

ALTA Regulation Alert

IDX Introduces Higher Market Liquidity Requirements and Enhances Corporate Governance for Listed Company

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Summary

As part of the Indonesian capital markets regulators efforts to recover the Indonesian markets following Morgan Stanley Capital International recommendation earlier this year, the Indonesia Stock Exchange (“IDX”) revised its listing rule on 31 March 2026 (“**2026 Listing Rule**”). The 2026 Listing Rule aims to address recent concerns regarding investor protection and corporate governance for listed companies following various recent market manipulation and asymmetric disclosure cases by certain listed companies.

There are 2 main focuses of the changes introduced in the 2026 Listing Rule, i.e.:

1. Increasing shares liquidity

To achieve this purpose IDX is (i) tightening the free float definition, (ii) increasing minimum free float requirement for listing purpose and to be kept listed in IDX, (iii) governing allocation parameter for free float shares and (iv) introducing a mandatory lock-up period after for certain shareholders the listing date or otherwise as per IDX’s mandate.

2. Enhancing the corporate governance quality of listed companies

IDX introduced new corporate governance obligations for listed company namely (i) to employ or appoint a certified accountant to be responsible for the company’s bookkeeping and (ii) to require certain officials of the listed company i.e. the board of directors, board of commissioners, and audit committee members of listed companies to undergo training in capital market and corporate governance.

Tightened Definition of Free Float Shares

In order to ensure that a listed company’s shares are liquid in the market, IDX has introduced new restrictions and requirements for what constitute as free float shares. In essence, any factor or condition that may prevent shares of a listed company to be actively traded in the regular market **are now explicitly excluded from free float shares**. In its circular letter IDX has stated the following specific conditions are excluded from free float:

- (a) shares under mandatory or contractual lock up over certain shares;
- (b) portfolio shares owned by certain type of investors that in its nature will likely hold the shares for “mid - long term” period (i.e., ventures capital or private equity fund); and/or
- (c) shares under legal confiscation or similar restrictions by law enforcement or other authorized authorities.

Listed companies may request for certain shareholders to be considered as free float shareholders if such certain shareholders are public investors. Such certain shareholder includes assets or investment management business such as insurance company, pension fund, sovereign wealth fund, mutual fund,

brokerage company, manager social benefits program or other investment company or portfolio which can prove the beneficial owner of such shares are public investor.

The above is emphasising the notion that free float shares must be as freely transferable or beneficial for public investors as possible.

Increased Percentage of Free Float Shares Allocation in IPO & Listing Process

The 2026 Listing Rule has increased the free float shares allocation for listing process to become as follows:

Shares Capitalization Value¹	Minimum Free Float Shares Allocation
< IDR5 trillion (approx. USD290 million)	25%
IDR5 trillion – IDR50 trillion (approx. USD290 million – USD2,900 million)	20%
> IDR50 trillion (approx. USD2,900 million)	15%
At least IDR30 trillion (approx. USD1,760 million)	Subject to IDX's discretion

Further, the 2026 Listing Rule obliges a listed company to maintain its free float allocation above for 12 months since its listing date. This obligation will support liquidity for a newly listed company for the next 12 months after its listing date make it alignment with IDX's goal to improve the effective liquidity of the Indonesian stock market.

Continuous Free Float Obligation to Remain Listed in IDX

The 2026 Listing Rule increased continuous obligation for a listed company to maintain its free float shares to become at least 50 million shares and 15% of free float shares after 1 year of being listed. Specifically, to remain listed at the Main Board, a listed company must maintain a free float capitalization value of more than IDR200 billion (approx. USD11.8 million).

In order to comply with the above IDX provides transition period for listed company to adjust its free float shares as follows:

Criteria	Compliance Deadline
Listed companies with at least IDR5 trillion (approx. USD290 million) Shares Capitalization Value and having a free float below 12.5% per 31 March 2026	To achieve at least 12.5% free float allocation by 31 March 2027, and then at least 15% free float allocation by 31 March 2028
Listed companies with at least IDR5 trillion (approx. USD290 million) Shares Capitalization Value and having a free float between 12.5% - 15% per 31 March 2026	To achieve at least 15% free float allocation by 31 March 2027
Listed companies with Shares Capitalization Value below IDR5 trillion (approx. USD290 million) per 31 March 2026	To achieve at least 15% free float allocation by 31 March 2029

IDX may amend the above deadline by considering market conditions and with prior OJK's written approval.

¹ "Shares Capitalization Value" is defined as the total amount of listed shares multiplied with the IPO price (for a prospective listed company) or market price (for a listed company).

Mandatory Lock-up Period

IDX has formally obliged the controlling shareholder of a prospective listed company to maintain its control for at least 12 months (“**Mandatory Lock Up**”). If the IPO prospectus disclosed a prospective change of controller, the Mandatory Lock Up is also applicable to the new controller. This Mandatory Lock Up will give comfort and protection for public shareholders that for 12 months after listing there will be no change of control other than as disclosed in the IPO prospectus.

Governance Requirements

Starting from 31 March 2026, all prospective listed companies must fulfil the following corporate governance requirements:

1. Having at least 1 person in the company responsible for its bookkeeping, who is a certified chartered accountant and/or certified public accountant either by a relevant professional association recognized in Indonesia or international organization, OR appointing a practicing or public accountant to do the company’s bookkeeping; and
2. The company’s board of directors, board of commissioners, and audit committee members having undergone regular training in capital market and corporate governance.

How Does This Impact Your Company

1. If your company is planning to conduct an IPO

The 2026 Listing Rules is already effective. There are two points of action to follow up on:

1. You want to review your offering structure and make sure that it the new free float requirement as we have elaborated in “**Increased Percentage of Free Float Shares Allocation in IPO & Listing Process**”.
2. On top of what has been prepared based on the previous listing rules, ensure that your company meet the additional corporate governance requirements as elaborated in “**Governance Requirements**” section.

2. If your company is currently listed in IDX

There are two points you want to follow up on:

1. Meeting the new free float allocation requirements

Depending on your current shares capitalization value and free float allocation, IDX allows between 1 – 3 years transition period (up until 31 March 2029) before you are required to meet at least 15% free float allocation. For the breakdown of which transition period that is applicable to your company, please see “**Continuous Free Float Obligation to Remain Listed in IDX**” section.

2. Meeting the additional corporate governance requirements

Listed companies are expected to either employ or appoint a certified accountant to be responsible to company’s bookkeeping by **31 March 2027**.

IDX does not provide any specific timeline regarding the training on capital market and corporate governance for company’s board of directors, board of commissioners, and audit committee.

Contact Us



Kristo Molina

Partner

k.molina@altaadvocates.com



Regina Wangsa

Associate

regina@altaadvocates.com

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