



Widyawan & Partners

**New Regulatory Framework on Share Split and Reverse Share Split  
by Public Companies by OJK**

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## Background

On 22 August 2022, the Financial Services Authority (“**OJK**”) enacted Regulation No. 15/POJK.04/2022 on Share Split and Reverse Share Split by Public Companies (“**OJK Regulation 15/2022**”) which will take effect on 22 February 2023, six months after its enactment.

OJK Regulation 15/2022 is expected to provide specific regulatory framework regarding share split and reverse share split by public companies which was briefly regulated under the Decision of the Board of Directors of PT Bursa Efek Indonesia No. Kep-00101/BEI/12-2021 on Listing of Shares and Equity Securities Other Than Shares Issued by Public Companies (“**Regulation No. I-A**”) covering among others shares listing provisions in general, including the listing of shares resulting from stock split and reverse stock, and the relevant timeframe in which a public company is restricted from conducting a share split or reverse share split.

This publication sets out the key regulatory provisions of OJK Regulation 15/2022 and the impact on public companies.



### What's new?

As a regulation specifically dealing with share split and reverse share split, OJK Regulation 15/2022 confirms the requirement for obtaining the approval of the public company's General Meeting of Shareholders (“**GMS**”) prior to implementing the share split or reverse share split. In addition, OJK Regulation 15/2022 stipulates that as the pre-requisite for the GMS, the public company must first obtain a Principal Approval from the Indonesia Stock Exchange (and if applicable, to conduct shares appraisal).

OJK Regulation 15/2022 also establishes detailed procedures to prepare and implement the share split or reverse share split and requires the same to be implemented at the latest 30 days after the date of the GMS approval. While the Regulation No. I-A has provided brief provisions on the listing procedures, OJK Regulation 15/2022 introduces a more stringent timeframe in which a public company is restricted from conducting share split and reverse share split. Any violations of OJK Regulation 15/2022 may subject a public company to various administrative sanctions to be imposed by the OJK. OJK Regulation 15/2022 shall also be applicable for a public company having more than one share classification.

## Key regulatory provisions



### Undivided share split and reverse share split

“**Share Split**” under OJK Regulation 15/2022 encompasses the split of one share into two shares or more or the split of shares in certain ratio that leads to the increase of numbers of shares in a public company. On the contrary, “**Reverse Share Split**” captures the legal action of reversing two or more shares into one share or in certain ratio which accordingly reduces the public company's numbers of shares.

OJK Regulation 15/2022 requires the Share Split and Reverse Share Split by public company to cover the entire shares having the same qualification. As an example, in the event a public company issues ordinary shares with different series, the Share Split or the Reverse Split shall cover all series of such ordinary shares.



### Required approvals and appraisals

#### Indonesia Stock Exchange Principal Approval

A public company intending to conduct a share split or reverse share split is required to obtain a Principal Approval from the stock exchange where the shares are listed (i.e. the Indonesia Stock Exchange). The Principal Approval must be obtained prior to the announcement of the GMS to approve the Share Split or Reverse Share Split.

The stock exchange will issue a Principal Approval after considering the interest of public shareholders and taking into account the following considerations:

- > the liquidity level of the shares trading ;
- > the share price and share price fluctuation;
- > the fundamental financial performance;
- > the ratio of the Share Split and Reverse Share Split;
- > numbers of shares owned by the public;
- > supervision over the public company's share trading;
- > if necessary, a share appraisal report made by the relevant appraiser; and/or
- > if necessary, consideration from the OJK.

A listed public company is obliged to record the results of the Share Split or the Reverse Share Split with the stock exchange, the recordation of which must also be approved by the stock exchange.

The provisions on the application to obtain the Principal Approval will be further regulated under Indonesia Stock Exchange regulation which shall be issued within three months as of the effective date of OJK Regulation 15/2022.

### Share appraisal

The requirement to have a share appraisal report prior to a Share Split or Reverse Share Split is, in principle, applicable to non-listed public companies. This requirement will also apply to a listed public company only if:

- > by the time the application for Principal Approval is submitted to the stock exchange, the public company's share trading in the stock exchange has been suspended for at least three months; and/or
- > the public company's shares price is at the lowest limit of the price stipulated by the stock exchange within at least 30 trading days within three months prior to submitting the application for Principal Approval.

The GMS to approve the proposed Share Split or Reverse Share Split must be conducted at the latest six months after the date of the shares appraisal report.

### GMS approval

OJK Regulation 15/2022 confirms the requirement for the public company to obtain GMS approval prior to conducting a Share Split and Reverse Share Split. The conduct of the GMS shall comply with the OJK Regulation on proposal and implementation of GMS of public companies.

In the event a public company has more than one share classification and the Share Split or the Reverse Share Split leads to a change of rights over shares, the GMS agenda shall be to approve the change of rights of shares.



### Restrictions

A public company is prohibited from convening the GMS to approve the Share Split or Reverse Share Split within the following period:

- > 24 months after the date of the initial public offering ("IPO") listing date; and/or
- > 12 months as of:
  - > the effective date of the registration statement in relation to share increase with pre-emptive rights;
  - > the latest implementation date of capital increase without pre-emptive rights, except if the increase is conducted in the framework of the public company's share ownership program;
  - > the implementation date of the previous Share Split or Reverse Share Split;
  - > the effective date of the registration statement of the previous merger or consolidation,

whichever earlier.

If the above 12 months period is less than 24 months as of the IPO listing date, the 24 months restriction shall apply.



Within 12 months after the Share Split or Reverse Share Split, a public company is prohibited from making capital increase without pre-emptive right other than for the purpose of improving its financial position, unless it is conducted in the framework of public company's share ownership program.

The above restrictions shall not apply to a public company which, amongst others, is a financial services institution in certain conditions (as determined by OJK) and/or conducts a restructuring to improve its financial position.



### Sanctions

Violation of the provisions of OJK Regulation 15/2022 will be subject to the OJK's administrative sanctions in the form of written warning, fines, business restrictions, business suspension, revocation of business licence, approval cancellation and/or cancellation of registration. The OJK is also authorised to take measures other than these administrative sanctions towards the violation of OJK Regulation 15/2022. OJK may also make a public announcement on any sanction imposition on a public company or any other party towards the violation of OJK Regulation 15/2022.

## Key contacts



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