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OJK Mandates Reporting of Share Pledge Activities by Shareholders in Public Companies

Shareholders in public companies in Indonesia will be required to disclose share pledge activities, following the issuance of a new regulation by the Financial Services Authority (*Otoritas Jasa Keuangan* – “OJK”). This regulation aims to enhance transparency and regulatory oversight within the country’s publicly-listed companies.

The new reporting obligations are outlined in OJK Regulation No. 4 of 2024 on Reporting Ownership or Any Changes in Ownership of Shares in Public Companies and Reporting Activities on Pledging Shares in Public Companies (“OJK Rule 4/2024”).

OJK Rule 4/2024 introduces two significant updates: (i) an amendment to reporting requirements for changes in share ownership, and (ii) a new requirement to report share pledges in public companies.

Issued on 28 February 2024, OJK Rule 4/2024 replaces the previous reporting framework outlined in OJK Rule 11/POJK.04/2017 (“OJK Rule 11/2017”). This advisory explains the key differences between the previous and new rules so that public companies can ensure they adhere to reporting requirements.

These provisions under OJK Rule 4/2024 will be enforced starting from 28 August 2024.

Amendments to Reporting Requirements on Changes in Share Ownership

Under OJK Rule 11/2017, directors and commissioners of public companies holding shares were required to report any changes in shareholding ownership. In addition to directors and commissioners, parties holding at least 5% of shares in public companies were also required to report any changes in shareholding ownership.

OJK Rule 4/2024 introduces the following amendments to the shareholding ownership reporting requirements:

- The reporting requirement applies to (i) directors and commissioners, and (ii) certain parties holding shares **with voting rights** in public companies.
- The parties referred to in (ii) above include (a) any party holding at least 5% of voting shares in a public company, and (b) any party who is a controller of a public company.
- The threshold triggering the reporting requirement has been increased from 0.5% to 1%. Changes in ownership that result in fractional percentages will be rounded down to determine if reporting is required.
- The deadline for reporting to OJK has been shortened from 10 business days of the occurrence to 5 business days (and further to 3 business days once OJK has established an online reporting system).

New Requirement to Report the Pledge of Shares in Public Companies

OJK Rule 4/2024 introduces reporting obligations stemming from the activity of encumbering or pledging publicly-listed company shares. Previously, the pledging of shares in public companies was only conducted by blocking the shares in the Indonesian Central Securities Depository (*Kustodian Sentral Efek Indonesia* – KSEI)'s Central Depository and Book-Entry Settlement (C-Best) System and recording such pledge in the share registrar. Under OJK Rule 4 /2024, any shareholder of a public company that pledges their shares equivalent to 5% (or more) of shares with voting rights in that public company must comply with reporting requirements. The 5% threshold can result from a single occurrence or an accumulation of occurrences that lead to 5% of shares with voting rights being encumbered.

Reporting is also required for every change in the number of the encumbered shares. Furthermore, any change in percentage units must also be reported to OJK. Similar to the threshold determination for changes in share ownership, if the change in encumbered shares is fractional, OJK Rule 4/2024 mandates rounding down to determine whether reporting is required.

The report for encumbered shares must be submitted no later than 5 business days (but will be shortened to 3 business days once OJK has established an online reporting system for this reporting requirement) after the signing of documentation evidencing the encumbrance of shares. It must adhere to the template provided under OJK Rule 4/2024 and include the following minimum information:

1. Name, domicile and nationality of the shareholder.
2. Name of the public company shares.
3. Number of shares being encumbered.
4. Amount of loan encumbered with the shares.
5. Type of transaction/activity resulting in changes to the number of encumbered shares.
6. Name of the underlying agreement and date of execution.
7. Nature of affiliation relation of the parties encumbering shares (if any).

Once the OJK has established an online reporting system for these reporting requirements, the report must be submitted via the OJK online reporting system, until that time, the report must be submitted to OJK manually by providing the relevant hardcopies or electronic documents.. Failure to adhere to the reporting requirements may trigger the imposition of administrative sanctions, including:

1. Reprimand;
2. Fines;
3. Limitation of business;
4. Suspension of business;
5. Revocation of business license;
6. Cancellation of approvals; and/or
7. Cancellation of registration.

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