

OJK Eases Share Buyback Regulation Amid Market Volatility

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Since September 2024, Indonesia's composite index (*Indeks Harga Saham Gabungan* or **IHSG**) has been under significant pressure, dropping 1,682 points or 21.28% from its highest level to date. This decline has been driven by uncertainty over a weakening global economy, domestic policy changes under the new government, and political development.¹ This decline reached its lowest point in March 2025, driven by investor concerns over policy directions and the political climate.² Discussions on potential revisions to the Military Law regarding the dual roles of the armed forces, speculation about the Ministry of Finance's leadership, and substantial foreign capital outflows have added to market uncertainties, further impacting the IHSG.³

In response to the ongoing market downturn, the Financial Services Authority (*Otoritas Jasa Keuangan* or **OJK**) issued OJK Letter No. S-17/D.04/2025 on 18 March 2025 regarding Policy on the Implementation of Share Buybacks by Public Companies in Significantly Fluctuating Market Conditions ("**OJK Letter on Buy Back**"). The letter formally recognizes the current state of Indonesia's share market as a significantly fluctuating market condition. This designation aligns with the criteria for a fluctuating market under Article 2 letter (g) of OJK Regulation No. 13 of 2023 regarding Policies to Maintain the Performance and Stability of the Capital Market in Significantly Fluctuating Market Conditions ("**POJK 13/2023**"), which grants OJK the authority to declare a market condition as significantly fluctuating.

What Relaxation Measures Did the OJK Provide Responding to the Significantly Fluctuating Market?

In response to OJK Letter on Buy Back, which recognizes Indonesia's share market as experiencing significantly fluctuating conditions, the OJK has provided relaxation measures related to share buybacks. Under OJK Letter on Buy Back and Article 7 and Article 8 of POJK 13/2023, public companies are permitted to conduct share buybacks of up to 20% of issued and paid-up capital without requiring approval from the General Meeting of Shareholders (GMS). This policy allows companies to react swiftly to market instability, helping to stabilize their share prices and prevent further declines. In the short term, buybacks can drive share prices higher, boost investor confidence, and give companies greater flexibility in managing volatility. Ultimately, this measure supports market recovery and, finally, lifts the Indonesian IHSG.⁴

¹ IDX Composite Slips to 7,696, 7 Sectors Decline, The Jakarta Post, September 27, 2024, <https://www.thejakartapost.com/business/2024/09/27/idx-composite-slips-to-7696-7-sectors-decline.html>

² Ekonom INDEF: IHSG Anjlok Jadi Alarm Masalah Politik dan Ekonomi, Bisnis.com, March 21, 2025, https://market.bisnis.com/read/20250321/7/1863330/ekonom-indef-ihsg-anjlok-jadi-alarm-masalah-politik-dan-ekonomi?utm_sourcet.com

³ Bikin IHSG Anjlok 7%, Ini Daftar Isu yang Jadi Perhatian Investor, CNBC Indonesia, March 18, 2025, <https://www.cnbcindonesia.com/market/20250318124423-17-619564/bikin-ihsg-anjlok-7-ini-daftar-isu-yang-jadi-perhatian-investor?com>

⁴ Ekonom: Buyback Tanpa RUPS Beri Fleksibilitas Emiten Stabilkan Saham, Antara News, March 2025, <https://www.antaraneews.com/berita/4724681/ekonom-buyback-tanpa-rups-beri-fleksibilitas-emiten-stabilkan-saham>

What Criteria Should Be Met in Order To Conduct The Buyback in the Significantly Fluctuating Market?

Further to the above, to conduct share buybacks without GMS approval, publicly traded companies must comply with Article 5, Article 6, and Article 14 of OJK Regulation No. 29 of 2023 regarding The Buyback of Shares Issued by Publicly Traded Companies (“**POJK 29/2023**”). The regulation outlines the necessary criteria that publicly listed companies must meet in order to conduct the buyback as set forth below:

a. Source of Funds:

Public company must ensure that the source of funds to be used for the implementation of the buyback of shares:

- i. Public companies should not significantly affect the company's financial ability to meet its due obligations;
- ii. the funds must come from the company's internal resources;
- iii. they should not be from funds raised through a public offering; and
- iv. they must not come from loans and/or debts in any form.

b. Liquidity of Shares:

Buyback of shares cannot be conducted if it would reduce the number of shares to a level that significantly impacts shares liquidity on the stock exchange.

What is the Share Transfer Period for a Buyback Shares in a Significantly Fluctuating Market?

In times of significantly fluctuating conditions of the share market, the OJK provides regulatory flexibility for publicly listed companies in transferring shares acquired through buybacks. As stipulated in Article 14 of POJK 13/2023, OJK requires that buyback shares during the significantly fluctuating conditions of the share market be transferred within 30 days after the buyback has been fully executed or upon the expiration of the buyback period (which is a maximum of three months from the date the company publishes disclosure of information about the buyback), whichever comes first.

This transfer period is notably shorter than the standard timeframe set out in Article 16 of POJK 29/2023, which applies under normal market conditions, where publicly listed companies are allowed a maximum of three years to transfer buyback shares following the completion of the buyback. In other words, POJK 13/2023 emphasizes that the share transfer period during significantly fluctuating conditions of the share market is shorter than the transfer period under normal market conditions.

When Will the Policy Ends?

As the policy outlined in OJK Letter on Buy Back becomes a regulatory measure introduced by OJK to manage market volatility and offer regulatory flexibility for publicly traded companies to minimize the impact of significant market fluctuations, its applicability is limited to a certain amount period of time. As stated in OJK Letter on Buy Back, the policy allowing share buybacks without GMS approval is valid for six months from March 18, 2025. This means that public companies may conduct share buybacks without GMS approval, provided they meet the criteria outlined in POJK 29/2023, until 18 September 2025.

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The article above was prepared by Dentons HPRP's lawyers

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