
**Indonesia's Financial Services Authority (OJK) takes steps to deal with
Indonesia's 2020 Capital Market deceleration affected by regional and national
conditions, including the COVID-19 outbreak**

Why is this important?

In response to current market conditions, the OJK has issued OJK Circular Letter No.3/SEOJK.04/2020 on Other Conditions as Significantly Fluctuating Market Conditions in relation to the Buyback of Shares Issued by Listed or Public Company Practices (**SEOJK 3/2020**). The issuance of SEOJK 3/2020 will save companies more than 30 business days in carrying out a buyback.

Overview

Under OJK Regulation No.2/POJK.04/2013 on the Buyback of Shares Issued by Listed or Public Companies Under Significantly Fluctuating Market Conditions (**POJK 2/2013**), in the event of a significantly fluctuating market condition, a listed company or a public company may repurchase shares that it has issued without the approval of a general meeting of shareholders.

POJK 2/2013 stipulates that a significantly fluctuating market condition is qualified under the following circumstances:

1. the cumulative decrease of the composite share price index on the Indonesian Stock Exchange (**IDX**) for 3 (three) consecutive exchange days (*hari Bursa*) by 15% (fifteen percent) or more; or
2. other conditions as stipulated by OJK.

OJK acknowledges that the market has faced significant pressure since the beginning of 2020, as indicated by the decline of the Indonesian composite index by 18.46%. Such market deceleration was also heavily affected by regional and national conditions, which among others was the worldwide COVID-19 outbreak. Given such conditions, OJK has determined that the current market condition has met the "other conditions" qualification under POJK 2/2013.

Procedure for buyback under POJK 2/2013

In order to carry out the buyback under the current market conditions, a listed or public company must follow a set of procedures stipulated under POJK 2/2013 including, among others,

1. to submit a disclosure of information document to OJK and IDX **within seven exchange days** after 9 March 2020 (i.e. the date of the enactment of SEOJK 3/2020). This significantly expedites the buyback process, as buyback procedures under normal market conditions require prior approval from a general meeting of shareholders which would take at least 40 days.
2. The total shares that can be repurchased could be more than 10% and a maximum of 20% of shares of the total issued shares, which require at least 7.5% of the total issued shares to remain floating

Conclusion

OJK has responded positively to stimulate the economy and reduce the adverse impact of the significantly fluctuating market. It is therefore the perfect time for any listed or public company suffering from the current market volatility to carry out buybacks.

Please do not hesitate to contact us should you need more information with regard to the above.

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If you would like to discuss any aspect of this update or your industry activities or plans, please feel free to contact us.



Emalia Achmadi

Partner

emalia_achmadi@soemath.com



Denia Isetianti

Partner

denia_isetianti@soemath.com



Muhammad Rezafajri

Associate

muhammad_rezafajri@soemath.com



Vinton Rasil Taris

Associate

vinton_rasil@soemath.com