

The Urgency of a 30 Percent Free Float Regulation to Strengthen Legal Protection for Retail Investors

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Abstract. *This study analyzes the urgency of increasing the minimum free-float threshold to 30 percent as a legal instrument to strengthen retail investor protection and improve the quality of Indonesia's capital market. The current minimum free-float requirement of 7.5 percent, as regulated in Indonesia Stock Exchange Regulation No. I-A, is no longer sufficient to ensure trading liquidity, prevent price manipulation, or protect minority shareholders. Using a normative legal method based on statutory, conceptual, and comparative approaches, this research compares Indonesia's regulatory framework with practices adopted in several jurisdictions. The United Kingdom sets a minimum free float of 10 percent for domestic companies and 25 percent for non-UK issuers; Malaysia requires at least 15 percent; Hong Kong mandates a 25 percent public float; Japan imposes a 35 percent tradable share ratio for Prime Market listings; and India requires a minimum public shareholding of 25 percent. The findings show that Indonesia's free-float level remains far below these jurisdictions, making the market more vulnerable to volatility and potential price intervention. The limited shareholding dispersion also weakens regulatory oversight and reduces the likelihood of Indonesian stocks being included in global indices that rely on free-float-adjusted market capitalization. Increasing the free-float requirement to 30 percent has the potential to broaden public ownership, strengthen corporate governance, enhance liquidity, and increase investor confidence. Establishing this requirement at the statutory level is essential to provide legal certainty and to support more effective supervision by the Financial Services Authority (OJK).*

Kata kunci: *Capital; Investor; Manipulation; Market; Protection.*

1. INTRODUCTION

The capital market plays a strategic role in supporting the national economy by serving as a mechanism for mobilizing funds from the public and channeling them into productive sectors, while also providing long-term financing access for businesses. (Anggreni et al., 2025). Protection of investors is a fundamental element in determining the integrity and growth of the capital market. (Aspan & Wahyuni, 2025). However, in the context of a developing country such as Indonesia, investor protection continues to face several serious challenges, particularly for retail investors who generally possess weak bargaining power, limited access to information, and minimal understanding of market

risks (Yuwanda, 2023). One of the most significant threats to retail investors is price manipulation, commonly referred to as “fried stocks,” in which a group of market participants deliberately inflates or suppresses stock prices to obtain speculative and unjustified gains (Ariesz P. Putra, 2023).

One of the key factors that directly influences a market’s vulnerability to manipulation is the size of the free float, namely the portion of shares owned by the public that can be freely traded and are not controlled by majority shareholders, directors, commissioners, or affiliated parties (Hidayahtullah & Pamungkas, 2019). Countries with high free-float requirements, such as the United Kingdom, which mandates a minimum free float of 10 percent for domestic companies and 25 percent for non-UK issuers; Malaysia, which requires 15 percent; Hong Kong, which mandates a 25 percent public float; Japan, which requires a 35 percent tradable share ratio for listing on the Prime Market; and India, which enforces a minimum public shareholding of 25 percent provide evidence of markets that are more liquid, efficient, and resilient to manipulative practices (Viratama et al., 2022). In contrast, Indonesia still applies a minimum free-float requirement of 7.5 percent as stipulated in Indonesia Stock Exchange (IDX) Regulation No. I-A on the Listing of Shares and Equity Securities Other Than Shares Issued by Listed Companies, last amended through IDX Board of Directors Decree No. Kep-00101/BEI/12-2021 (Tangkau et al., 2025). This regulation requires issuers to have at least 7.5 percent of their shares held by the public, with a minimum of 300 public shareholders (Krisna Prasada et al., 2024). This relatively low threshold is not without historical justification. When the rule was first implemented in the early 2000s, Indonesia’s capital market was still in its early developmental stage, characterized by a very limited investor base, underdeveloped trading infrastructure, and low interest among companies in going public (Nadjima et al., 2024). Setting a higher threshold, such as 25 or 30 percent, was feared to deter companies from listing due to concerns over losing corporate control. Therefore, the IDX deliberately chose the 7.5 percent requirement as a form of “regulatory soft landing,” a compromise strategy to attract firms to the stock exchange without threatening their majority ownership. This compromise successfully increased the number of listed companies, although it also resulted in highly concentrated ownership structures and a relatively illiquid market. Numerous studies highlight the negative consequences of a low free-float level. Septiyanti (2021) demonstrates that highly concentrated ownership structures can reduce the rights of minority shareholders and increase the risk of power abuse by controlling shareholders (Septiyanti, 2021). Research by Jawed, Kotha, and Gupta (2022) finds that stocks with low free float, typically caused by heavily concentrated insider or promoter ownership are more vulnerable to price manipulation and exhibit higher volatility, ultimately harming minority shareholders (Jawed et al., 2022). These conditions indicate that the current regulatory framework has not yet provided adequate legal protection for retail investors, particularly in mitigating manipulative practices in illiquid markets.

The research gap emerges from the discrepancy between the Indonesian capital market’s need to strengthen liquidity and investor protection and the existing legal framework, which still sets the minimum free-float requirement at 7.5 percent—an amount relatively low compared to numerous international jurisdictions. Various countries have adopted higher free-float or public-float thresholds as a strategy to enhance market openness, even though no uniform global standard exists. The United Kingdom, for example, requires a minimum free float of 10 percent for domestic companies and 25 percent for non-UK issuers; Malaysia applies a minimum of 15

percent; Hong Kong mandates a 25 percent public float; Japan requires a 35 percent tradable share ratio; and India enforces a minimum public shareholding of 25 percent. This comparison demonstrates that Indonesia occupies a lower position than several countries that have increased their proportion of publicly held shares to strengthen liquidity, transparency, and corporate governance. Therefore, the gap between Indonesia's current practice and the trend in other countries that have adopted higher thresholds forms an important basis for examining the urgency of increasing the free-float requirement as part of capital market regulatory reform (Nurahmad, 2024). In addition, Law Number 8 of 1995 on Capital Markets does not explicitly regulate free-float requirements, leaving the binding legal basis limited to administrative regulations issued by the Indonesia Stock Exchange (IDX). This creates legal uncertainty and weakens the effectiveness of supervision as well as the protection afforded to retail investors. The proposal to increase the free-float requirement to 30 percent was first seriously introduced by Commission XI of the Indonesian House of Representatives (DPR RI) as part of the planned revision of the Capital Market Law. (Binekasri, 2025). Commission XI considers the current threshold no longer relevant to market needs and too weak to provide adequate protection for investors, particularly retail investors. The proposal was subsequently well received by the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), both of which expressed their readiness to gradually increase the threshold as part of a broader strategy to enhance market liquidity, strengthen corporate governance, and align Indonesia's capital market with international standards. The urgency of strengthening free-float regulation has become increasingly evident alongside the rapid growth of retail investors, which reached more than 14.84 million in 2024 according to data from the Indonesian Central Securities Depository (KSEI) (Heriyanto, 2024). This growing participation necessitates the presence of stronger regulations to ensure fairness, transparency, and market integrity. The implementation of a minimum free-float requirement of 30 percent has the potential to serve as an effective legal instrument to prevent price manipulation, expand public ownership, enhance liquidity, and strengthen investor confidence (Binekasri, 2025). This is in line with the legal protection theory proposed by Philipus M. Hadjon, which asserts that the state is obligated to provide both preventive and repressive legal protection to vulnerable parties, including retail investors (Bediona et al., 2023).

In addition, increasing the free float will align the structure of Indonesia's capital market with international best practices while enhancing the likelihood of Indonesian stocks being included in global indices. Major indices such as the FTSE Global Equity Index Series (GEIS) and the MSCI Global Indexes use free-float-adjusted market capitalization as the basis for weighting, meaning that the larger the proportion of publicly held shares, the greater the likelihood that an issuer will meet the inclusion criteria. By increasing the free float, Indonesian issuers attain a more competitive position in satisfying global index eligibility requirements, particularly those related to market size, liquidity, and the availability of shares for trading (Wijaya et al., 2024). This measure will attract foreign institutional investors, deepen the market, and improve the efficiency of price formation mechanisms. Ultimately, retail investors will benefit from fairer pricing and lower volatility. Thus, integrating such standards into Indonesia's capital market regulatory framework is not only an economic necessity but also a juridical imperative in realizing the principles of justice and legal protection for investors. Based on the foregoing, identifying the core problems becomes essential in order to formulate appropriate legal solutions to address the vulnerabilities faced by retail investors as a result of the low free-float level. This study aims to analyze the legal basis, challenges, and implications

of implementing a 30 percent free-float regulation in the Indonesian capital market as a legal protection instrument for retail investors as well as a preventive measure to deter price manipulation practices.

2. RESEARCH METHODS

The type of research employed in this study is normative legal research, which focuses on examining the applicable positive legal norms (Kristiawanto, 2022). This method analyzes legal doctrines as well as legal principles relevant to retail investor protection and the regulation of free float in the capital market. The methodological approaches used include the statute approach, the conceptual approach, and the comparative approach (Miharja, 2023). The statute approach is applied by examining the provisions of Law Number 8 of 1995 on Capital Markets and the Indonesia Stock Exchange regulations related to free float. The conceptual approach is used to understand the principles of legal protection for investors as articulated by legal scholars, including Philipus M. Hadjon's theory of legal protection. The comparative approach is conducted by comparing free-float regulations and investor protection practices in several other jurisdictions such as the United Kingdom, Japan, Malaysia, and India. This research is descriptive-analytical in nature, meaning it describes and analyzes the current regulatory framework on free float in Indonesia as well as the urgency of increasing the threshold to 30 percent as a legal protection instrument for retail investors. Data collection is carried out through library research by examining primary legal materials, such as legislation; secondary legal materials, including literature, books, academic journals, and previous research; and tertiary legal materials such as legal dictionaries and legal encyclopedias. The data analysis method used is prescriptive qualitative analysis, which involves systematically processing the legal materials obtained and interpreting them based on legal principles, theories, and doctrines to formulate prescriptive arguments regarding the urgency of establishing a 30 percent free-float regulation as a legal protection instrument for retail investors in the Indonesian capital market.

3. RESULTS AND DISCUSSION

3.1. The Regulatory Framework of Free Float in the Indonesian Capital Market

The regulation of free float in the Indonesian capital market is currently based on exchange-level rules rather than statutory provisions. This requirement is set out in Indonesia Stock Exchange (IDX) Regulation No. I-A on the Listing of Shares and Equity Securities Other than Shares Issued by Listed Companies, which was last amended through IDX Board of Directors Decree No. Kep-00101/BEI/12-2021. Under this regulation, the IDX mandates that each issuer must have at least 7.5 percent of its total issued and fully paid-up shares held by the public, with a minimum of 300 public shareholders. This requirement is administrative in nature and serves as one of the listing prerequisites for companies seeking to go public (Nurahmad, 2024). Penetapan angka 7,5% sebagai batas minimum *free float* bukanlah tanpa pertimbangan. The determination of the 7.5 percent minimum free-float threshold was not made without careful consideration. When this regulation was formulated and implemented in the early 2000s, Indonesia's capital market was still in the early stages of development. The number of public investors was very limited, stock trading infrastructure had not yet developed optimally, and capital market literacy remained low. In this context, regulators adopted a compromise-oriented approach through what is commonly referred to as a regulatory

soft landing. The goal was to encourage more companies to undertake initial public offerings (IPOs) and list on the exchange without generating concerns among controlling shareholders about losing majority control. Through this strategy, the Exchange aimed to increase the number of listed companies as an initial step toward strengthening the foundation of the national capital market.

However, the low free-float policy has brought serious long-term consequences for the structure of Indonesia's capital market. First, the limited number of shares circulating in the public results in restricted market liquidity. Stocks with low free float tend to be infrequently traded because the volume available in the market is relatively small. This condition makes it difficult for investors to buy and sell shares quickly and efficiently. Second, the limited amount of tradable shares also makes stock prices more susceptible to manipulation. In a market with thin liquidity, certain actors can artificially inflate or depress stock prices through relatively small transactions, creating what is commonly known as "fried stocks." This phenomenon is particularly harmful to retail investors, who often lack the information or analytical capacity needed to detect such manipulative practices. Although stock-price manipulation (fried-stock schemes) is explicitly prohibited under Law Number 8 of 1995 on Capital Markets, particularly Articles 91 and 92, which regulate prohibitions against market manipulation and the dissemination of misleading information law enforcement frequently encounters significant obstacles, especially in cases involving low-free-float stocks (Hasni et al., 2025). Normatively, the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) possess the authority to supervise, investigate, and impose administrative sanctions on market participants proven to engage in price manipulation. In practice, however, the characteristics of low-liquidity stocks make it exceedingly difficult to prove manipulative conduct. In stocks with limited free float, price movements can change significantly with only small transactions because the number of shares available to the public is very small. This enables certain groups or even a single individual to exert control over market prices through relatively minor trades. They may repeatedly buy and sell the same stock (wash sales), create the artificial appearance of high demand (marking the close), or spread false rumors to induce market euphoria (pump and dump). Because the transaction values involved tend to be small, these practices often do not raise strong early suspicion and are difficult to distinguish from legitimate trading activity.

This situation significantly limits the regulatory room for maneuver. Capital market supervision in Indonesia still relies heavily on quantitatively significant transaction patterns to detect manipulative activities. However, in stocks with low free float, price movements often appear "normal" even when they have been artificially engineered. As a result, many manipulative practices go undetected or are difficult to prove legally. Even when authorities suspect manipulation, the investigative process is frequently hindered by insufficient evidence, as perpetrators may argue that the price movements are a natural consequence of the low volume of publicly traded shares. The difficulty of law enforcement is further exacerbated by the fact that free-float requirements are not explicitly regulated by statute but are instead governed solely by administrative regulations issued by the IDX. The absence of a strong legal basis mandating minimum free float weakens oversight of corporate ownership structures, as such oversight lacks sufficient coercive power. Yet, a healthy ownership structure and broader share distribution are essential prerequisites for ensuring that market mechanisms operate fairly and efficiently. Under conditions of very low free float, the market becomes overly susceptible to manipulation, and the scope of legal protection available to investors, The

Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) have attempted to tighten supervision through the development of technology-based transaction monitoring systems and the imposition of administrative sanctions on parties suspected of engaging in manipulation (Hadi & Siska, 2022). However, these measures remain reactive in nature and are largely limited to administrative sanctions, while criminal prosecution of stock market manipulators is still rarely undertaken (Herlambang, Embang & I ketut, 2025). This indicates that without structural reforms to the free-float regulation, law enforcement efforts against free-stock practices will continue to face fundamental obstacles. Low free float also affects the ownership structure by making it highly concentrated. Most corporate shares remain controlled by majority or controlling shareholders, resulting in limited influence from public investors over corporate policies (Septianawati & Wening, 2021). Minority shareholders generally lack the power to influence strategic decisions in the General Meeting of Shareholders (RUPS). This situation contradicts the principles of investor protection and good corporate governance, which require a balance of power and meaningful shareholder participation in decision-making processes. This vulnerability is further aggravated by the absence of explicit statutory provisions on free float in Law Number 8 of 1995 on Capital Markets. The existing requirements are administrative in nature and set only through IDX regulations, meaning their binding force is limited and their enforcement is not as strong as it would be if they were regulated by statute. This creates a regulatory gap in the legal protection of investors, particularly retail investors, who should be the primary subjects of protection within the capital market system.

Thus, the current regulatory framework governing free float in Indonesia still exhibits significant structural weaknesses. The 7.5 percent threshold adopted during the early development of the capital market may have been historically relevant, but in the context of today's increasingly complex market environment, characterized by rising investor participation and a heightened threat of price manipulation it is no longer adequate. A policy shift toward a higher threshold has become an urgent necessity to ensure the creation of a liquid, transparent, and equitable capital market for all participants, particularly retail investors, who constitute the most vulnerable group. Accordingly, raising the free-float threshold to 30 percent holds significance not only as an instrument to enhance market liquidity but also as a preventive legal strategy to minimize the scope for stock-price manipulation. With a larger proportion of shares circulating in the hands of the public, the costs required to manipulate prices would increase substantially, rendering such actions economically unfeasible for perpetrators. Moreover, a more dispersed ownership structure would allow market behavior to more accurately reflect genuine supply and demand forces, enabling regulators to detect price anomalies arising from manipulative transactions more effectively. In this context, increasing the free float to 30 percent can be viewed as a strategic legal reform aimed at strengthening the protection of retail investors and ensuring the integrity of Indonesia's capital market.

3.2. The Comparison of Global Free-Float Standards

Indonesia's plan to establish a minimum free-float requirement of 30 percent must be understood within the context of global practices, as each jurisdiction applies different thresholds of public shareholding depending on its market structure and regulatory objectives. By comparing Indonesia's proposal with those of other countries, it becomes evident that the initiative reflects an effort to strengthen liquidity and corporate governance, while at the same time exhibiting distinct characteristics compared with

international models. Significant changes in the free-float standard and listing mechanisms in the United Kingdom can be seen through the regulatory reforms issued by the Financial Conduct Authority (FCA) in 2023. These reforms aim to simplify the listing structure, enhance the competitiveness of the UK capital market, and attract more companies to list on the London Stock Exchange (LSE). One of the key changes introduced by the FCA is the establishment of different minimum free-float thresholds for two categories of issuers. For UK-incorporated companies, the FCA now requires a minimum free float of 10 percent, whereas non-UK companies must continue to meet the 25 percent threshold, as previously mandated. This new provision demonstrates a more flexible approach for domestic issuers without reducing transparency standards for foreign companies seeking admission to the LSE's main market. Detailed explanations of the implications of these reforms for UK equity indices can be found in the official FTSE Russell document titled "Changes to the UK Listing Regime, Impact to the FTSE UK Index Series." The document serves as an institutional guideline that clarifies how the FCA's regulatory changes affect eligibility criteria and the composition of the FTSE UK Index Series. Thus, the United Kingdom applies a lower threshold for domestic issuers compared with the proposed 30 percent in Indonesia, while maintaining a higher standard for international companies. This approach illustrates a balance between flexibility and market transparency.

In Southeast Asia, Bursa Malaysia applies a relatively moderate free-float requirement compared with Indonesia's proposed threshold. According to the FTSE Bursa Malaysia Index Series Ground Rules, every company seeking to become an index constituent must have a minimum free float of 15 percent. This requirement is reaffirmed in Bursa Malaysia's official statement that "each company is required to have a minimum free float of 15%." This figure is comparatively moderate and significantly lower than Indonesia's proposed 30 percent threshold. Given Malaysia's market structure, dominated by family-owned firms and large conglomerates regulators have opted for a threshold that is not excessively high in order to maintain issuer interest in remaining listed. Compared with Malaysia, Indonesia's move toward a 30 percent threshold reflects a more ambitious effort to broaden the base of public share ownership. Meanwhile, the Hong Kong Stock Exchange (HKEX) stands as one of the capital markets with the highest standards of public ownership requirements. HKEX regulations mandate that any company seeking to list its shares on the Main Board must ensure that at least 25 percent of its total issued share capital is held by the public. This requirement is explicitly stated in the Main Board Listing Rules, Chapter 8, Rule 8.08, which provides that "at least 25% of the issuer's total issued share capital must at all times be held by the public."

This public-float standard is designed to ensure that the market has a sufficient volume of freely tradable shares, thereby enabling fair price formation and reducing reliance on majority shareholders. With high liquidity and a broad international investor base, HKEX considers the 25 percent threshold to be effective in preventing excessive ownership concentration while maintaining trading stability. In Japan, the Tokyo Stock Exchange (TSE) applies a high standard of public ownership for companies seeking listing on the Prime Market, which is the board with the most stringent requirements. Unlike many jurisdictions that use the term "free float," the TSE employs the indicator known as the tradable share ratio, which refers to the proportion of shares that can actually be traded in the market and are not held by parties considered illiquid, such as controlling shareholders or their affiliates. According to the *Listing Criteria for the Prime Market* issued by the TSE, companies are required to have a minimum tradable share ratio of

35 percent as a condition for listing eligibility. This requirement is stated explicitly in the official documents of the Japan Exchange Group (JPX), which notes that “the tradable share ratio must be 35% or more for listing on the Prime Market.” Although this indicator is not identical to the free float, its function aligns with the same underlying principle—ensuring that a sufficient portion of shares is available for public trading to support a liquid and efficient market. With a 35 percent threshold, the TSE stands as one of the exchanges with the highest public ownership requirements in Asia, reflecting Japan’s strong commitment to transparency, market oversight, and investor protection. From a policy perspective, Indonesia’s plan to increase its minimum free float to 30 percent positions the national capital market closer to Japan’s standard. This indicates an effort to strengthen liquidity, broaden public ownership, and align with more advanced markets that impose stricter requirements on the availability of publicly tradable shares.

In India, the Securities and Exchange Board of India (SEBI) enforces a minimum public shareholding (MPS) requirement of 25 percent for all publicly listed companies. This provision is explicitly regulated in the *Listing Obligations and Disclosure Requirements Regulations*, which stipulate that issuers must maintain a public shareholding level of no less than 25 percent as part of the continuing listing requirements. The rule is intended to broaden the base of public ownership, increase transparency, and reduce the dominance of majority shareholders who may impede effective market oversight. This policy has become a widely referenced regulatory model among other developing countries, as it has proven effective in enhancing market liquidity without disrupting the overall corporate control structure. By ensuring that a substantial portion of shares is held by the public, the capital market can operate more efficiently, and share prices can more accurately reflect a company’s fundamental conditions. In the regional context, India’s 25 percent public shareholding standard provides an important benchmark for countries seeking to improve liquidity quality and corporate governance. Should Indonesia raise its minimum free float to 30 percent, the policy would slightly exceed India’s standard while demonstrating a stronger commitment to expanding public ownership, improving corporate governance, and strengthening retail investor protection.

This comparison shows that Indonesia’s plan to introduce a 30 percent free-float threshold is aligned with global practices. The proposed figure is:

- a. above Malaysia (15%),
- b. above Hong Kong and India (25%),
- c. close to Japan (35%),
- d. higher than the United Kingdom for domestic companies (10% and 25%).

Thus, Indonesia positions itself among the countries with the most progressive public ownership standards in the region, nearing Japan in its orientation toward market liquidity and openness to investors. The implementation of a 30 percent threshold can be viewed as a strategic step to strengthen Indonesia’s position within the global capital market ecosystem. This policy promotes the expansion of public share ownership, enhances trading liquidity, improves corporate governance, and increases the likelihood of Indonesian stocks being included in major global indices that employ free-float-adjusted market capitalization methodologies. In this context, Indonesia’s proposal reflects not merely a regulatory adjustment, but also a broader ambition to elevate the

quality of its domestic capital market and make it more competitive at the international level.

Table 1. Comparison of Global Free-Float Standards

Country / Stock Exchange	Minimum Free Float	Legal Basis	Purpose of Implementation
Indonesia – Indonesia Stock Exchange (IDX)	7.5%	IDX Regulation No. I-A; Kep-00101/BEI/12-2021	Initial strategy to attract issuers to go public; compromise for highly concentrated ownership structures
United Kingdom – London Stock Exchange (LSE)	10% (UK-incorporated); 25% (non-UK)	FCA UK Listing Rules (2023 Reform); FTSE Russell – UK Listing Regime FAQ	Enhance market liquidity, strengthen corporate governance, and protect minority shareholders
Hong Kong – Hong Kong Stock Exchange (HKEX)	25% public float (minimum threshold); special provision allows 15% for market cap ≥ HK\$10 billion	Main Board Listing Rules – Rule 8.08	Ensure market transparency, maintain stable liquidity, and prevent excessive ownership concentration
Malaysia – Bursa Malaysia	15% free float	Bursa Malaysia Listing Requirements – Paragraph 8.02	Promote public participation, improve liquidity, and strengthen market integrity
Japan – Tokyo Stock Exchange (TSE) – Prime Market	35% tradable share ratio (not free float)	TSE Listing Criteria – Prime Market Rules	Ensure market efficiency, provide sufficient publicly tradable shares, and strengthen corporate governance
India – National Stock Exchange (NSE) / Bombay Stock Exchange (BSE)	25% minimum public shareholding	SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015	Broaden public ownership, improve governance, and attract institutional investors.

Source: Author's Research Findings, 2025

The table illustrates the variations in free-float and public-float standards applied across different jurisdictions, reflecting the diverse regulatory objectives and market structures of each country. Indonesia continues to maintain a 7.5 percent free-float threshold to encourage companies to undertake initial listings, whereas the United Kingdom applies a differentiated requirement of a 10 percent minimum free float for domestic companies and 25 percent for non-UK issuers in order to preserve market liquidity and transparency. Hong Kong, through the HKEX, mandates a general public-float requirement of 25 percent, with a possible reduction to 15 percent for large-capitalization companies, to

ensure a stable supply of publicly tradable shares. Malaysia, through the FTSE Bursa Malaysia Index Series, requires a minimum 15 percent free float for index constituents to maintain market representativeness and depth. Japan employs the tradable share ratio, set at 35 percent for the Prime Market which, although different in terminology, serves the same function of ensuring an adequate volume of publicly tradable shares. India mandates a 25 percent minimum public shareholding requirement to broaden the base of public ownership and strengthen corporate governance. Overall, the table shows that Indonesia is positioned at the lowest end among major Asian jurisdictions and the United Kingdom in terms of public ownership openness. This highlights the need to strengthen Indonesia's free-float standard to enhance liquidity, transparency, and the competitiveness of its capital market.

3.3. Proposed Regulation on a 30 Percent Free-Float Requirement in Indonesia

The proposal to increase the free-float threshold to 30 percent in Indonesia represents a strategic initiative arising from an awareness of the structural weaknesses of the national capital market and the need to align with international best practices. This policy idea was first seriously advanced by Commission XI of the Indonesian House of Representatives (DPR RI) during discussions on revising Law Number 8 of 1995 on Capital Markets. Commission XI considers the current minimum free-float requirement of 7.5 percent no longer relevant to market conditions that have grown significantly, particularly in light of the rising number of retail investors and the increasing complexity of stock-trading dynamics. A threshold that is too low not only creates an illiquid and easily manipulated market but also weakens legal protection for retail investors, who constitute one of the key pillars of the capital market ecosystem. The proposal from Commission XI has received strong support from both the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). OJK, as the supervisory authority for the financial services sector, views the increase to a 30 percent free float as a measure that will bring substantial positive impacts to the structure of Indonesia's capital market. With a larger proportion of publicly held shares, the market would become more liquid, stock prices would better reflect genuine supply-and-demand forces, and the potential for price manipulation could be more effectively mitigated. Furthermore, increasing the free float would broaden the base of public ownership and strengthen retail investor participation in the ownership of publicly listed companies. For the IDX, this policy aligns with its long-term strategy to make Indonesia's capital market more competitive at the global level and to attract foreign institutional investors, who have consistently regarded liquidity as one of the key considerations in investment decisions.

From a legal perspective, the proposal to increase the free-float threshold is closely aligned with the legal protection theory formulated by Philipus M. Hadjon, who categorizes legal protection into two forms: preventive and repressive (Gunawan, 2024). In this context, a higher free float constitutes a form of preventive protection because it minimizes information asymmetry and reduces the potential for manipulative practices that tend to harm retail investors. With a more dispersed public shareholding structure, the market becomes more transparent, and both internal and external oversight mechanisms for publicly listed companies can operate more effectively. In addition, increasing the free float has positive implications for market stability and corporate governance. A deeper market will produce stock prices that are more stable and less susceptible to the influence of small-scale transactions. A broader distribution of

ownership also encourages publicly listed companies to improve the quality of their transparency and reporting in accordance with the principles of good corporate governance. At the same time, a less concentrated ownership structure can strengthen oversight of the actions of controlling shareholders.

At the international level, increasing the free-float threshold to 30 percent may also enhance the likelihood of Indonesian issuers meeting the eligibility criteria of global indices that apply free-float-adjusted market capitalization, such as the FTSE Global Equity Index Series and the MSCI Global Indexes. Although these index providers do not impose a universal minimum threshold, a larger proportion of publicly held shares increases a company's free-float-adjusted market capitalization, thereby improving its chances of being included in global indices that serve as benchmarks for institutional investment. Thus, the proposal to raise the free float to 30 percent is not merely an economic consideration but also a form of structural legal reform that can strengthen investor protection, improve market efficiency, and enhance the competitiveness of Indonesia's capital market at the international level. This initiative also reflects the role of the state in creating a financial market that is fair, transparent, and oriented toward the public interest in accordance with the principles of justice and legal protection.

3.4. The Establishing a Legal Framework for Minimum Free Float

Increasing the free-float threshold to 30 percent will not be effective unless it is supported by an adequate legal framework with stronger binding authority than stock-exchange regulations. At present, free-float requirements in Indonesia are regulated solely through Indonesia Stock Exchange (IDX) Regulation No. I-A, which is an internal administrative regulation of the Exchange. Because it exists only at the level of exchange regulations and not within statutory law or government-issued regulations, its binding force is limited, and its enforcement can only be carried out through administrative sanctions. In practice, this limitation has prevented the free-float regulation from effectively deterring manipulative practices or providing strong legal protection for investors, particularly retail investors who are highly sensitive to price movements in thinly traded markets. In this context, revising Law Number 8 of 1995 on Capital Markets becomes essential. Incorporating free-float provisions at the statutory level would confer stronger legitimacy and expand the authority of the Financial Services Authority (OJK) in supervision and enforcement, whether through administrative sanctions or other enforcement mechanisms. By integrating free-float requirements into higher-level regulation, the government can provide greater legal certainty for market participants and strengthen protection for retail investors, who remain the most vulnerable to the risks of market manipulation.

The implementation of a minimum free-float policy also requires a well-designed transitional strategy to prevent market disruption and resistance from issuers. The ownership structure of many Indonesian companies, often dominated by controlling shareholders or family-owned groups means that an immediate adjustment to a 30 percent threshold could pose significant challenges. Therefore, a phased approach may be adopted, for example by progressively raising the requirement from 7.5 percent to 15 percent, then to 20 percent, and eventually reaching 30 percent within a designated timeframe. This strategy allows companies sufficient adaptation space so that the transition does not disturb market stability or internal corporate governance. In addition to a phased transition, incentive-based policies may also be considered to encourage

issuer compliance. Incentives such as reduced listing fees, simplified procedures for listing updates, or special facilities provided by the Exchange or regulators could motivate companies to accelerate their fulfillment of the free-float requirement. Such incentive-driven approaches are commonly used in various jurisdictions when governments aim to enhance regulatory compliance without imposing excessive burdens on issuers.

Strengthening the legal framework must also be accompanied by enhanced supervisory capacity on the part of the Financial Services Authority (OJK). Technology-based supervision (market surveillance systems) needs to be reinforced to detect abnormal trading patterns, pump-and-dump activities, and price manipulation practices that commonly occur in low-liquidity stocks. As the free float increases, the market becomes deeper, allowing surveillance technology to operate more effectively to ensure that the higher free-float requirement genuinely results in a more stable, transparent, and manipulation-resistant market. In the long term, establishing a minimum free-float legal framework of 30 percent may have a significant impact on the development of Indonesia's capital market. From a legal-protection perspective, retail investors will be better safeguarded because increased liquidity reduces the risk of extreme volatility and manipulation. From an economic perspective, a more liquid market is generally more attractive to both domestic and foreign institutional investors, potentially increasing capital inflows and strengthening overall market capitalization. From a corporate-governance perspective, a broader distribution of public ownership will encourage companies to enhance transparency, accountability, and the implementation of good corporate governance. Thus, strengthening the legal framework for a minimum free float is not merely a technical regulatory measure, but a strategic step toward reinforcing the legal foundation and governance of Indonesia's capital market. If implemented gradually, supported by appropriate incentives, and accompanied by robust supervisory systems, a 30 percent free-float regulation can serve as an essential instrument in realizing a healthier, more transparent, efficient, and globally competitive Indonesian capital market.

4. CONCLUSION

The analysis demonstrates that increasing the minimum free-float requirement to 30 percent constitutes a crucial step in the legal reform of Indonesia's capital market to strengthen protection for retail investors. The current 7.5 percent free-float threshold, although effective during the early stages of market development is no longer adequate in addressing the growing complexity of trading activities and the high risk of manipulation in low-liquidity stocks. Raising the free float will expand the availability of publicly tradable shares, thereby helping to reduce abnormal volatility, limit opportunities for manipulation, and enhance a more efficient price-formation process. Although there is no uniform global standard regarding minimum free-float thresholds, experiences from various jurisdictions such as the United Kingdom, Malaysia, Hong Kong, Japan, and India show that higher thresholds are often adopted to support liquidity, transparency, and good corporate governance. By increasing the free float to a higher level, Indonesia has the potential to strengthen the competitiveness of its capital market and boost investor confidence, both domestic and foreign. To achieve optimal effectiveness, the free-float requirement should be regulated at the statutory level so that it carries stronger legitimacy and enforceability. Such regulation would also enhance the authority of the Financial Services Authority (OJK) in supervision and enforcement, thereby fostering a capital market ecosystem that is fairer, more transparent, and more stable. Ultimately,

increasing the free-float threshold to 30 percent not only improves the market's liquidity structure but also serves as a significant legal protection instrument for retail investors, who are the most vulnerable participants in the market.

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