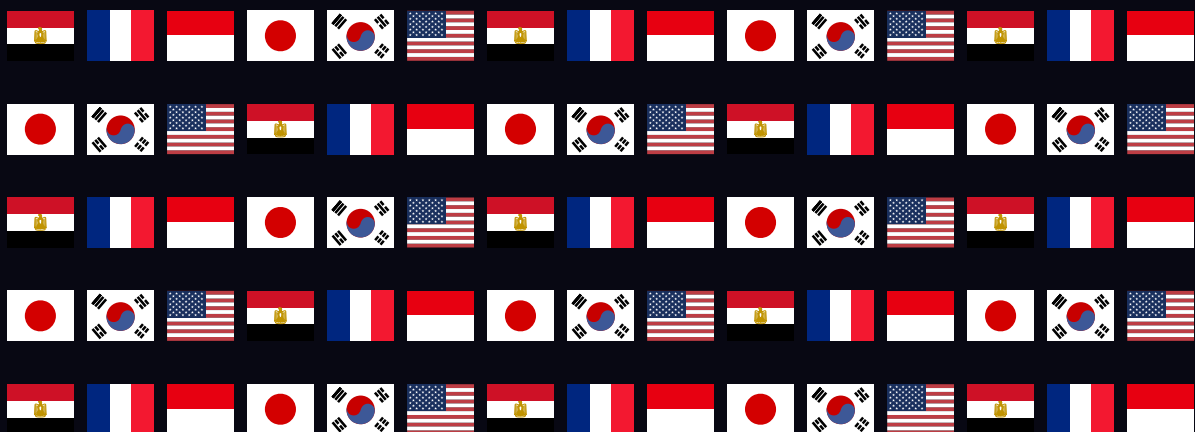


FINANCIAL SERVICES M&A

Indonesia



Financial Services M&A

Consulting editors

David L Portilla, Minh Van Ngo

Cravath, Swaine & Moore LLP

Quick reference guide enabling side-by-side comparison of local insights, including into the market and policy climate; key legislation; required regulatory consents and filings; ownership restrictions; directors and officers' issues; foreign investment restrictions; competition law and merger control issues; deal structures and strategic considerations; tax; ESG, public relations, political and policy risk management; shareholder activism; due diligence, including in relation to emerging technologies; pricing and financing; purchase price adjustments; deal terms (including reps and warranties, indemnities and closing conditions); dispute resolution; and current trends.

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Contributors

Indonesia



Monic Nisa Devina
mdevina@abnrlaw.com
ABNR



Elsie F. Hakim
ehakim@abnrlaw.com
ABNR



Rully Hidayat
rhidayat@abnrlaw.com
ABNR



MARKET AND POLICY CLIMATE

Market climate

How would you describe the current market climate for M&A activity in the financial services sector in your jurisdiction?

The covid-19 pandemic has adversely affected M&A activity in the financial sector in Indonesia. However, during 2021, M&A activities recovered to some extent. The majority of financial services M&A transactions in Indonesia were led by both foreign and domestic investors.

No information is publicly available on the total number and deal volume of M&A activity in the financial services sector. However, according to the Financial Services Authority (OJK) report for the second quarter of 2021, during the first and second quarter of 2021, OJK received a total of 37 applications, which comprised two merger and 35 acquisition applications in non-banking financial institutions, and 13 of these were completed. Further, based on the data available on the Business Competition Supervisory Commission (KPPU) website, the KPPU was notified of:

- 195 M&A transactions in 2020 (including approximately eight financial services M&A transactions); and
- 106 M&A transactions in 2021 (6).

The above data includes inbound and outbound M&A transactions. However, it can be assumed that the actual number of M&A transactions in Indonesia was greater than notified to KPPU.

In addition, ABNR assisted the following major financial services M&A transactions:

- an 80 per cent interest in PT Tifa Finance Tbk by the Korea Development Bank;
- an 80 per cent interest in PT Finansia Multi Finance by KB Kookmin Card Corp;
- acquisition by Industrial Bank of Korea (IBK) and subsequent merger of PT Bank Agris Tbk and PT Bank Mitraniga Tbk to become PT Bank IBK Indonesia Tbk;
- acquisition by APRO Financial Ltd and subsequent merger of Indonesian publicly listed lenders PT Bank Dinar Tbk and PT Bank Oke Indonesia; and
- acquisition by Shinhan Bank Co Ltd and subsequent merger of PT Bank Metro Express and PT Centratama Nasional to become PT Bank Shinhan Indonesia.

Law stated - 03 January 2022

Government policy

How would you describe the general government policy towards regulating M&A activity in the financial services sector? How has this policy been implemented in practice?

Government policy has been to strengthen and create a conducive investment climate for M&A activity in the financial services sector. A set of regulations, including for financial services M&A transactions, has also been issued by the authorities, particularly on banking M&A transactions and financial institutions, to provide greater certainty for financial institutions, investors and related parties.

Law stated - 03 January 2022

LEGAL AND REGULATORY FRAMEWORK

Legislation

What primary laws govern financial services M&A transactions in your jurisdiction?

The financial services sector comprises three main subsectors: (1) banking; (2) non-banking financial institutions, including insurance, pension funds, securities companies, multi-finance companies, venture capital companies and other financial institutions; and (3) capital markets, including securities companies, securities brokers and asset management companies, to which regulations at national and sectoral level apply.

Within the context of M&A transactions, the provisions concern M&A procedures, shareholding requirements, capitalisation structure, foreign investment restriction, requirements for shareholders, reporting obligations, soundness levels and risk management, and fit and proper tests (FPTs) for controlling shareholders and members of the board of directors (BOD) andc (BOC).

For certain financial institutions (banking, insurance and capital markets), the provisions on M&A transactions are set out at both national (law and government regulations) and sectoral levels (Financial Services Authority (OJK) and other authority regulations). For other financial institutions, including multi-finance, venture capital companies, microfinance, fintech, peer-to-peer lending, equity crowdfunding, non-bank payment system providers and other financial institutions, the provisions on M&A transactions are set out at sectoral level (in OJK or Bank Indonesia (BI) regulations).

In addition, financial services M&A in the capital market sector must also comply with procedures and requirements in capital market regulations issued by OJK, the Indonesian stock exchange, the Indonesian Clearing and Guarantee Corporation and the Indonesian Clearing and Guarantee Institution.

Law stated - 03 January 2022

Regulatory consents and filings

What regulatory consents, notifications and filings are required for a financial services M&A transaction? Should the parties anticipate any typical financial, social or other concessions?

In accordance with the applicable laws and regulations in financial services, the following are typical approvals required for financial services M&A transactions:

- approval of the acquisition plan by the BOD and BOC of the target company;
- approval by creditors or interested parties (if applicable);
- approval by a general meeting of shareholders (GMS) of the target company;
- corporate approval of the acquirer (if applicable);
- approval by the relevant financial services authorities in the jurisdiction of the foreign acquirer (if applicable);
- OJK approval on the proposed M&A transaction and an FPT of the prospective controlling shareholder(s) (PSP). A PSP is defined as an individual, legal entity or a group of companies that own 25 per cent or more of the issued shares with voting rights or own less than 25 per cent of the issued shares with voting rights but exert direct or indirect control over the financial services institution; and
- if the target company is publicly listed, it must also comply with the procedures under the capital market regulations.

The approvals above are required for a financial services M&A transaction regardless of the deal structure.

Ownership restrictions

Are there any restrictions on the types of entities and individuals that can wholly or partly own financial institutions in your jurisdiction?

Yes, there are specific requirements on the type of entity and individuals that are wholly or partly permitted to own financial institutions in Indonesia, depending on the financial institution concerned.

Particularly for the banking sector (commercial banks), OJK Regulation No. 56/POJK.03/2016 on Share in a Commercial Bank (the Bank Share Ownership Regulation) sets out maximum shareholdings for:

- banks or other non-banking financial institutions: 40 per cent of the bank's capital;
- an individual non-financial legal entity: 30 per cent of the bank's capital; and
- individual shareholders: 20 per cent of the bank's capital (25 per cent of a sharia's bank capital).

However, these limitations do not apply to banks that had existing shareholders above the thresholds before the issuance of the Bank Share Ownership Regulation, as long as the bank has a health rating of 1 or 2. However, this exception is voided should any of the following occur:

- the bank's health rating deteriorated to level 3, 4 or 5 for three consecutive assessment periods.
- a shareholder above the threshold voluntarily sells its shares to another party.

Should either of the above occur, the bank must adjust its shareholding composition to conform with the share ownership limits under the Bank Share Ownership Regulation.

In addition, the above limits are not applicable to:

- central government; and
- institutions functioning to manage and/or salvage the bank from insolvency.

For non-banking financial institutions, certain requirements apply, depending on their type: for example, the majority of the shares in insurance companies must be held by an insurance company with similar business, or by a parent company, one of whose subsidiary companies is engaged in a similar insurance business sector. Further, foreign ownership in insurance and multi-finance companies by foreign individuals can only be undertaken via transactions in the securities exchange.

Law stated - 03 January 2022

Directors and officers – restrictions

Are there any restrictions on who can be a director or officer of a financial institution in your jurisdiction?

Directors and commissioners of a financial institution must undergo FPT approval by OJK. During the FPT process, OJK will assess various aspects of applicant directors or commissioners, which includes their integrity, financial

reputation and competence. A director or commissioner applicant must also have experience in banking or non-banking financial services institutions or another relevant sector, proven by:

- relevant experience at a non-banking financial services institution; and/or
- experience in a position relevant to the assignment or employment plan of the party concerned.

Depending on the type of the financial institution and its requirements, the director or commissioner may be either an Indonesian or foreign citizen, except for certain positions that cannot be occupied by foreigners. All directors must reside in Indonesia, and requirements on the composition and position of BOD and BOC members also apply.

Specific personnel or officials of each financial institution are subject to OJK rules and regulations, and those of the professional association concerned.

Law stated - 03 January 2022

Directors and officers – liabilities and legal duties

What are the primary liabilities, legal duties and responsibilities of directors and officers in the context of financial services M&A transactions?

In respect of directors and officials, Indonesian law on limited liability companies provides for a mandatory two-tier management system comprising a BOD and BOC. The BOD is fully responsible for management of the company. The primary duty of the BOC is to supervise the way the BOD discharges its management responsibilities, and to advise the BOD.

Further, the articles of association (AoA) of a company typically require that decisions of the BOD require prior approval of the BOC or a GMS to limit the authority of the BOD over certain external matters of the company.

In the event of a potential financial services M&A transaction, the BOD and BOC of the target company and the prospective controller (if an Indonesian company) play a significant role in the implementation of an M&A transaction. As part of its management duties, the BOD must:

- ensure that the M&A transaction is in the interests of the company, in accordance with its AoA;
- ensure that the implementation of the M&A transaction complies with the applicable laws and AoA regulations; and
- deal with the prospective acquirer and the shareholders, and liaise with the consultant and authorities on the proposed M&A transaction. The BOC must supervise and provide advice and approval for financial services M&A transactions.

Law stated - 03 January 2022

Foreign investment

What foreign investment restrictions and other domestic regulatory issues arise for acquirers based outside your jurisdiction?

The foreign investment restriction would depend on specific financial services sectors. The following are the foreign investment restrictions on banking and non-banking financial institutions:

Financial services sector	Maximum foreign investment
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Banking	99%
Multi-finance	85%, and no limitation applicable to a publicly listed multi-finance company
Venture capital company	85%
Insurance company	80%
Non-banking payment system providers	85%, with 51% of voting rights held by Indonesian shareholders
Peer-to-peer lending	85%
Securities companies	85%, with no limitation applicable to a publicly listed securities company

Generally, other than certain administrative requirements, there is no specific rule for acquirers based outside Indonesian jurisdiction. All applications are assessed in the same manner. If, as assessed by the financial services authorities, the application, the supporting documents necessary, and other requirements can be fulfilled by the prospective controllers, the financial services authorities will issue their approval.

Law stated - 03 January 2022

Competition law and merger control

What competition law and merger control issues arise in financial services M&A transactions in your jurisdiction?

A financial services M&A transaction may be subject to merger control notification as stipulated under Law No. 5 of 1999 on Monopolistic Practices and Unfair Business Competition, as amended by Law No. 11 of 2020 on Job Creation (Job Creation Law) (Indonesian Competition Law) and its implementing regulation, KPPU Regulation No. 3 of 2019 on the Assessment of Mergers and Consolidations of Undertakings or Acquisition of Shares in a Company that May Result in Monopolistic Practices and/or Unhealthy Competition (KPPU Reg. 3/2019), the details of which are further elaborated under Merger Control Guidelines issued on 6 October 2020 (the Merger Control Guidelines).

If a financial services M&A transaction fulfils certain criteria under the Indonesian Competition Law, KPPU Reg. 3/2019 and Merger Control Guidelines, it may be subject to mandatory merger notification to the KPPU.

This requirement is determined by fulfilment of the following criteria (on a cumulative basis) on whether the transaction:

- results in a change of control;
- meets assets or sales thresholds;
- has a direct impact on the Indonesian market; and
- is carried out between non-affiliated companies.

If all the criteria above are satisfied, the acquisition may be subject to notification to the KPPU within 30 business days of the legally effective date of the M&A transaction.

Law stated - 03 January 2022

DEAL STRUCTURES AND STRATEGIC CONSIDERATIONS

Common structures

What structures are commonly used for financial services M&A transactions in your jurisdiction?

Share deals are used mainly for financial services M&A transactions in Indonesia, rather than asset deals. The structure for a share deal is either via purchase of the shares of the target company from existing shareholders (Option 1) or subscription to new shares issued by the company (Option 2).

The timeline, legal requirements, documentation, and acquisition structure for the purchase of existing shares, and subscription to new shares, are much the same. An M&A transaction in a publicly listed company will take longer than for a non-listed company. Option 1 procedures are rather simple compared with those for Option 2.

In Option 1, a potential buyer may deal directly with existing shareholders on the proposed acquisition transaction; in Option 2, the potential acquirer must deal with the target company. In Option 1, there will be no change in the equity and capital of the target company, as the consideration for the purchase price goes to the seller; in Option 2, the target company will enhance its capital and equity as the injection of capital goes to the target company.

A merger, generally, is straightforward, and no particular structure is commonly used in a financial services merger. However, particularly for a banking M&A, the Financial Services Authority (OJK) implements a structure aimed at encouraging foreign investment in the Indonesian banking industry by allowing the normal 40 per cent foreign ownership cap in the banking sector to be bypassed by means of a three-stage process involving the acquisition by a foreign investor of two or more Indonesian banks and the subsequent merging of the acquired banks to form a new entity.

Law stated - 03 January 2022

Time frame

What is the typical time frame for financial services M&A transactions? What factors tend to affect the timing?

In general, it takes around nine to 12 months to complete a financial services M&A transaction. This is determined largely by the time spent on a due diligence investigation and negotiations over the transaction documents. A financial services M&A transaction will require prior approval from OJK and the new controlling shareholder will also need to undergo an OJK FPT. This may take around one to three months to complete upon the submission of complete documents and applications.

Law stated - 03 January 2022

Tax

What tax issues arise in financial services M&A transactions in your jurisdiction? To what extent do these typically drive structuring considerations?

In an M&A transaction, the investor will need to know not just the assets of the target company but all its liabilities, including for tax liabilities. The target company may be subject to an Indonesian tax authority audit that covers the five years from the filing of a tax return.

It is, therefore, crucial for an investor to carry out a thorough tax due diligence investigation on the target company and obtain extensive indemnities and warranties from the seller on its tax liabilities. The Indonesian tax authorities

scrutinise the tax compliance of companies in Indonesia quite thoroughly, which can trigger an audit.

Law stated - 03 January 2022

ESG and public relations

How do the parties address the wider public relations issues in financial services M&A transactions? Is environmental, social and governance (ESG) a significant factor?

There has been an increase in concern over the implementation of ESG in the financial sector, which has resulted in due diligence of M&A transactions focusing also on ESG factors and related attainment of targets.

From a regulatory perspective, the OJK has released its Sustainable Finance Roadmaps Phase I (2015- 2019) and II (2021-2025) as initial steps to increase financial institutions' awareness and capacity for ESG compliance. OJK also requires submission to it by financial services providers of a sustainable finance action plan or sustainability report.

Law stated - 03 January 2022

Political and policy risks

How do the parties address political and policy risks in financial services M&A transactions?

Most investors recognise that political and policy uncertainties in Indonesia may lead to drastic changes in rules and regulations. To mitigate the risks that might arise, it is common for an investor to include a condition precedent in an M&A transaction document related to a change in law that may impact implementation of the transaction. An investor would therefore have the flexibility to decide whether to conclude the transaction should a new policy or regulation not be favourable to the investor or the business.

Recent trends also include the use of representation and warranties insurance which provide sellers with a 'cleaner' exit and investors with protection over and above breach indemnity typically included in a transaction document should a seller breach representation or warranties, including changes to political and policy risk that may materially impact completion of the transaction.

Law stated - 03 January 2022

Shareholder activism

How prevalent is shareholder activism in financial services M&A transactions in your jurisdiction?

Indonesian law recognises and protects minority shareholder rights in an M&A transaction, in that a minority shareholder that does not approve the M&A transaction may require the company to purchase their shares at a reasonable price. Since under Indonesian company law, a target is only allowed to buy back shares of up to 10 per cent of the total issued and paid-up capital of the target, the target might need to find a buyer (which could be the investor) to purchase the minority shareholder's unsold shares. However, conclusion of the share buyback will not halt the M&A process.

Despite the above, shareholder activism in financial services M&A transactions is not prevalent, especially for transactions that involve public companies where minority shareholders are relatively passive. However, when acquiring a publicly listed financial services company, the new controller is required to carry out a tender offer (for the existing public shares that remain, and which are not exempted from sale by the capital market rules).

Law stated - 03 January 2022

Third-party consents and notifications

What third-party consents and notifications are required for a financial services M&A transaction in your jurisdiction?

Aside from prior approval from the OJK, each M&A transaction will need to take into account the interest of the target company's creditors and employees, and for such purposes the company involved will need to announce the acquisition or merger plan in a newspaper.

If creditors do not object to the acquisition or merger within 30 days of the announcement, they will be deemed to have approved the transaction. However, if an objection is submitted by creditors, the transaction cannot be concluded until the objection is resolved by the company. If the acquisition or merger results in a change of the terms and conditions of employees, they will be entitled to seek termination of their employment and be entitled to a severance package as stipulated in the labour laws and regulations.

Law stated - 03 January 2022

DUE DILIGENCE

Legal due diligence

What legal due diligence is required for financial services M&A transactions? What specialists are typically involved?

Since financial services are a heavily regulated sector in Indonesia, legal due diligence of a financial services M&A transaction involves extensive review. Apart from the corporate aspects of the target, which include rights of the seller over the target's shares, the investor should also check compliance of the target with the requirements established by the prevailing financial sector laws and regulations (to ensure the target has obtained the required operating licence or permit, and whether it has submitted all activity reports required, including regulatory approval of products or services (where necessary)).

A review of the target's material contracts is also important, to identify potential liabilities or associated risks. Other aspects typically examined during legal due diligence also include:

- entitlement over assets;
- IT and cooperation with an IT provider (if relevant);
- perfection of security on each loan provided to customers (as relevant); and
- existence of disputes that may have a material impact on the target.

Law stated - 03 January 2022

Other due diligence

What other material due diligence is required or advised for financial services M&A transactions?

Financial and tax due diligence is also required, to assess the soundness of the target and its business. The combination of legal, financial and tax due diligence will provide a complete overview on the financial state of health of the target and assess the efficiency of the structure for the proposed transaction.

Law stated - 03 January 2022

Emerging technologies

Are there specific emerging technologies or practices that require additional diligence?

To date, no notable emerging technologies or practices in the financial sector require additional diligence, other than general due diligence, on the use of IT by the target to support their business and any cooperation arrangements entered into with IT providers.

Law stated - 03 January 2022

PRICING AND FINANCING

Pricing

How are targets priced in financial services M&A transactions? What factors typically affect valuation?

Typically, the target price will be based on multiples of EBITDA (earnings before interest, taxes, depreciation and amortisation) to assess the enterprise value of the target. The multiplication can vary depending on the size of the business, customer base (including its potential growth), interest rate, collectability of existing loan products, etc. In practice, collectability of loan products becomes a key factor in determining the enterprise value of the target.

Law stated - 03 January 2022

Purchase price adjustments

What purchase price adjustments are typical in financial services M&A transactions?

Given that completion of financial services M&A transactions may take some time (six to nine months) and other events can occur from the execution of a conditional share purchase agreement until the closing date, purchasers tend to opt to incorporate adjustment of net value against the initial purchase consideration. The covid-19 pandemic has also given rise to a net value adjustment approach, as some target companies' assets have been affected by the economic slowdown and repayment liabilities for loans or financing.

Law stated - 03 January 2022

Financing

How are acquisitions typically financed? Are there any notable regulatory issues affecting the choice of financing arrangements?

The acquisition of shares is by way of a sale-and-purchase agreement or capital injection in the financial sector typically funded by the acquirer's internal fund. The Financial Services Authority (OJK) banking division requires the new controller or acquirer to prepare and submit a statement in an OJK FPT that states that the funds used to acquire the bank do not originate from any loan or financing facility whatsoever from banks or other parties in Indonesia or from or for the purpose of money laundering.

While the OJK rules on the non-banking sector are silent on the use of loans or laundered money for acquiring an insurance, financing, securities and other non-banking financial services company, in practice the OJK will question a potential new controller on the source of funding during a non-banking financial services company FPT. The OJK will

assess whether a new prospective controller meets the following criteria, including:

- not having non-performing loans or financing;
- never declared bankrupt or never been a shareholder, controller, member of a board of directors or commissioners convicted of causing a company to be declared bankrupt within the last five years prior to the nomination;
- has financial capacity to support the business development of the company shown by the position of the last annual financial report, audited by public accountant, which describes its liquidity, solvency, investment placement, return on assets and return on equity positions; and
- is committed to take whatever action deemed necessary should the company face financial difficulty.

With regard to the above, it is highly unlikely that the OJK will approve an M&A in financial services when the acquirer relies on a financing arrangement to fund the transaction. In addition, the OJK may require additional information and supporting documents for FPT purposes.

Law stated - 03 January 2022

DEAL TERMS

Representations and warranties

What representations and warranties are typically made by the target in financial services M&A transactions? Are any areas usually covered in greater detail than in general M&A transactions?

In financial services M&A transactions, sellers are requested to provide full-blown representations and warranties in greater detail to purchasers, as the financial services sector is highly regulated by the government (Financial Services Authority (OJK) and Bank Indonesia (BI)). The typical representations and warranties in financial services M&A transactions are, as follows:

- capacity and authority;
- title to shares;
- organisation, capitalisation and shareholding;
- licences and compliances;
- books, records and accounts;
- suspension of payments and bankruptcy;
- litigation and investigation;
- material contracts and transactions with related parties;
- taxes;
- employment matters;
- title to assets;
- intellectual property; and
- anti-bribery and anti-money laundering arrangements.

Law stated - 03 January 2022

Indemnities

What indemnities are typical for financial services M&A transactions? What are typical terms for indemnities?

Financial services are considered a highly regulated sector and proper compliance with the rules issued by OJK and BI is considered a result of satisfactory due diligence and completion of M&A transactions. Financial services companies that have been incorporated and in operation for more than 15 years may have some non-compliance issues that may attract administrative sanctions from written warnings to revocation of business licence.

Although OJK and BI have not yet revoked the business licence of a financial services company without giving prior administrative sanctions to the financial services company, it is advisable that clients implement fully fledged indemnities ranging from a survival period (at least five years for tax matters, and without limit for title to shares or ownership), with a maximum or capped amount of claim up to the value of the transaction and special indemnity.

Law stated - 03 January 2022

Closing conditions

What closing conditions are common in financial services M&A transactions?

As financial services M&A transactions may take some time (six to nine months) to complete, purchasers may require confirmatory due diligence to be completed at least 30 working days prior to the expected closing date to confirm the accuracy of the target company's books and records, as well as of the materials provided by the sellers or the target company as of the last fiscal quarter end immediately preceding the expected closing date.

Generally, this confirmatory due diligence will focus on whether there has been (1) a deterioration of the target company's assets (consumer loans, financing or other material contracts considered target company assets) and (2) fraud, wilful misconduct, gross negligence or transactions entered into other than in the ordinary course of business consistent with past practice.

In addition, the success of an FPT and approval of change of control by the new controller must be a key prerequisite before the parties can close an M&A transaction in financial services. No other business sector is required to undergo an FPT before an M&A transaction can be concluded.

Law stated - 03 January 2022

Interim operating covenants

What sector-specific interim operating covenants and other covenants are usually included to cover the period between signing and closing of a financial services M&A transaction?

Typically, purchasers would request that the sellers run the target company as usual, without any major changes in the ordinary course of business, consistent with past practice. The covenants usually found in the financial services M&A transactions include:

- to maintain the number of employees and key employees working in the target company;
- not to declare or distribute dividend or interim dividend to any party;
- carrying out corporate action that might adversely affect a proposed M&A transaction;
- amend or propose to amend the target company's AoA that results in a change in the nature of the business of the target company;

- make or acquire a loan or issue a commitment for a loan, take action that would result in the release of collateral or a guarantee or otherwise restructure a loan other than in the ordinary course of business consistent with past practice, or as approved by the purchasers;
- not to amend any tax obligations that have been filed with the authorities (including changing the accounting method with respect to tax obligations);
- taking action to settle or compromise litigation that involves the target company, except for payment obligations under existing contracts; and
- amend, enter into, renew or terminate a material contract that may or may not have an adverse effect on the company, without the consent or request of the purchaser.

Law stated - 03 January 2022

DISPUTES

Common claims and remedies

What issues commonly give rise to disputes in the course of financial services M&A transactions? What claims and remedies are available?

Prior to convening the GMS, the target companies will prepare and announce the proposed M&A transaction in specified newspapers. The announcement is intended to enable concerned parties to find out about the plan and submit objections if they feel that their interests will be harmed.

Creditors who object to a proposed M&A transaction must submit an objection to the target company within 14 days of the announcement, and the GMS of target company must settle all creditor claims before it can conclude the M&A transaction. If creditors' claims are not settled, the GMS cannot resolve the M&A transaction and it must be halted. Although this is very rare, the target company and the sellers must propose a workable solution acceptable to the purchasers.

If, for whatever reason, the target company's GMS cannot support the proposed M&A transaction, a good-faith purchaser may extend the target completion date or terminate the M&A transaction and claim a penalty from the sellers, which range from 5-10 per cent of the transaction value.

Law stated - 03 January 2022

Dispute resolution

How are disputes commonly resolved in financial services M&A transactions? Which courts are used to resolve these disputes and what procedural issues should be borne in mind? Is alternative dispute resolution (ADR) commonly used?

Since Indonesia follows freedom of contract and choice of forum, parties are free to choose the law to govern the contract or agreement, and the forum to hear and resolve disputes that arise in financial services M&A transactions. Parties sometimes opt for Indonesian law to govern and foreign arbitration to resolve disputes.

(The Singapore International Arbitration Centre (SIAC) is the most commonly used foreign arbitration tribunal in contracts that involve foreign parties.)

Although a SIAC award is recognised and enforceable in Indonesia, in some instances an arbitral award may be denied if:

- the award is issued by an arbitrator or arbitration tribunal in a foreign country that is not signatory to an

international convention on the recognition of foreign arbitral awards to which Indonesia is a signatory, or does not have a bilateral arrangement with Indonesia on the recognition of arbitral awards on a reciprocal basis;

- the award is not on a commercial law matter;
- the award is against the public policy of Indonesia;
- the award does not and will not conflict with the prevailing laws and regulations of the state of the seat of arbitration; or
- there is currently, and will be, no decision or order of a court with jurisdiction over the seat of arbitration nullifying the award.

Law stated - 03 January 2022

UPDATE AND TRENDS

Trends, recent developments and outlook







What are the most noteworthy current trends and recent developments in financial services M&A in your jurisdiction? What developments are expected in the coming year?

Given that the Financial Services Authority (OJK) has issued several regulations to limit the number of national banks by increasing the mandatory minimum capital requirement, most small banks have now been acquired by foreign investors. In addition, some large banks have acquired small banks and turned them into fully digital banks.

Most foreign investors are targeting non-bank financial institutions: financing companies, insurance companies and securities companies. In the coming year, significant growth is expected in the financing sector as OJK has recently amended the maximum foreign ownership of publicly listed financing companies from 85 to 100 per cent.

Law stated - 03 January 2022

Jurisdictions

	Egypt	Soliman, Hashish & Partners
	France	Bredin Prat
	Indonesia	ABNR
	Japan	Mori Hamada & Matsumoto
	South Korea	Bae, Kim & Lee LLC
	USA	Cravath, Swaine & Moore LLP