



Client Alert October 2022 Foreign Capital Ownership Threshold in Securities Company

Along with the endeavours of providing legal certainty for Indonesian securities company, on September 13th, 2022, the President of the Republic of Indonesia has issued a new Government Regulation Number 31 of 2022 on Foreign Capital Ownership in Securities Company (“GR 31/2022”), which provides foreign capital ownership limitation in a Joint Venture Securities Company.

GR 31/2022 serves as one of efforts of the Indonesian Government to further improve ease doing business in Indonesia, particularly for securities company which conducts business activities as an underwriter, brokerage and/ or investment manager.

Key Highlights – Foreign Capital Ownership

Following the issuance of GR 31/2022, It is noteworthy that the regulation divided securities company into 2 (two) different forms, namely: (i) National Securities Company (*Perusahaan Efek Nasional*), whose shares are wholly owned by Indonesian citizens and/ or Indonesian legal entities; or (ii) Joint Venture Securities Company (*Perusahaan Efek Patungan*), whose shares are owned by Indonesian citizens or legal entities and foreign legal entities engaged in financial sector. The foreign legal entities are allowed to hold certain equity stake in a securities company to the extent that they fulfill the following conditions:

- a. Shares of a Joint Venture Securities Company may be owned by a foreign legal entity engaged in financial sector other than securities in the maximum of 85% (eighty five percent) of the issued and paid-up capital of the Joint Venture Securities Company; or
- b. Shares of a Joint Venture Securities Company may be owned by a foreign legal entity engaged in securities sector that has obtained a permit or is under the supervision of the Capital Market regulator in their country of origin in the maximum of 99% (ninety nine percent) of the issued and paid-up capital of the Joint Venture Securities Company.

GR 31/2022 also stipulates certain exclusion, whereby the above requirements do not apply if such National Securities Company or a Joint Venture Securities Company conduct a Public Offering. In this regard, shares of a National Securities Company or a Joint Venture Securities Company that conduct Public Offering may be entirely owned by domestic investors or foreign investors that are/ not engaged in the financial sector.

Aside from the requirement on the foreign ownership limitation, GR31/2022 does not differentiate the scope of services between the National Securities Company and Joint Venture Securities Company. Furthermore, the function and role of both types of securities companies remain similar.

Key Takeaways

GR 31/2022 provides more clarity and ease of doing business for investors that intends to conduct business as securities company in Indonesia.

GR 31/2022 has revoked Government Regulation Number 45 of 1995 on the Implementation of Activities in the Capital Market Sector as amended by Government Regulation Number 12 of 2004 on the Amendment of Government Regulation Number 45 of 1995 as the regulation is deemed no longer relevant with the development of laws and regulations in Indonesia.



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