

Indonesia's Capital Market Reform: Transparency, Enforcement, and the Path Forward

Indonesia's capital market is currently undergoing a meaningful period of reform. Following engagement with MSCI in early 2026, the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and the Central Securities Depository (KSEI) have introduced a series of coordinated measures aimed at strengthening market integrity and improving transparency. These reforms are not merely policy statements but form part of a structured response with clear deliverables and institutional accountability.

From an M&A perspective, these reforms are relevant in assessing structuring acquisitions and identifying post-transaction compliance obligations.

The Core Issue: Structural Gaps in the Market

The reform agenda aims to address several longstanding concerns, including limited public shareholding, lack of transparency in ownership structures, and inconsistent enforcement of existing regulations. While Indonesia's capital market laws already contain prohibitions on fraud, manipulation, and insider trading, the challenge has generally been in the consistency and effectiveness of enforcement rather than the absence of rules. In practice, these gaps have created an environment where market conduct may not always reflect underlying fundamentals.

Transparency Measures: Ownership Disclosure

One of the most immediate developments is the introduction of public disclosure of shareholders holding more than 1 percent of a listed company. Since March 3, 2026, IDX and KSEI have begun publishing this data on a monthly basis. From a market perspective, this is a significant step.

In our experience, limited visibility over ownership structures has been a recurring concern for both domestic and foreign institutional investors, particularly in the context of due diligence. This measure may enhance transparency for acquirers in identifying key shareholders and assessing control dynamics of the target. The effectiveness of this measure will, however, depend on the reliability of reporting mechanisms and the consistency of supervisory oversight.

Free Float Reform: Striking the Right Balance

Under the latest IDX Regulation I-A framework, the minimum free float requirement is to be increased from 7.5% to 15%, to be implemented on a gradual basis. While this is intended to improve liquidity and reduce the risk of price distortion, it may have implications for acquisition structures that result in concentrated ownership.

At the same time, it is important that implementation is approached with appropriate calibration. Companies



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with highly dispersed ownership and no clear controlling shareholder may face governance challenges, including difficulties in achieving quorum at general meetings and reduced management accountability. The objective should therefore be to achieve a balanced ownership structure

Enforcement: From Rules to Practice

Enforcement remains a central consideration in the effectiveness of these reforms. Between 2022 and early 2026, OJK has imposed administrative sanctions across a significant number of cases, including those involving market misconduct. A number of criminal investigations are also ongoing. While this reflects increased regulatory activity, administrative sanctions alone may not be sufficient to create a strong deterrent effect. Consistent and proportionate use of criminal enforcement, where appropriate, will be important in reinforcing market discipline.

Looking Ahead

These reforms reflect a broader principle that transparency and enforcement must operate together to support market confidence. The current measures represent a positive and necessary step.

For M&A transactions, these developments should be factored into transaction structuring, due diligence, and post-closing compliance planning.



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