

SGX and IDX – A Collaboration for Opportunities

The Singapore Exchange (**SGX**) recently announced that it has entered into a Memorandum of Understanding (**MOU**) with its counterpart, the Indonesia Stock Exchange (**IDX**), which will allow both exchanges to lay the groundwork for greater market connectivity between Singapore and Indonesia. The MOU is more expansive than the MOU on depository receipts linkage which the SGX and the Stock Exchange of Thailand signed in May 2023. These MOUs reflect a push to foster greater connectivity between regional markets in the Association of Southeast Asian Nations (**ASEAN**) and provide additional investment opportunities for investors beyond their respective markets.

WongPartnership and Makes & Partners Law Firm (**Makes**) – member firms of WPG, a regional law network – explore the opportunities that such connectivity between Indonesia and Singapore will bring to issuers and investors.

Indonesia and Singapore Capital Markets

The MOU is timely as it allows both markets to benefit from recent trends in Indonesia's capital markets and developments in Singapore as an international financial hub.

Over the past ten years, Indonesia has been a testbed for many fintech and e-commerce-related businesses because of its high domestic mobile phone penetration rate which has created a conducive environment for such businesses to thrive. Along with 2021 regulatory reforms aimed at encouraging more listings by start-ups, it is expected that the next few years will see a number of such companies proposing to list.

Beyond fintech and e-commerce, Indonesia's capital markets have also witnessed a diverse range of industries participating in initial public offerings (**IPOs**). In 2023, the IDX welcomed 79 new listings which raised a total of approximately IDR 54,000 billion (SGD 4.9 billion) in IPO proceeds. Companies from the energy and mining sectors – with a particular emphasis on sustainability and green technology – were among the major IPOs for the year.

Against this backdrop, the SGX's market connectivity initiatives will allow IDX-listed companies to tap into a wider pool of international investors, establish a regional presence and participate in cross-border collaborations.

Greater investment opportunities for Singapore investors

The collaboration outlined in the MOU will allow for opportunities relating to the potential joint development of exchange products, including the issuance of depository receipts and exchange traded funds (ETFs), including cross-listing and a master-feeder structure, and even the exploration of dual listings between Indonesia and Singapore.

For Singapore investors, this provides investment opportunities in Indonesian companies and businesses which had in the past been limited. Industries which may be of particular interest to Singapore investors include fintech, with Indonesia attracting substantial investments in its technology sector, as well as green technology and sustainability, which was the largest contributor to Indonesia's IPO scene in 2023.

However, Singapore investors must recognise that the legal and regulatory framework governing Indonesian companies is different from that in Singapore. Appreciating the differences will augment their understanding of Indonesian corporate governance and reporting obligations and thereby facilitate investment decisions. For example, in addition to the general meeting of shareholders and the board of directors, an Indonesian company has an additional organ known as the board of commissioners, which has no executive powers but acts as the supervisory body over the board of directors. Further, IDX-listed companies do not have independent directors but instead have independent commissioners. In contrast, SGX-listed companies require at least one third of their board of directors to be independent.

Another notable difference is the threshold requirement for disclosure on material transactions for IDX-listed companies. For SGX-listed companies, transactions with values that exceed 5% of the base (e.g., net asset value or net profits) warrant immediate disclosure, whereas for IDX-listed companies with positive equity, transactions with values that equal to or exceed 20% of the base only need to be disclosed within two business days from the date of transaction.

Increased exposure and benefits for IDX-listed companies and Indonesian Investors

IDX-listed companies will also stand to benefit from increased exposure to a wider pool of international investors as major global institutional investors are based in Singapore. Given Singapore's strong standing as an international financial centre and the SGX's position as a gateway for international companies seeking to participate in Asia's vibrant economies, there is already high investor familiarity with businesses with pan-Asian presence on the SGX.

Based on total market capitalisation, around 40% of SGX-listed companies consist of international companies, of which companies from Northeast and Southeast Asia make up a large portion. In fact, there are more than 20 SGX-listed companies with businesses and operations from Indonesia, representing various sectors including real estate investment trusts (**REITs**), energy, industrial, materials, consumer and resources. This percentage of international companies is substantially higher than that of the Stock Exchange of Hong Kong, NASDAQ or New York Stock Exchange.

Investors in IDX-listed companies may also find opportunities through trading in Singapore currency on the SGX.

While there may be technical differences between the Singapore regulatory framework and its Indonesian counterpart, the regulatory approach and structure applied in both jurisdictions are broadly similar. At a high-level, both Singapore and Indonesia prohibit insider trading and securities market manipulation and also confer on shareholders the right to apply to the courts to remedy situations of oppression or unfairness. There are also similarities on a procedural level. For example, both jurisdictions require directors to obtain shareholders' approval for allotment and issuance of shares, disposal of all or a substantial part of the company's assets, and the determination of directors' remuneration or emolument. On this basis, IDX-listed companies would be able to readily adapt to the Singapore corporate governance environment.

Moreover, Indonesian retail investors could also benefit from the cross-listing of Singapore products on the IDX, as this will provide them with the ability to trade in the securities of SGX-listed companies, which are known to be generally resilient and stable.

For more information on the differences in IDX and SGX-listed companies, please do not hesitate to reach out to WongPartnership and Makes.

If you would like information and/or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership or Makes whom you normally work with or the following Partners:



Dr Yozua MAKES

Founder and Managing Partner

d: +62 21 547 7181

e: ymakes

[@makeslaw.com](https://www.makeslaw.com)

Click [here](#) to view Dr Yozua's CV.



Gail ONG

Head – Equity Capital Markets

d: +65 6416 8205

e: gail.ong

[@wongpartnership.com](https://www.wongpartnership.com)

Click [here](#) to view Gail's CV.



Iwan SETIAWAN

Senior Partner

d: +62 21 547 7181

e: setiawan

[@makeslaw.com](https://www.makeslaw.com)

Click [here](#) to view Iwan's CV.



James CHOO

Partner – Equity Capital Markets and
Indonesia Practices

d: +65 6416 2418

e: james.choo

[@wongpartnership.com](https://www.wongpartnership.com)

Click [here](#) to view James's CV.

 [Connect with WongPartnership.](#)

About WPG

WPG brings together a group of prominent law firms across six countries in a collaboration to provide clients with legal services in ASEAN, China and the Middle East. The network includes WongPartnership's Singapore headquarters and office in China as well as its member firms in Abu Dhabi, Dubai, Indonesia, Malaysia, and the Philippines.

As a market leader and full-service firm, WongPartnership has been involved in landmark corporate transactions as well as high-profile litigation and arbitration matters. WongPartnership's Equity Capital Markets Practice advises issuers and underwriters on public and private placements, including primary and secondary listings on the SGX, Bursa Malaysia, IDX and Stock Exchange of Thailand. As a leading capital markets firm based in Singapore, WongPartnership is involved in IPOs and secondary listings on the SGX Mainboard, including IPOs of REITs and business trusts, across a diverse range of offerings, from large, high-profile transactions with landmark and novel issues seeking innovative solutions to listings on Catalist for dynamic, high growth companies. The team also assists listed clients on rights issues, private

placements and the issuance of convertible securities in addition to advising them on their continuing listing obligations in relation to matters such as capitalisation issues, the adoption of employee share schemes and privatisations.

Makes – a member firm of WPG, a regional law network set up by WongPartnership – is an innovative, award-winning Indonesian law firm and is a leader in Indonesia's integrated corporate finance and corporate commercial legal services market. Makes' Equity Capital Markets Practice is highly regarded and has maintained top-tier rankings for many years. The team regularly advises issuers and underwriters on IPOs, listings and follow-on offerings on the Indonesia Stock Exchange, and has been involved in many complex and precedent-setting transactions over the years. As a trendsetter, Makes has achieved a number of "firsts" in Indonesia, having advised on the first IPO of an Indonesian REIT on the SGX, the first privatisation of an Indonesian state-owned company on the NYSE and NASDAQ in 1995, the first voluntary tender offer, the first non-cash settlement rights issue, dual-track offering (sale by the company and sale by certain shareholders) and the first offering with green shoe option for stabilisation of price after IPO, among others.

OUR REGIONAL PRESENCE



WPG brings together a group of prominent law firms across six countries in a collaboration to provide clients with legal services in ASEAN, China and the Middle East. The network includes our Singapore headquarters and office in China as well as our member firms in Abu Dhabi, Dubai, Indonesia, Malaysia, and the Philippines.

Together, clients can expect the best legal advice across ASEAN, China and the Middle East.

Winning Partnerships. Leading Excellence.

The partnership between Makes & Partners and WongPartnership offers a full range of services to clients including transactional, advisory and dispute resolution capabilities.

Both firms regularly work together on a range of corporate/M&A transactions, both inbound and outbound, in Indonesia and the region. Working seamlessly on various matters, the team has been able to deliver commercially focused advice and negotiation skills that drive successful outcomes for clients. Through a full-service offering, we are able to deliver to clients access to a team of highly experienced dispute resolution lawyers, including a number of specialists who are recognised leaders in their fields, who are committed to protecting their clients' interests throughout the region.

AWARDS

Makes & Partners and WongPartnership are consistently recognised in various leading legal publications.



OFFICES

SINGAPORE

WongPartnership LLP
 12 Marina Boulevard Level 28
 Marina Bay Financial Centre Tower 3
 Singapore 018982
 t +65 6416 8000
 f +65 6532 5711/5722
 w wongpartnership.com

INDONESIA

Makes & Partners Law Firm
 Menara Batavia, 7th Floor
 Jl. KH. Mas Mansyur Kav. 126
 Jakarta 10220, Indonesia
 t +62 21 574 7181
 f +62 21 574 7180
 w makeslaw.com