

## INDONESIA

Walalangi & Partners



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## Indonesia's multiple voting shares system to boost company listing

Hans Adiputra Kurniawan of Walalangi & Partners explain why Indonesia's multiple voting shares system is a breakthrough to boost company listing

Rapid development and increased inclusivity of technology have been significantly stimulating the growth of tech-based innovative companies in Indonesia, especially in the retail/consumer and digital financial sectors.

It is commonly understood that the continuation and further development of tech-based companies are dependent on the vision of their founders, as well as accessibility to massive funding and equity support at the development phase of business.

Public offering has been acknowledged as one of the effective methods of fundraising, but at the same time entails a potential risk for dilution of the founders' shareholding, which in turn may affect their ability to maintain control of the company.

To balance the two poles of interest, and simultaneously aim to improve market deepening and capitalisation of Indonesian capital markets, in December 2021, the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*, OJK) enacted the long-awaited Regulation No. 22/POJK.04/2021 (OJKR 22/2021).

OJKR 22/2021 introduces a 'new' voting shares class system (that has also been recognised by various stock exchanges in other countries, such as NYSE, HKEX, and Nasdaq), allowing eligible companies to issue shares with multiple voting rights (i.e., one share may have more than one voting right based on certain tiering thresholds – MVS) through an initial equity public offering process (IPO); practically enabling the existing controlling shareholder to retain control of the company after the IPO by holding MVS.

This is a breakthrough from the traditional voting shares class system, where each share is issued either with one voting right or with no voting right.

MVS is valid for a maximum of 10 years as of the effective date of IPO registration (effective IPO registration) with possible extension for another 10 years upon approval of the company's independent shareholders. Subsequently, the MVS must be converted into ordinary shares.

Companies that are eligible to issue MVS (eligible companies) are those (i) whose core business utilises technology and contributes to increased productivity, economic growth, and social benefit; (ii) whose shareholder(s) provides a significant contribution to the utilised technology; (iii) with at least three years of operation, total assets of at least IDR 2 trillion (\$140 million), and annual growth of at least 30% (revenue) and 20% (asset) for the last three years; and (iv) who have never conducted any public offering of equity securities.

The shareholders entitled to hold MVS for the first time are those approved by the eligible company's general meeting of shareholders (GMS) and named in the IPO prospectus. Other parties allowed to hold MVS after the completion of the IPO include (i) those identified in the IPO prospectus as potential MVS holders, and (ii) any director with a significant contribution to the eligible company's business growth and approved by the eligible company's independent shareholders.

For MVS holders in the form of a juristic person, it must be directly owned, at least 99% by the MVS holder(s) and/or ex-MVS holder(s), have director(s) with relevant expertise to support the eligible company's business and, if it is an Indonesian juristic person, engage in the management consultation business.

MVS holders are prohibited to transfer their MVS for two years after the effective IPO registration. In addition, all existing ordinary shareholders of the eligible company prior to the effective IPO registration may not transfer their shares for eight months after the effective IPO registration if the book value per share is lower than the IPO price.

Currently, only tech company PT GoTo Gojek Tokopedia Tbk – GoTo has implemented the MVS system under OJKR 22/2021. As the regulation is relatively new, it is expected that more tech companies will

follow the path set by GoTo in the near future.

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