

New IDX Listing Rule: Implications for IPO Candidates – What’s Changed and Why It Matters

In brief

This client alert forms part of a continuing series in which we track and analyze recent amendments to the Indonesia Stock Exchange (“**IDX**”) Listing Rule. Earlier editions of this series focused on existing listed companies, with an emphasis on the post-listing compliance implications of the revised regulatory framework.

In this latest edition, we shift our focus to IPO candidates. The newly issued IDX Listing Rule introduces several material requirements that apply at the pre-IPO stage and have the potential to significantly influence IPO structuring, offer mechanics, shareholder composition and execution strategy. This alert highlights the most relevant changes affecting IPO candidates and outlines key practical considerations that issuers, sponsors and advisors should assess early in the IPO process to mitigate regulatory risk and ensure a smooth and successful listing.

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1. **Higher Entry Bar for New IPOs**

The IDX has raised the entry-level free float shares requirements, introducing a tiered free float shares framework based on post-listing market capitalization, applicable to both the Main Board and the Development Board:

Market Capitalization	Minimum Free Float Shares
Below IDR 5 trillion	25%
IDR 5 – 50 trillion	20%
Above IDR 50 trillion	15%

The required free float shares must be maintained for at least one year from the listing date. At the end of that period, the general free float shares requirement of 15% will apply.

In addition, the IDX retains discretion to determine a different minimum percentage of free float shares for IPOs raising at least IDR 30 trillion.

2. **Exclusion of Pre-IPO Minority Shareholders from Free Float Calculation at Initial Listing**

Under the new IDX Listing Rule, shares held by any pre-IPO shareholders are expressly excluded from the free float shares calculation at the time of initial listing. Based on the IDX’s clarification during the socialization sessions, this principle also applies to debt-to-equity securities, such as mandatory convertible bonds. Accordingly, any shares issued upon the conversion of mandatory convertible bonds concurrently with the IPO would be excluded from the free float calculation.

This represents a fundamental departure from prior market practice. Under the previous regime, although not expressly regulated, the IDX generally permitted listing applicants to include qualifying minority pre-IPO shareholdings to satisfy free float shares requirements upon initial listing. This flexibility is no longer available.

However, the IDX Circular Letter clarifies that qualified pre-IPO shareholders may still be taken into account for purposes of the ongoing obligation to maintain free float after listing. Hence, the exclusion applies only at the initial listing stage, but has significant implications for IPO structuring and offer sizing.

3. *New Post-IPO Lock-Up Framework for Controllers*

The new IDX Listing Rule formalizes the IDX's long-standing practice of imposing post-IPO lock-up and control maintenance obligations on controlling shareholders. Under the new framework, controlling shareholders may be required by the IDX to maintain control and/or be subject to restrictions on the transfer of part or all of their shareholdings for a prescribed post-listing period.

Importantly, the new IDX Listing Rule clarifies that where a post-listing change of control is disclosed in the IPO prospectus, the applicable lock-up obligations will also apply to the incoming controlling shareholders. While similar undertakings were often required in practice under the previous regime, the new rules provide a clear and explicit regulatory basis for these requirements. Lock-up restrictions will apply for a minimum of 12 months from the listing date, or such other period as may be determined by the IDX, taking into account factors such as the strategic role of the controlling shareholders and public investor protection considerations.

The IDX Circular Letter further provides operational clarity by confirming that lock-up obligations are assessed by reference to the direct controlling shareholders' shareholding at the time of listing. A controller holding more than 50% may transfer shares during the lock-up period only if its shareholding remains above 50%, whereas a controlling shareholder holding 50% or less is prohibited from transferring any shares during the lock-up period.

4. *Enhanced Financial Eligibility for Main Board IPO Candidates*

The new IDX Listing Rule introduces an enhanced financial eligibility requirement for Main Board IPO candidates, who must now record a positive retained earnings balance in their latest financial statements submitted with the listing application. This requirement applies in addition to existing financial thresholds and reflects the IDX's increased emphasis on financial sustainability and earnings quality.

Main Board IPO candidates must satisfy the positive retained earnings requirement and meet one of the following financial tests:

- (a) Profit-based test: profits before tax in the most recent financial year and net tangible assets of at least IDR 250 billion
- (b) Accumulated profitability test: cumulative profits before tax of at least IDR 100 billion over the last two financial years and a share capitalization of at least IDR 1 trillion prior to listing
- (c) Revenue scale test: revenue of at least IDR 800 billion in the most recent financial year and a share capitalization of at least IDR 8 trillion prior to listing
- (d) Asset size test: total assets of at least IDR 2 trillion in the most recent financial year and a share capitalization of at least IDR 4 trillion prior to listing
- (e) Cash flow test: cumulative operating cash flows of at least IDR 200 billion over the last two financial years and a share capitalization of at least IDR 4 trillion prior to listing

Key Actions to Consider

In light of the new IDX Listing Rule, IPO candidates and their stakeholders should consider the following actions at an early stage:

1. Reassess IPO structuring, including offer size, allocation strategy, cornerstone and anchor participation, and post-IPO shareholder concentration, to ensure compliance with higher free float entry thresholds and the one-year post-listing stabilization requirement.
2. Recognize that the exclusion of pre-IPO minority shareholders at initial listing materially elevates the importance of IPO structuring, offer sizing, and allocation mechanics in achieving listing eligibility.
3. Treat post-IPO lock-up requirements as a core IPO structuring issue, with direct implications for control planning and exit strategies.
4. Address financial readiness early, including retained earnings position and capitalization strategy, particularly for growth-stage and sponsor-backed issuers targeting the Main Board.

If you would like to discuss how these changes may affect your company or upcoming transactions, please reach out to your usual HHP contacts.

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