400 million shares
Shares portion for Centralised allotment channel minimum 15%	60 million shares with a value of IDR 30 billion
Shares order in Centralised allotment channel	240 million shares (oversubscribed by 4 times)
Adjustment on shares portion for Centralised allotment channel minimum 17.5%	70 million shares with a value of IDR 35 billion (Adjustment I)
The difference that will be taken from the Fixed allotment channel	10 million shares with a value of IDR 5 billion

- If there is a shortage in demand for securities offered in the Fixed allotment channel, the excess securities are shifted to the Centralised allotment channel
- In the Centralised allotment channel, if there is a shortage in demand for securities offered in the retail portion, the excess securities are shifted to the non-retail portion, and vice versa
- The verification process of the IPO funds commences right after the offering period is closed
- The underwriter conducts the allotment process after the verification process, and the result is usually available in the afternoon on the last day of the offering period

3.9 Funding and Settlement

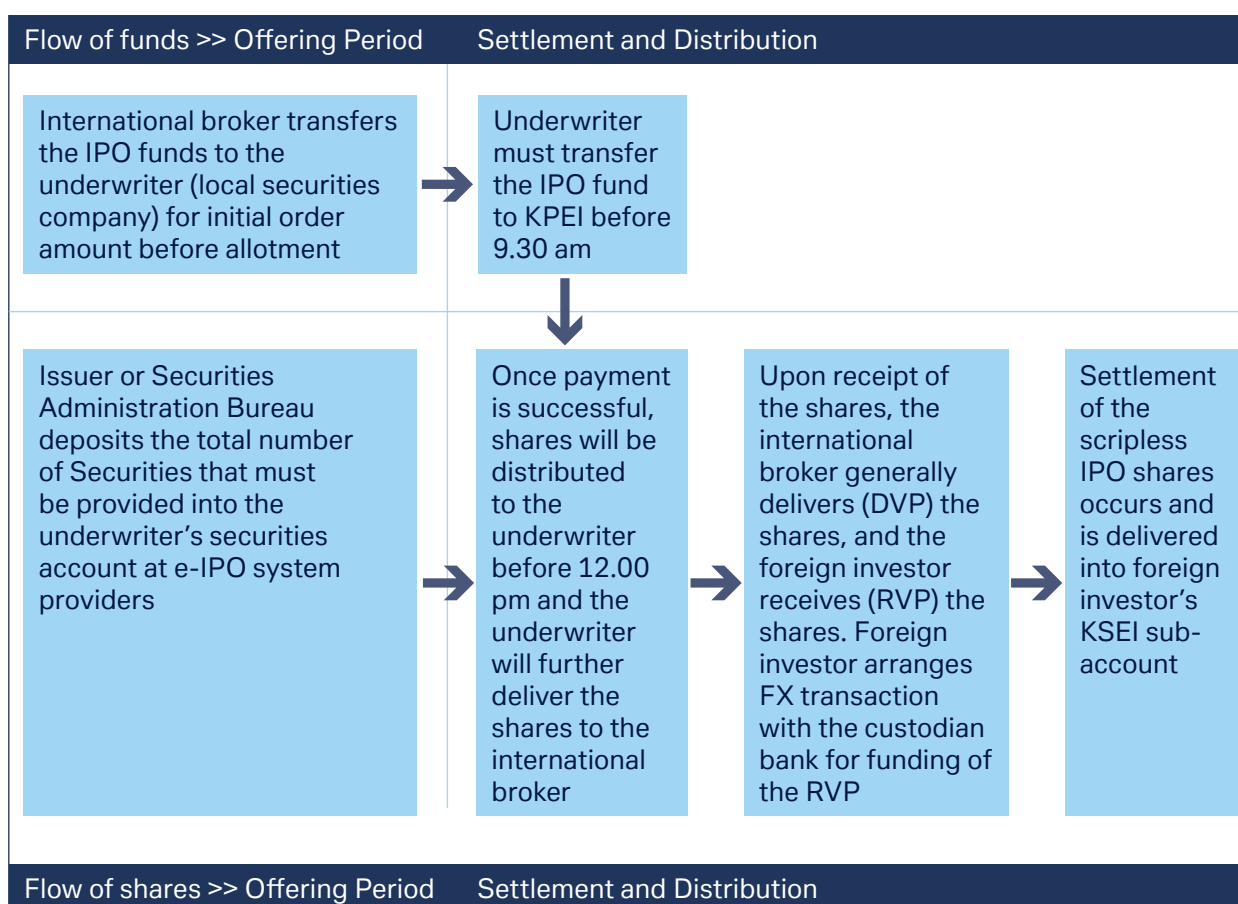
Time	Day	Activity
Last day of offering period	D – 2	<ul style="list-style-type: none"> — Investor arranges funding for payment of IPO. Normally, the foreign investor will conduct FX transaction with the bank (custodian bank) to buy IDR against FCY — Based on the investor’s instruction, the bank will transfer IDR funds to the underwriter’s designated IPO cash account — Underwriter transfers the IPO funds to KPEI
Settlement and Distribution day	D – 1	<ul style="list-style-type: none"> — e-IPO system providers transfer the funds to the underwriter to be further delivered to the Issuer — e-IPO system providers transfer the shares to the underwriter’s account — The underwriter will further deliver the shares to investors- to their custodian account[TR2] — If there is any clawback to the Fixed allotment order (due to oversubscribing on the Centralised allotment portion), the refund will be made by the underwriter to the institutional investors on D – 1
Listing day	D day	The shares are listed in IDX



3.10 Funding and Settlement Practice for Foreign Investors

Apart from the above process, the following practice is also followed in the market related to funding and settlement for foreign investors.

Time	Day	Activity
Last day of the offering period	D – 2	— The international broker transfers the IPO funds to the underwriter (local securities company) for the initial order amount before allotment
Settlement and Distribution day	D – 1	<ul style="list-style-type: none"> — The underwriter must transfer the IPO fund to KPEI (CCP) before 09.30 am — Once payment is successful, shares will be distributed to the underwriter before 12.00 pm — The underwriter will further deliver the shares to the international broker — Upon receipt of the shares, the international broker generally delivers (DVP) the shares, and the foreign investor will receive (RVP) the shares. The foreign investor arranges FX transactions with the bank (custodian bank) for funding of such RVP — Settlement of the scripless IPO shares occurs and receives into the foreign investor's KSEI (CSD) sub-account — If there is any clawback to the Fixed allotment order (due to oversubscription on the Centralised allotment portion), the refund will be made by the underwriter to the international broker on D – 1
Listing day	D day	The shares are listed in IDX



Sample Timetable of a Typical IPO:

IPO Timeline	IPO Activity	Foreign investor activity
7 September 2021	Company submits registration statement for IPO to OJK	International broker open securities and cash accounts in custodian banks and underwriter
16 November 2021	OJK approves the initial offering (book building)	
18 – 25 November 2021 (6 working days)	Book building	Foreign investor (via an international broker) has the option to participate in the book building: <ul style="list-style-type: none"> — Foreign investor submits interest in the offered shares in the Fixed allotment channel through the underwriter stating the desired volume and price of the shares — Investors can change or cancel the submission of interest in the shares
30 November 2021	The effective date of shares offering	
2 – 7 December 2021 (4 working days)	Offering period	<ul style="list-style-type: none"> — Foreign investor submits shares order form to the underwriter stating the volume — A foreign investor can change or cancel the submission of shares order
7 December 2021 (last day of offering period)	<ul style="list-style-type: none"> — The offering period is closed at 10.00 am — Verification of funds is conducted after the offering period is closed — The allotment process is conducted after the verification of funds 	<ul style="list-style-type: none"> — The international broker transfers the IPO funds to the underwriter (initial order amount before allotment) — The underwriter informs the international broker on the allotment result, usually by EOD

IPO Timeline	IPO Activity	Foreign investor activity
8 December 2021	Settlement and distribution: <ul style="list-style-type: none"> — The e-IPO system provider withdraws funds available in the underwriter’s guarantee account and transfers these funds to the underwriter’s depository account — The underwriter transfers the funds to the Issuer — The e-IPO system provider transfers the shares to the underwriter’s securities account — The underwriter moves the shares to the investor’s account at KSEI 	<ul style="list-style-type: none"> — The underwriter must transfer the IPO fund to KPEI before 09.30 am — Once payment is successful, shares will be distributed to the underwriter before 12.00 pm — The underwriter will further deliver the shares to the international broker — The international broker will deliver (DVP) the shares, and the foreign investor will receive (RVP) the shares. Foreign investor arranges FX transaction with the bank (custodian bank) for funding of such RVP — The shares will be delivered to the foreign investor’s KSEI sub-account — If there is any clawback to the Fixed allotment order (due to oversubscription on the Centralised allotment portion), the refund will be made by the underwriter to the international broker on D-1
9 December 2021	Listing day of securities in the stock exchange	The foreign investor can sell the shares and repatriate the proceeds upon settlement

4 | Regulatory Restrictions and Post-IPO Compliance

4.1 Secondary Market Trading

A foreign investor can sell the shares resulting from the IPO starting from the listing date onward:

- A foreign investor can sell/ trade in the equity shares by placing orders with the broker-dealer
- After execution of sale trade, investor sends DVP instruction to custodian bank for settlement (T+2 settlement cycle)
- The IDR funds resulting from the sale can be retained or reinvested on shore or can be repatriated
- The sale of listed shares on an Indonesian stock exchange is subject to final Withholding Tax (WHT) at the rate of 0.1% (applied to the gross amount of the sale transaction). The Withholding Tax agent is the Stock Exchange through a broker at the time of transaction settlement. The brokers forward the tax withheld to the Stock Exchange for further submission to the Tax office

4.2 Lock-in Rules

- Holdings of Pre-IPO shareholders of the company are subject to an 8-month lock-in period after listing
- The exact lock-in period starts from the “effective date of the IPO Registration” document as filed with and approved by OJK
- Shares purchased during the IPO process are not subject to any lock-in and are freely tradable on listing
- In the case of companies issuing multiple voting shares, the founder’s shares (which have higher voting rights) are locked in for two years

5 | Shares with Multiple Voting Rights

In December 2021, OJK introduced shares with multiple voting rights (multiple voting shares) to accommodate the public offering of companies with certain characteristics.

The owners of multiple voting shares will have more than 1 (one) voting right on their holdings. The owner of multiple voting shares is not allowed to transfer part or all of the shares until after two years from the effective date of the IPO registration statement.

1. Multiple voting shares is a classification of shares where 1 (one) share provides more than 1 (one) voting right for the eligible shareholder
2. OJK allows companies with the following criteria to conduct a public offering of shares with multiple voting features, among others:
 - a. Applies technology to create product innovation that increases productivity and has far-reaching positive social impact
 - b. The total asset of at least IDR 2 trillion
 - c. Perform operational activities for at least three years
 - d. Compound annual growth rate (CAGR) from the total asset of a minimum of 20 percent in the last three years
 - e. Compound annual growth rate (CAGR) from the revenue of a minimum of 30 percent in the last three years
3. Companies issuing multiple voting shares must stipulate the following provisions in the Article of Association, among others:
 - a. Parties who own multiple voting shares, as well as the criteria for parties eligible to own multiple voting shares
 - b. Rules on the voting rights ratio between common shares and multiple voting shares
 - c. Rules on the voting rights for certain agenda in the company's meeting where the common shares and the multiple voting shares have the same/ equal numbers of voting rights
 - d. The applicable tenor for the multiple voting shares and arrangement for extension, as well as provisions on conditions for multiple voting shares to become common shares
4. The regulation limits the implementation of multiple voting shares for a maximum of 10 years since the effective date of the registration statement for public offering
5. The owner of multiple voting shares is not allowed to transfer part or all of the shares until after two years from the registration statement's effective date. During this period, the company must issue the multiple voting shares, as well as the shares owned by shareholders before the public offering, and safe keep these shares in a certain account in the safekeeping and settlement institution

6. Below is the provision on the voting rights ratio between common shares and multiple voting shares:

The level of multiple voting shares ownership (individually or collectively) against the paid-up capital	The voting rights ratio between common shares and multiple voting shares
Minimum 10 percent up to maximum 47.3 percent	1:10
Minimum 5 percent up to less than 10 percent	1:20
Minimum 3.5 percent up to less than 5 percent	1:30
Minimum 2.44 percent up to less than 3.5 percent	1:40

7. The company that implements multiple voting shares must ensure that the common shares have voting rights of at least 10 percent of the total voting rights
8. The owner of multiple voting shares, individually or collectively, must have the voting rights of more than 50 percent of all voting rights. These shareholders must be approved as multiple voting shareholders in the General Meeting of Shareholders and stated in the prospectus
9. Multiple voting shares become common shares when the following events occur, among others:
- The owner of multiple voting shares is deceased, and the shares are not transferred to other parties within a period of 6 months
 - The owner of multiple voting shares transfers the ownership of the share to parties other than the shareholders stated in the prospectus
 - The owner of multiple voting shares, individually or collectively, holds a maximum of 50 percent of all voting rights for at least 6 months
 - The applicable tenor for the multiple voting shares has expired
10. The regulation also provides the procedure for the public offering, corporate action as well as general meeting of shareholders for companies implementing multiple voting shares

This new regulation is effective from 2 December 2021.

APPENDIX

1 | Other Market Features

- KSEI imposes a fee of IDR 1 million per month for accounts with no holding and transaction (movement) for 6 (six) consecutive months
- Daily reconciliation is performed on clients' securities holding position both in KSEI and BI-SSSS against our records
- Investors must obtain OJK approval before purchase of local bank shares that would affect the control of the local bank or exceed 25 percent of the local bank's total issued shares

Equity

Exchange	<ul style="list-style-type: none"> — Indonesia Stock Exchange (IDX) — Most of the equities are traded on the exchange — Over the Counter (OTC) is also available
Instruments	<ul style="list-style-type: none"> — Stock, Warrant, Rights
Listing Boards	<ul style="list-style-type: none"> — Main, Development, Acceleration
Trading Hours	<ul style="list-style-type: none"> — Regular, Cash and Negotiation market segments — A regular market segment with two trading sessions: 09.00 am – 02.50 pm — The regular market segment starts with a Pre-opening session at 08.45 am, session I at 09.00 am, Session II at 01.30 pm, a Pre-closing session at 02.50 pm and ends with a Post-trading session at 03.15 pm — Cash market segment with one trading session, i.e., 09.00 am – 11.30 am — Negotiation market segment with two trading sessions: 09.00 am – 03.50 pm
Settlement	<ul style="list-style-type: none"> — T+2 — The lot size is 100 shares — Book-entry via C-Best (KSEI settlement and safekeeping platform) — Pre-matching is electronically done in C-Best or manual via phone with the counterparty — Fail settlement management via Alternative Cash Settlement (ACS) of 125% of the highest price between T+0 and T+3
Transaction Costs	<ul style="list-style-type: none"> — The broker fee is negotiable — The exchange levy is 0.03% of the transaction value — The guaranteed fee is 0.01% of the transaction value — VAT 11% for broker fee and exchange levy — WHT of 0.1% on sale transaction value — Brokers can request a discount for higher transaction value in the Negotiation market segment

Securities Lending and Borrowing (SLB)	<ul style="list-style-type: none"> — KPEI provides SLB services as the counterparty for both sides, the lender and the borrower — Securities companies (brokers) can act as both borrowers and lenders, while custodian banks can only act as the lender — The purpose of the SLB in the market is to avoid failed settlements
Other Features	<ul style="list-style-type: none"> — Short selling and margin trading are regulated. Naked short selling is not allowed — SID is required at the investor level — Random Closing Time is installed within two minutes before the end of the Pre-closing session — Special Notation codes are applied as a suffix letter appended to the stock codes. The Issuer of these stocks is experiencing certain conditions such as financial and legal problems or is being sanctioned by OJK for violation of capital market regulations

Fixed Income

Exchange	<ul style="list-style-type: none"> — Indonesia Stock Exchange (IDX) — Most fixed income instruments, both corporate and government bonds, are traded Over The Counter (OTC)
Instruments	<ul style="list-style-type: none"> — Corporate bonds, PN, MTN, convertible bonds, Sharia-based — Government bonds, fixed and variable, short-term, retail, Sharia-based, USD domestic, and certificate of BI (SBI)
Settlement	<ul style="list-style-type: none"> — T+2 or as agreed between the buyer and seller — Book-entry via C-Best for corporate bond — Book-entry via BI-SSSS for government bond — Pre-matching is electronically in C-Best or manual via phone with a counterparty for a corporate bond, manual via phone with a counterparty for a government bond — Fail settlement management for corporate bond: negotiation between brokers or “final settlement value” (2.5% of nominal value) imposed by KPEI for government bond is regulated via Bye Law
Transaction Costs for on-exchange transactions	<ul style="list-style-type: none"> — The broker fee is negotiable with a maximum of 1% of the nominal value on the exchange — Exchange levy in the Regular market is IDR 20,000 for nominal value up to 500 million, 0.005% for above IDR 500 million up to IDR 10 billion, 0.00375% for above IDR 10 billion, and higher rates apply for transactions in the Negotiation market — The guaranteed fee is 0.00125% of the transaction value — VAT 11% for broker fee and exchange levy
Other Features	<ul style="list-style-type: none"> — Mandatory 30-minute reporting for corporate and government bond transaction — The minimum holding period for SBI is one week, and MHP for retail government bonds is 1 to 3 months — Secondary market trading of some issuances of retail government bonds is only available for domestic investors

APPENDIX

2 | Company IPO in IDX

Companies planning to conduct IPO of equities or fixed income instruments in IDX must meet the below conditions:

IPO Conditions for Equity:

Criteria	Main board	Development Board	Acceleration board	
Good Corporate Governance	Legal Entity	Limited Company (PT)	Limited Company (PT)	Limited Company (PT)
	Independent Commissioner	Yes - min. 30% of the Total Board of Commissioners	Yes - min. 30% of the Total Board of Commissioners	Yes, with special criteria
	Audit Committee and Internal Audit	Yes	Yes	Yes, with special criteria
	Company Secretary	Yes	Yes	Yes, with special criteria
	Directors	Yes, min. 2 persons	Yes, min. 2 persons	Yes, with special criteria

Criteria	Main board	Development Board	Acceleration board	
Finance and Accounting	Operational Period (Booking Operating Income)	>= 36 months	> 12 months	Since its establishment, recorded operating income in the last financial year
	Earnings/ Profit	> 1 year	The loss allowed on the condition is that at the end of the 2nd year since listing, operating profit and net income are based on the projects —(In the 6th year for a special line of business)	Allowable Loss Conditions: based on projections at the end of the 6th year since the listing of operating profit
	Audited Financial Report	Min. 3 years (2 years of WTM opinion) —WTM: Reasonable Without Modification	Min. 12 months (one-year WTM)	Min. 1 year or since establishment if less than one-year WTM
	Capital	Net Tangible Asset (NTA) >= IDR 100 billion	—NTA > IDR 5 billion —Operating Profit > IDR 1 billion & Market capitalization > IDR 100 billion —Operating Income > IDR 40 billion and Market Capitalisation > IDR 200 billion	None
Public Offering Structure	Number of shares	Min. 300 million shares	Min. 150 million shares	
	Number of shares offered to the public	— Equity < IDR 500 billion: 20% — Equity IDR 500 billion – IDR 2 trillion: 15% — Equity > IDR 2 trillion: 10%		Unregulated
	Number of Shareholders	≥ 1000 parties	≥ 500 parties	≥ 300 parties
	Initial Share Price	≥ IDR 100	≥ IDR 100	≥ IDR 50

IPO Conditions for Fixed Income:

Criteria	Fixed income	
Good Corporate Governance	Legal Entity	Business Entity
	Independent Commissioner	Yes
	Audit Committee and Internal Audit	Yes
	Company Secretary	Yes
	Directors	Yes (min. 2 persons)
Finance and Accounting	Ratings/ Operating Period	Meets 4 top ratings (investment grade); or
		Core Business for at least 24 consecutive months
	Audited Financial Report	Last 2 financial years and Last Interim Financial Statements, last modified WTM opinion Financial Statements; or Financial Statements since its operation if less than 2 years, last WTM Financial Statements opinion

APPENDIX

3 | DB Securities Services Indonesia Contact Details and useful links

Indonesia		
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APAC		
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List of useful reference links

Ministry of Finance	https://www.kemenkeu.go.id/home
Directorate General of Taxation (DGT)	https://www.pajak.go.id/
Bank Indonesia (BI)	https://www.bi.go.id/en/default.aspx
Indonesia Financial Services Authority (OJK)	https://www.ojk.go.id/id/Default.aspx
Indonesia Stock Exchange (IDX)	https://www.idx.co.id/
Indonesia Clearing and Guarantee Corporation (KPEI)	https://www.idclear.co.id/en
Central Depository and Settlement (KSEI)	https://www.ksei.co.id/
Statistics Indonesia (Badan Pusat Statistik - BPS)	https://www.bps.go.id/

List of Abbreviations

Abbreviation	Full word
ACS	Alternative Cash Settlement
IDX	Indonesia Stock Exchange
ASEAN	Association of Southeast Asian Nations
IPO	Initial Public Offering
BI	Bank Indonesia
KPEI/ CCP	Kliring dan Penjaminan Efek Indonesia Clearing and Guarantee Institution or Central Counterparty
BI-SSSS	Bank Indonesia – Scripless Securities Settlement System
KSEI/ CSD	Kustodian Sentral Efek Indonesia Central Securities Depository
BoD/ C	Board of Directors/ Commissioners
MHP	Minimum Holding Period
BPS	Badan Pusat Statistik Indonesia Central Statistics Agency
MoF	Ministry of Finance
CAGR	Compound Annual Growth Rate
MTN	Medium Term Notes
C-BEST	Central Depository and Book Entry Settlement System
OJK	Otoritas Jasa Keuangan Financial Services Authority
CGT	Capital Gain Tax
OTC	Over The Counter
CoR	Certificate of Residence

Abbreviation	Full word
PN	Promissory Notes
DGT	Directorate General of Taxation
PT	Perusahaan Terbatas Limited Company
DTC	Double Taxation Convention
RVP	Receive Versus Payment
DVP	Delivery Versus Payment
SBI	Sertifikat Bank Indonesia or Bank Indonesia Certificate
e-IPO	electronic Indonesia Public Offering
SID	Single Investor Identification Number
EOD	End of Day
SLB	Securities Lending and Borrowing
FCY	Foreign Currency
USD	United States Dollar
FDI	Foreign Direct Investments
VAT	Value Added Tax
FX	Forex
WHT	Withholding Tax
G-20	Group of 20
WTM	Reasonable Without Modification
GDP	Gross Domestic Product
YoY	Year on Year
IDR	Indonesia Rupiah

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