

INDONESIAN STOCK EXCHANGE REGULATES THE OFFICE TERM OF INDEPENDENT DIRECTORS AND INDEPENDENT COMMISSIONERS

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In an attempt to improve the quality of Listed Companies and the liquidity of Public Company shares, the Director of the Indonesian Stock Exchange amended Regulation Number I-A on the Listing of Shares and Equity Securities other than Shares Issued by Listed Companies (No. KEP-00001/BEI/01-2014). The main issues regulated under this amended Regulation relate to the term of office of the independent commissioner and independent director in a listed company and free float shares. According to the regulation, which became effective on 30 January 2014, a listed company must have (among other things) (i) independent commissioner(s) constituting at least 30% of the members of the company's Board of Commissioners and (ii) at least 1 (one) independent director. Both the independent director and independent commissioner can only retain their positions for two consecutive terms in office. According to the Indonesian Stock Exchange, this decree aims at preventing executives from losing their independence and objectivity if they were with one company for too long. This new provision must be complied with at the latest 6 months after its effective date. If there is a vacancy for an independent director or commissioner's

position, a new independent director or commissioner must be appointed at the latest in the next General Meeting of Shareholders or within 6 (six) months after the vacancy occurs. In addition, this decree also restricts the independent director from holding a concurrent position as a director in another company.

Moreover, the provisions relating to the number of shares circulated in the market or held by the public (free float shares) are amended to become as follows:

- a. Requirements in the Main Board

The total shares owned by non-controlling shareholders and non-ultimate shareholders after the Initial Public Offering, or for a Public Company in a period of 5 (five) bourse days prior to Listing, are at least 300,000,000 shares, complying with the following free float conditions:

- at least 20% of the paid-up capital, for companies with an equity value before an IPO of up to IDR500,000,000,000;
- at least 15% of the paid-up capital, for companies with an equity value before an IPO of IDR500,000,000,000 to IDR2,000,000,000,000; and
- at least 10% of the paid-up capital, for companies with an equity value before an IPO above IDR2,000,000,000,000.

b. Requirements in the Development Board

The total shares owned by non-controlling shareholders and non-ultimate shareholders after the Initial Public Offering, or for a Public Company in a period of 5 (five) bourse days prior to Listing, are at least 150,000,000 shares, complying with the following free float conditions:

- at least 20% of the paid-up capital, for companies with an equity value before an IPO of up to IDR500,000,000,000;
- at least 15% of the paid-up capital, for companies with an equity value before an IPO of IDR500,000,000,000 up to IDR2,000,000,000,000; and
- at least 10% of the paid-up capital, for companies with an equity value before an IPO above IDR2,000,000,000,000.