

The Issuance of the First Structured Warrant in Indonesia

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In Indonesian, structured warrant was first introduced by the issuance of the long-awaited regulation on structured warrant i.e., Indonesian Financial Services Authority (or *Otoritas Jasa Keuangan* – “**OJK**”) Regulation No. 8/POJK/04/2021 on Structured Warrant (“**Structured Warrant Regulation**”), which came into effect on 19 March 2021.

In South-East Asia, structured warrant is not relatively new. The Commerce International Merchant Bankers from Malaysia issued the first structured call warrant in 1995, using Maybank shares as the underlying shares. In 2003 Singapore also issued their first structured warrant and was followed by Thailand in 2009.

Structured Warrant is an alternative investment and hedging instrument in the capital market. Indonesian investors are now having an alternative investment instrument in capital market besides the existing ones such as investment on public company's shares, mutual funds, REITs, etc. According to PT RHB Sekuritas Indonesia (“**RHB Indonesia**”), the benefits of investing in structured warrant and the difference in investing in structured warrant compared to other existing capital market products in Indonesia are as follows¹:

➤ High Liquidity

Structured warrants have high liquidity, as the issuance of structured warrants requires the issuing company to be a liquidity provider.

➤ Leverage

The investors can buy stock at a very minimum purchase price while the share price will increase, meaning that Investors can buy a lower premium than the original stock price.

➤ Hedging Investment

Structured warrant product has the advantage of protecting the initial deposited capital since the investors will only lose the investment for premium that has been paid, when the stock price drops. If the original price is lower, the loss is only limited to the amount of the investment and not based on the current stock price. In line with this advantage, Kenneth Zao as the Head of Equity Derivatives of RHB Indonesia is of the view that structured warrants are more suitable for investors who have a high risk-reward appetite who may not be satisfied with returns from the existing underlying shares. “At the same time, for structured warrants investors, while losses are capped at their initial investment outlay, the potential upside of structured warrants trader/investors are unlimited, making it attractive to this particular segment of investors,” says Kenneth.

➤ Potential of the Unlimited Returns

Last but not least, the advantage of investing in structured warrant is that the potential return that investors will gain is unlimited. The results of the investment will be automated at the end of the investment period, depending on the fluctuation in the underlying stock price.

¹Source: <https://rhbtradesmart.co.id/article/4-kelebihan-investasi-menggunakan-waran-terstruktur/>

On 1 September 2022, RHB Indonesia received the effective letter from OJK for the issuance of structured warrant. This effective letter marks the first issuance of structured warrant in Indonesia, with total value of Rp20 trillion.

On this issuance of the first ever structured warrant in Indonesia, Dentons HPRP actively assisted RHB Indonesia in the drafting of the base prospectus and term sheet used for the offering of the structured warrant.

In addition, Dentons HPRP also issued legal opinion and legal due diligence report as required under the Structured Warrant Regulation. This is the first time in the history of Indonesian capital market instrument issuance where legal counsel actively holds the pen on the prospectus.

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The article above was prepared by Dentons HPRP's lawyers

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