

## **Bapepam-LK - JICA Study Meeting on the Creation of “Exercise” Market for SMEs**

In order to create a funding opportunity besides debt financing for small and medium sized enterprises (SMEs), the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) and the Japan International Cooperation Agency (JICA) have discussed the possibility for launching a new equity market specialized for SMEs since January 2008. In this context, *the First Study Meeting on the Creation of “Exercise” Market for SMEs* was co-organized by Bapepam-LK and JICA in cooperation with the UKM Center FEUI at Borobudur Hotel on 10<sup>th</sup> - 12<sup>th</sup> February 2009. Attended by around 100 participants from the government, capital market relevant institutions, venture capitals and universities, the Study Meeting was successfully concluded. Following this event, *the Second Study Meeting* is scheduled at Borobudur Hotel on 30<sup>th</sup> June and 1<sup>st</sup> July 2009.

The “Exercise” Market for SMEs was initially considered an equity market for potential high-end SMEs<sup>1</sup>, separated from the regular market of stock exchange. In other words, the “Exercise” Market is a preparatory market for “smaller but growing” companies towards listing in the regular market, which can be a financial vehicle to board high-end SMEs on the growth cycle of their businesses and also be a facilitator to establish a robust financial system against unexpected events, e.g. financial crisis.

Through the creation of “exercise” market, some benefits are expected for both SME side and capital market side. For SME, it will provide a funding alternative besides bank and/or non-bank lending, and especially strengthen SME’s capital necessary to achieve further growth, balancing its debt. As a synergy, it may enhance the social credibility of business and employee’s incentive to work, which will also result in promoting the easiness of bank lending because company ratings by banks usually increase. For the capital market side, it is expected to realize the depth of capital market through involving a new layer of potential issuers to the market, i.e. high-end SMEs, and providing liquidity for shareholders.

Bapepam-LK and JICA will take the initiative to develop this discussion with relevant institutions continuously.

Attachment: Conference material of the Second Study Meeting on the Creation of “Exercise” Market for SMEs, 30<sup>th</sup> June and 1<sup>st</sup> July 2009

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<sup>1</sup> High-end SME is a SME that challenges new business, which is established and operated by entrepreneur with high motivation to success and innovation, and includes start-up and emerging business.