

# OJK Regulation No. 4/2024

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On February 28, 2024, the Financial Services Authority (*Otoritas Jasa Keuangan* or “OJK”) enacted a new regulation regarding the reporting of changes in shares ownership in a public company, as outlined in OJK Regulation No. 4 of 2024 on Reports on Ownership of or Changes in Ownership of Shares in Public Companies and Reports on Activities Pledging Shares in Public Companies (“OJK Reg. 4/2024”). This is not the first time OJK has issued regulations on this matter, and OJK Reg. 4/2024 supersedes the previous regulation, OJK Regulation No. 11/POJK.04/2017 concerning Reports on Ownership of or Change in Ownership of Shares in Public Companies (“OJK Reg. 11/2017”).

OJK Reg. 4/2024 introduces new rules regarding the reporting of ownership of shares in public companies and also modifies some provisions of the previous regulation. While this regulation imposes additional obligations on shareholders to report their ownership of shares, it also offers some leniency compared to its predecessor regarding existing reporting obligations.

In this article, we aim to outline several new provisions that we believe will have significant impacts on the shareholders of a public company. Below are the significant changes:

## 1. the entities subject to the reporting requirement

Before the enactment of OJK Reg. 4/2024, shareholders subject to reporting requirements included those classified as:

- a. Shareholders who were also members of the board of directors (“BOD”) and board of commissioners (“BOC”) of the public company. This applies to all shares owned by them, whether directly or indirectly, and with or without voting rights; and
- b. Shareholders who directly or indirectly owned at least 5% of the paid-up capital of the public company.

Following the implementation of OJK Reg. 4/2024, adjustments were made to the parties subject to reporting obligations so that they now include the following:

- a. BOD and BOC members who are also shareholders are now subject to reporting obligations only if their shares have voting rights;
- b. shareholders who directly or indirectly own at least 5% of the paid-up capital of the public company; and
- c. the controller of the public company, regardless of the percentage of shares they own.

These adjustments do not apply to BOD and BOC members who own shares without voting rights. Additionally, OJK Reg. 4/2024 provides clarity that indirect controllers owning directly no more than 5% of shares in a public company are also subject to reporting requirements. Hence, the report will cover all shareholders of a private company whose subsidiary is a public company.

## 2. reporting for shareholders classified as an "organized group"

In contrast to previous regulations, OJK Reg. 4/2024 introduces a new provision regarding reporting by organized groups. An organized group is defined as parties who collaborate to achieve a specific goal through plans, agreements, or decisions. This provision primarily targets group shareholders who share the same controller or are affiliated parties acting collectively within a public company.

When a group of shareholders is classified as an 'organized group,' the reporting of their share ownership is consolidated and performed by a single shareholder designated as the representative of the group.

### **3. the percentage unit for reporting**

One of the new provisions introduced in OJK Reg. 4/2024 pertains to the reporting threshold for changes in ownership percentage units. Previously, under OJK Reg. 11/2017, any change of at least 0.5% in share ownership by shareholders subject to reporting requirements had to be reported to the OJK. However, with the issuance of OJK Reg. 4/2024, reporting obligations now extend to any change in the percentage unit of ownership of shares with voting rights in a public company. If the percentage after the change is a fractional percentage, it is rounded down to determine whether a change in the percentage expressed as a whole number has occurred.

For instance, if there's a change from 5.1% to 6.2%, then, after rounding down it represents a change from 5% to 6%, triggering the requirement to report to the OJK. Conversely, if the change is from 6.1% to 6.99%, it is not considered a change because rounding down 6.99% still results in 6%, and thus no report to the OJK is required.

Unlike previous regulations that mandated reporting only of changes of 0.5% or more, the new regulation now requires relevant shareholders to report any change, even if it is as small as 0.1%, as long as it alters the percentage of share ownership expressed as a whole number after rounding down.

### **4. the reporting requirement for activities pledging shares**

Another new provision introduced by OJK Regulation 4/2024 pertains to activities pledging shares. Previously, there was no requirement for shareholders to report to the OJK any activities pledging their shares. However, with the issuance of this regulation, shareholders subject to reporting requirements must now submit a report to the OJK if they pledge or secure their shares to any party. Specifically, activities pledging at least 5% of shares with voting rights, whether in a single activity or a series of activities, must be reported to OJK.

This new provision is motivated by unreported activities by shareholders which risk a significantly change in share ownership in the public company if a default occurs which results in the execution of the collateral in the form of shares, thus causing a change in control that cannot be monitored by shareholders or regulators.

### **5. the reporting period**

Initially, under OJK Regulation 11/2017, there were different reporting periods for management (i.e., BOD and BOC) and other shareholders subject to reporting requirements. The reporting periods were as follows:

- a. for management: three business days after the change; and
- b. for other shareholders: ten days (if reported by the party subject to the obligation) or five days (if reported through a power of attorney).

However, with the enactment of OJK Regulation 4/2024, the reporting period for all shareholders, including management, has been standardized to five business days. This ensures equal treatment for all shareholders of a public company who are subject to reporting requirements.

Other than the five changes/new provisions we highlight above, there are other provisions that may affect the shareholders' obligations to submit reports on changes of share ownership to the OJK. Please refer to the attachment of this article for a matrix comparing OJK Reg. 11/2017 and OJK Reg. 4/2024. As a note, all obligations outlined in OJK Regulation 4/2024 will come into effect six months after its enactment, i.e., on 28 August, 2024

## Matrix of Comparison

No.	Subject	OJK Reg 11/2017	OJK Reg. 4/2024
1.	<b>Pledges of Public Company Shares</b>  (Article 1 paragraph (6) jo. Article 6)	<i>Unregulated</i>	Activities Pledging Public Company Shares means an activity carried out by shareholders who collateralize shares in the form of pledging and/or securing their Public Company shares.  Shareholders are required to submit a report with the form and content according to the format in the Appendix if the pledge involves at least 5% of the shares with voting rights whether in a single activity or an aggregation of several activities.
2.	<b>Shares vs Shares with Voting Rights</b>  (Article 2 paragraph (1))	Members of the Board of Directors or members of the Board of Commissioners of a Public Company must report to the Financial Services Authority on their ownership and any changes in their direct or indirect ownership of the shares of the Public Company.	Members of the Board of Directors or members of the Board of Commissioners of a Public Company who directly or indirectly own shares with voting rights are required to submit a report to the Financial Services Authority on their ownership of shares with voting rights and changes in ownership of shares with voting rights of Public Companies.
3.	<b>Parties with the Obligation to Report</b>  (Article 2 paragraph (2) and paragraph (3))	Any Party that directly or indirectly owns shares representing at least 5% (five percent) of the paid-up capital a the Public Company must report any change in ownership of at least 0.5% (zero point five percent) of the paid-up shares in the Public Company whether in a single transaction or in several transactions.	a. any Party that owns at least 5% (five percent) of shares with voting rights must report any change which decreases their ownership of shares with voting rights to less than 5% (five percent); and  b. the controlling party of a Public Company – whether their ownership is more or less than 5%.
4.	<b>Organized Groups</b>  (Article 2 paragraph (4))	<i>Unregulated</i>	Reporting is done by one of the shareholders appointed to represent the organized group if the organized group cumulatively owns at least 5% (five percent) of the shares with voting rights, or by organized groups who constitute a controlling shareholder.  "Organized group" means parties who make plans, agreements, or decisions to work together to achieve a specific goal.

No.	Subject	OJK Reg 11/2017	OJK Reg. 4/2024
5.	<p><b>Percentage Unit</b></p> <p>(Article 2 paragraphs (5) and (6))</p>	Unregulated	<p>The obligation to submit a report on the change of ownership of voting rights over shares of a Public Company for Parties referred to in paragraph (2) applies to any change in the percentage of ownership of shares with voting rights of a Public Company expressed as a whole number from the previous percentage expressed as a whole number.</p> <p>If the change in the percentage of shares with voting rights owned in a Public Company is a fraction, the percentage owned is rounded down to determine whether or not there has been a change in the percentage expressed as a whole number.</p> <p><i>Explanation:</i></p> <p><i>The relevant change is a change in the whole number before the decimal.</i></p> <p><i>Example: percentage change from 5.1% to 6.2%, means a change from 5% to 6%. However, a percentage change from 6.1% to 6.99% is not considered a change because rounding down 6.99% is still 6%</i></p>
6.	<p><b>Policy and Policy Implementation</b></p>	<p>a. Public Companies must have a policy regarding the obligation to report changes in share ownership of members of the Board of Directors and Board of Commissioners.</p> <p>b. The implementation of the policy must be disclosed in the annual report or the Public Company's website.</p>	Unregulated
7.	<p><b>Reporting Period</b></p>	<p>a. <u>Management</u></p> <p>3 working days</p> <p>b. <u>Other than management</u></p> <p>10 days (if done by the party who is obliged to report) or 5 days (if the reporting is done through a power of attorney)</p>	5 working days (whether the reporting is carried out by the party who is obliged to report or through a power of attorney, and whether done on changes in management shares or other shares)

No.	Subject	OJK Reg 11/2017	OJK Reg. 4/2024
8.	<b>Inheritance</b>  (Article 3 paragraph (4))	<i>Unregulated</i>	In the event that a change of ownership of voting rights over shares occurs due to inheritance, the Party receiving the inheritance of shares is obliged to report the change.
9.	<b>Exception</b>  (Article 3 paragraph (5))	<i>Unregulated</i>	There are exceptions from the provisions regarding reporting obligations, if changes in shares ownership of Public Companies occur due to:  a. corporate action taken by the Public Company in the form of increased capital with or without a grant of Preemptive Rights; or  b. corporate actions taken by Public Listed Companies without any transactions by shareholders.
10.	<b>Contents of the Report</b>  (Article 4)	-	There are additional matters that must be disclosed in the Report, including:  a. Type of transaction made;  b. Description of shares classification;  c. The name of the shareholder who gave the power of attorney (if using a power of attorney);  d. Details of group members (if the report is by an organized group); and  e. Explanation of whether the controller will maintain its control or not.  The report should use the form and content according to the format in the Appendix.

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*The article above was prepared by Dentons HPRP's lawyers*

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