

Venture Capital Firms (“VC”) in Indonesia 101

Legal Basis	: 1. Law No. 20 of 2008 regarding Micro, Small, and Medium Enterprises; 2. Regulation of the Financial Service Authority (Otoritas Jasa Keuangan – “ OJK ”) No. 34/POJK.05/2015 on VC Companies’ Business License and Structure; 3. Regulation of OJK No. 35/POJK.05/2015 on VC Companies Business Operations; 4. Regulation of OJK No. 36/POJK.05/2015 on the Implementation of Good Corporate Governance in VC Companies; and 5. Regulation of OJK No. 37/POJK.05/2015 on Direct Inspection of VC Companies.
Form of VCs	: VCs in Indonesia can be in the form of: (i) Cooperatives; or (ii) Limited Liability Companies; or (iii) Limited Partnership Companies (<i>Perusahaan Komanditer</i>).
Foreign Shareholding Restriction	: For VCs in the form of limited liability companies the maximum foreign shareholding is, direct or indirect, 85% (eighty five percent) of the total issued shares.
Capital Requirements	: 1. Rp. 50,000,000,000.00 (fifty billion Rupiah) for VCs in the form of limited liability companies; and 2. Rp. 25,000,000,000.00 (twenty five billion Rupiah) for VCs in the form of Cooperatives and Limited Partnership Companies. Notwithstanding the above the OJK regulations also provide capital and equity requirements for VCs that have obtained license prior to the promulgation of regulations set out above.
Licensing Requirement	: A VC must obtain a business license from the OJK.
Scope of Business	: (i) Equity participation; (ii) Quasi equity participation (eg equity participation by purchasing convertible bonds); (iii) Financing via the the purchase of debt securities issued by target companies at the start-up level and/or business development ; (iv) Financing of productive business; and (v) Venture fund management VCs may also conduct other activities with prior approval from the OJK.

The Criteria of the Target Companies	: The target companies where VCs can invest must be micro, small, and medium enterprises (“SMEs”). SMEs are a small entity owned and managed by a person or by a small group of people with a specific amount of assets or income. SMEs criteria is an entity with net assets of maximum Rp 10,000,000,000,- (ten billions Rupiah) or income of maximum Rp 50,000,000,000,- (fifty billions Rupiah).
Source of Funding	: VCs source of funding can be from the following (either onshore or offshore): (i) Venture funds; (ii) Loans; (iii) Assets securitization; (iv) Medium term notes; (v) Bonds; (vi) Subordinated loans; (vii) Shares; (viii) Grants; and (xi) Bequest/Donation (<i>wakaf</i>).
Restriction on Business Activities:	: Some business restrictions apply for VCs are as follows: (i) collecting funds directly from community (i.e saving account, giro); (ii) providing guarantee for any third parties; (iii) issuing promissory notes except as collateral to its creditor banks; (iv) the venture funds must be distributed in the form of Venture Capital Business to a target Company and/or debtor that are not listed on the stock exchange; (v) any loan facility > IDR 1 billion received by a VC must be appraised by an independent appraiser; (vi) if a VC obtained a subordinated loan, the loan must be: (a) at least with minimum tenor of 5 years and (b) in notarial deed form; (vii) the maximum loan that can be received by a VC is ten times of their gearing ratio; (viii) a local VC (ie without foreign shareholding participation) must have assets in the form of capital participation, loan facility and convertible bonds of at least 40% of their total assets; (ix) the maximum capital participation or convertible bonds in a target company is 20% of a VC’s equity and in any case the entire

	<p>capital participation or convertible bonds in all target companies must not exceed the VC Companies' equity; and</p> <p>(x) the maximum loan facility that can be provided by a VC in a target company is 10% of its total assets.</p>
<p>Reporting Requirements</p>	<p>: General reporting requirements for VCs are as follows:</p> <p>(i) monthly report submission to OJK; and</p> <p>(ii) submission of Audited Financial report to OJK at the latest 4 (four) months after the date of financial report.</p> <p>Reporting requirements for VCs which conduct the management of venture funds are as follows:</p> <p>(i) quarterly report submission to the OJK and investors at the latest 10 (ten) business days after the ends of each reporting period; and</p> <p>(ii) submission of annual audited financial report to the OJK and investors at the latest 6 (six) months after the date of financial report.</p>

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