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IDX simplifies rules to entice mining companies to tap the equity market

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On 20 October 2014, the Indonesia Stock Exchange (IDX) issued Decision No. KEP00100/BEI/10-2014 which outlines a set of simplified listing rules aimed at attracting mining (mineral and coal) companies.

The new rules cover mining companies that have already obtained a mining business license and:

- are not yet in production; or
- are already in production but sales have not commenced; or
- have reached the sales stage but have not had the opportunity to seek capital.

The new rules come into effect on 1 November 2014 and supplement the existing and more general IDX Regulation I-A on listing of shares and equity-type securities other than shares issued by listed companies.

To qualify for listing, the prospective issuer's net tangible assets and deferred exploration costs must be at least Rp100 billion for listing on the Main Board and Rp5 billion for the Development Board. Additionally, one or more of the company's directors must have technical expertise and at least five years' work experience in the mining sector within the past seven years. The prospective issuer must also maintain proven and probable reserves certified by a competent authority (in other countries this is referred to as either "Competent Person Report" or "Qualified Person Report"), have a clean and clear certificate and have undertaken a feasibility study. Other requirements detailed in IDX Regulation I-A must be adhered to as well. Mining companies already listed on the IDX must meet

the new requirement for a director with the technical expertise and five years' work experience on or before 1 July 2015.

The new rules are more "business friendly" to miners. Mining businesses are capital intensive by nature and through the application of these new rules the IDX hopes to make it easier for mining companies to tap capital markets. Under IDX Regulation I-A (while no quantitative threshold in terms of revenues and profits are stipulated), healthy and growing revenues and profits are required which miners can find difficult to achieve: exploration and development can take a number of years and it is only after production commences that a mining company can show signs of profitability. This new rule allows mining companies to list during the pre-production and early production phases. In addition, the new rules are seen as a competitive move by the IDX since other Asian exchanges (namely in Hong Kong and Singapore) introduced their own rules to attract mining companies in recent years. The IDX is also looking to simplify its rules for oil and gas companies.

For the IDX in general, there have been 17 new listings between January and September 2014 bringing the total number of IDX listed companies to 501* with an aggregate market capitalisation of approximately Rp5,116 trillion (US\$420 billion)* as at 30 September 2014. Time will tell whether these new rules for mining companies will spur the growth in the capital market that the IDX is looking for.

* Source: World Federation of Exchanges

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