

New OJK Regulation No. 4 of 2024 on Reporting Share Ownership and Pledging Activities for Public Companies

Introduction:

The Financial Services Authority of Indonesia (*Otoritas Jasa Keuangan* or OJK) has issued Regulation No. 4 of 2024 ("**New Regulation**"), which mandates the reporting of share ownership and any changes in share ownership for public companies. This regulation also introduces the requirement to report activities related to pledging shares of public companies. This regulation replaces the previous OJK Regulation No. 11/POJK.04/2017 ("**Previous Regulation**"). The New Regulation will come into force six months after its promulgation date. The New Regulation was promulgated on February 28, 2024. Therefore, it will be effective starting from August 28, 2024.

Key Changes or Updates:

1. *Reporting Requirements for Share Ownership*

- Members of the Board of Directors and Board of Commissioners who own voting shares, directly or indirectly, must report their ownership and any changes to the OJK.
- Other parties, including those who own at least 5% of voting shares and controlling shareholders, must also report their ownership and any changes.
- Reports must be submitted within 5 business days of the ownership or change in ownership.

2. *Reporting Requirements for Pledging Shares*

- Shareholders who pledge at least 5% of voting shares must report this activity to the OJK.
- The report must be submitted within 5 business days of signing the pledge agreement.
- The report must include details such as the name of the shareholder, the number of shares pledged, the value of the loan secured by the shares, and the terms of the pledge agreement.

3. *Electronic Reporting*

- If the OJK provides an electronic reporting system, all reports must be submitted electronically within 3 business days.
- If the electronic system is not available, reports can be submitted in printed or electronic document form.

4. *Administrative Sanctions*

- Non-compliance with the reporting requirements can result in administrative sanctions, including written warnings, fines, business activity restrictions, license revocations, and other penalties.

Comparison with Previous Regulation

	Previous Regulation	New Regulation
<i>Scope of Reporting</i>	Focused primarily on the reporting of share ownership and changes in ownership for public companies.	Expands the scope to include the reporting of pledging activities involving shares of public companies.
<i>Reporting Thresholds</i>	Required reporting for ownership changes involving at least 5% of paid-up capital.	Maintains the 5% threshold but adds detailed requirements for reporting any 5% of shares with voting rights and pledging activities involving 5% or more of voting shares.
<i>Reporting Parties</i>	Members of the Board of Directors or Board of Commissioners; any party that owns at least 5% of the paid-up capital in a public company	Members of the Board of Directors or Board of Commissioners who own shares with <u>voting rights</u> ; any party that owns shares with <u>voting rights</u> of at least 5%; controlling party of public companies; shareholder who engages in the activity of <u>pledging shares of a public company</u> .
<i>Reporting Timelines</i>	Required reports to be submitted within a specific timeframe, i.e. 10 days after the change occurs, but did not mandate electronic reporting	Introduces a stricter timeline of 5 business days for reporting and mandates electronic reporting where available, reducing the timeline to 3 business days for electronic submissions.
<i>Administrative Sanctions</i>	Included administrative sanctions but did not specify the range of penalties in detail.	Provides a detailed list of administrative sanctions, including written warnings, fines, business activity restrictions, and license revocations.

Brief Analysis:

- *Enhanced Transparency*

The New Regulation aims to enhance transparency and improve the quality of information disclosure by shareholders. This is expected to align with international standards and best practices.

- *Risk Mitigation*

By requiring the reporting of pledging activities, the New Regulation seeks to mitigate risks associated with significant changes in share ownership due to the execution of pledged shares.

- *Compliance and Enforcement*

The New Regulation introduces stricter compliance requirements and enforcement mechanisms to ensure timely and accurate reporting by shareholders.

Exemptions

The Previous Regulation excluded the filing requirement for any changes below 5% of the paid-up capital of the public company. The New Regulation introduces exemptions in the case of corporate actions and inheritance.

Corporate Actions

The New Regulation exempts shareholders from reporting changes in share ownership resulting from corporate actions such as capital increases without pre-emptive rights or share buybacks by the company. For example: (i) if a public company conducts a capital increase without pre-emptive rights, resulting in new investors acquiring shares and existing shareholders being diluted, the affected shareholders are exempt from reporting these changes; (ii) if a public company repurchases shares from certain shareholders, causing changes in the ownership percentages of other shareholders who did not participate in the transaction, these changes do not need to be reported.

Inheritance

The Previous Regulation did not explicitly address exemptions related to inheritance. The New Regulation now requires reporting of changes in share ownership due to inheritance. The inheriting party must report the change in ownership.

Compliance and Action Steps:

1. *Review and Update Reporting Procedures:*

Public companies and their shareholders should review and update their internal procedures to ensure compliance with the new reporting requirements.

2. *Implement Electronic Reporting Systems*

Companies should prepare to use the OJK's electronic reporting system once it becomes available.

3. *Training and Awareness*

Conduct training sessions for members of the Board of Directors, Board of Commissioners, and other relevant parties to ensure they are aware of their reporting obligations.

4. *Monitor and Report*

Establish a monitoring system to track share ownership and pledging activities and ensure timely reporting to the OJK.

Conclusion

The new OJK Regulation No. 4 of 2024 introduces significant changes to the reporting requirements for share ownership and pledging activities for public companies. It is crucial for companies and shareholders to understand and comply with these new requirements to avoid administrative sanctions and ensure transparency in the market. The regulation will come into force six months after its promulgation date. The regulation was promulgated on February 28, 2024. Therefore, it will be effective starting from August 28, 2024.

Further Information and Assistance:

For more detailed advice or assistance, please contact our legal team with expertise in Indonesian financial regulations.

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