

A LAW OF  
THE REPUBLIC OF INDONESIA  
NUMBER 8 YEAR 1995  
CONCERNING  
**THE CAPITAL MARKET**



Unofficial English Translation

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A LAW OF

THE REPUBLIC OF INDONESIA  
NUMBER 8 YEAR 1995

CONCERNING

# THE CAPITAL MARKET

WITH THE BLESSING OF GOD THE ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

CONSIDERING:

- a) that the goal of national development<sup>1</sup> based on Pancasila and the 1945 Constitution is the advancement of a just and prosperous people;
- b) that the Capital Market has a strategic role in national development as a source of funding for business and as a vehicle for public investment;
- c) that in order for the Capital Market to develop, there must be a way of providing a sound legal foundation for Persons that do business in the Capital Market and of protecting the investing public against practices that may cause loss;
- d) that considering the goals of national development and the demands of economic globalization, Emergency Law No. 79 of 1951 on Exchanges<sup>2</sup> and Enabling Laws Nos. 15 and 67 of 1952 are no longer adequate for the current situation;

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<sup>1</sup> National development reflects a pursuit of continuous improvement in the prosperity and well-being of Indonesian citizens, in ways benefiting the lives of men and women with justice and equality, and promoting a progressive, democratic nation founded on *Pancasila* and the 1945 Constitution. This is in accordance with the Great National Guiding Principles that set the formation of independent and progressive qualities in the Indonesian people in a climate of peace and prosperity, as a goal for the Second Long-Term Development Plan. This goal includes the preservation of fundamental traditions, based on *Pancasila*, and the creation of a balanced lifestyle with harmonious relations among men, and between men and the community, nature, and Almighty God. In the field of economics, one objective of the Second Long-Term Development Plan is building a free, secure economy, with reasonably fast growth, more evenly-distributed wealth, and an environment of national stability. To reach these goals, laws are needed to stimulate, facilitate and control economic development.

Necessary legislation for economic development includes regulation of the Capital Market. Until now, this has been Law 15 of 1952 entitled "*The Emergency Law on the Securities Exchange*", included in the Statutes of 1951 and 1952 (Books 79 and 67, respectively). With the promulgation of this new "*Law on the Capital Market*", it is expected that the Capital Market will have a greater role in development, so that national economic objectives may be achieved.

The purpose of the Capital Market is to support national development by enhancing public welfare through economic growth and societal stability, while fostering a more equitable distribution of wealth. To reach this objective, the Capital Market plays a strategic role by financing businesses, both large and small. At the same time, the Capital Market provides the public with investment opportunities, including products for small and medium investors.

<sup>2</sup> Regulation of the Capital Market under Law 15 of 1952, "*The Emergency Law on the Securities Exchange*" included in the Statutes of 1951 and 1952 (Books 79 and 67, respectively), is considered inadequate in today's environment, it does not contain important Capital Market provisions, such as the adoption of the principle of full disclosure of material information in a Public Offering, and other essential public safeguards. In view of the rapid development of the economy and the globalization of

e) that based on these considerations, it is necessary to promulgate a Law on Capital Markets;

*IN VIEW OF:*

1. Article 5 item (1), Article 20 item (1), and Article 33 of the 1945 Constitution ;
2. The Limited Liability Company Law No. 1 of 1995 (Statute Book No. 13 for 1995 and its Supplement No. 3587)

**With the approval of**

**THE HOUSE OF REPRESENTATIVES  
OF  
THE REPUBLIC OF INDONESIA**

**HAS DECIDED TO ENACT:**

A LAW  
ON  
**THE CAPITAL MARKET**

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business, the time is propitious for a new *"Law on the Capital Market"*, based on *Pancasila* and the 1945 Constitution.

This new Law requires Companies making Public Offerings, as well those that qualify as *Public Companies*, to make public all information that is material regarding their finances, management, operations, and other business activities. It is essential that the public have access to this information when making investment decisions. The Law also requires Persons making Public Offerings and *Public Companies* to comply with disclosure requirements when their securities are traded in the secondary market. Violation of such provisions by Persons making a Public Offering and the professionals involved, makes such persons liable to the public for losses that are due to inadequate disclosure. When the disclosure is fraudulent, violators are subject to criminal sanctions. Professionals involved in a Public Offering, such as Underwriters, Accountants, Legal Consultants, Notaries, Appraisers, and others, are required to fulfill certain obligations, and are subject to administrative and criminal sanctions for violations.

The Law also covers securities trading in the secondary market. Securities Exchanges, Clearing and Guarantee Institutions, and the Central Securities Depository have the duty to ensure that securities trading is conducted in an orderly, fair, and efficient manner.

To further ensure that the Capital Market is conducted in an orderly and fair manner, and that public investors are protected from harmful and illegal practices, a *Capital Market Supervisory Agency* is authorized to administer and enforce the Law. This Agency has authority to conduct investigations under the *Indonesian Criminal Code*.

*Article 1*

In this Law, what is meant by:

1. Affiliation is:
  - a) a family relationship<sup>3</sup> by marriage and descent to the second degree, horizontal as well as vertical;
  - b) a relationship between a Person and its employees<sup>4</sup>, directors, or commissioners;
  - c) a relationship between two Companies with one or more directors or commissioners in common<sup>5</sup>;
  - d) a relationship between a Company and a Person that directly or indirectly, controls<sup>6</sup> or is controlled by that Company;

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<sup>3</sup> What is meant by a “family relationship by marriage” is the relationship of a person with :

1. a husband or wife;
2. a mother- or father-in-law, and a son- or daughter-in-law (1<sup>st</sup> degree, vertical);
3. a grandfather- or grandmother-in-law, and a grandson- or granddaughter-in-law (2<sup>nd</sup> degree, vertical );
4. a brother- or sister-in-law (2<sup>nd</sup> degree, horizontal); and
5. a husband or wife of a brother- or sister-in-law (2<sup>nd</sup> degree, horizontal).

What is meant by a “family relationship by descent” is the relationship of a person with:

1. a parent or child (1<sup>st</sup> degree, vertical);
2. a grandparent or grandchild (2<sup>nd</sup> degree, vertical);
3. a sibling (2<sup>nd</sup> degree, horizontal).

<sup>4</sup> “Employee” means an individual who receives a periodic wage or salary and that works for a Person with authority to control and direct his actions.

<sup>5</sup> An example of a relationship between two companies with directors or commissioners in common, is as follows:

*Mr. A is a Director of Company X and Company Y, or a Commissioner of Company X and Company Y, or a Director of Company X and a Commissioner of Company Y.*

<sup>6</sup> “Control” means the ability to determine, directly or indirectly, and by whatever means, the management or policies of a Company.

An example of a relationship between a Company and a Person that controls the Company is as follows:

*Mr. A controls Company X.*

An example of a relationship between a Company and a Person that indirectly controls the Company is as follows:

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- e) a relationship between two Companies that are controlled directly or indirectly by the same Person<sup>7</sup>; or
  - f) a relationship between a Company and a substantial shareholder<sup>8</sup>.
2. A Member of a Securities Exchange is a Broker-Dealer, licensed by BAPEPAM, that is permitted by the rules of the Securities Exchange to use its systems and facilities.
  3. A Securities Administration Agency is a Person that, under contract, maintains ownership records of an Issuer's Securities and distributes entitlements on such Securities.
  4. A Securities Exchange is a Person that organizes and provides the system and facilities<sup>9</sup> that are used to bring together offers of those who intend to buy and sell Securities.
  5. Securities are promissory notes, commercial paper, shares, bonds, evidences of indebtedness, Participation Units of collective investment contracts, futures contracts related to Securities, and all derivatives<sup>10</sup> of Securities .
  6. An Issuer is a Person who makes a Public Offering.

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*Mr. A controls Company X and Company X controls Company Y. Therefore Mr. A indirectly controls Company Y.*

An example of a relationship between a Company and a Person that is directly controlled by the Company is as follows:

*Company Y is controlled by Company X.*

An example of a relationship between a Company and a Person that is indirectly controlled by the Company is as follows:

*Company Z is controlled by Company Y and Company Y is controlled by Company X. Therefore Company Z is indirectly controlled by Company X.*

<sup>7</sup> An example of a relationship between two Companies that are directly controlled by the same Person is as follows:

*Company X and Company Y are controlled by Mr. A.*

An example of a relationship between two Companies that are indirectly controlled by the same Person is as follows:

*Company X1 is controlled by Company X2 and Company Y1 is controlled by Company Y2. However, Company X2 and Company Y2 are controlled by Mr. A. Therefore, Company X1 and Company Y1 are indirectly controlled by Mr. A.*

<sup>8</sup> "Substantial Shareholder" refers to a Person that directly or indirectly holds at least twenty percent of the voting rights of a Company's issued shares, or such lower percentage stipulated by BAPEPAM. An example of a relationship between a Company and a Substantial Shareholder is as follows:

*Mr. A has voting rights to twenty percent of Company X's issued shares with voting rights.*

<sup>9</sup> This definition includes systems that bring together offers to buy and sell, even without means for trading Securities.

<sup>10</sup> "Derivatives" refers to rights that are derived from either debt or equity Securities, such as Options or Warrants. An "Option" is the right to purchase or sell within a certain time, a specified number of Securities at a specified price. A "Warrant" is a Security issued by a Company giving the holder the right, six months or more after the Securities are issued, to subscribe to shares of the Company at a specified price.

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7. Material Information<sup>11</sup> is any important and relevant fact concerning events, incidents or data that may affect the price of a Security on an Exchange or that may influence the decisions of investors, prospective investors or others that have an interest in such information.
  8. A Custodian is a Person who provides safekeeping services<sup>12</sup> with respect to Securities and Securities-related assets and other services, including collection of dividends, interest, and other entitlements, the settlement of Securities Transactions, and agency services for clients who are account holders.
  9. A Clearing Guarantee Institution is a Person that clears<sup>13</sup> and guarantees the settlement of Securities Exchange Transactions.
  10. A Central Securities Depository is a Person that acts as a central Custodian for Custodian banks, Securities Companies and others.
  11. An Investment Manager is a Person other than an insurance Company, pension fund or bank with respect to its own lawful activities, that, as a business, manages Securities Portfolios or collective investment Portfolios for clients or groups of clients.
  12. The Minister is The Minister of Finance of The Republic of Indonesia
  13. The Capital Market is the activity of trading and Offering Securities to the Public, the activity of a Public Company with respect to Securities it has issued, and the activities of Securities-related institutions and professions.
  14. An Investment Advisor is a Person who, for a fee, renders advice<sup>14</sup> to others regarding the sale or purchase of Securities.

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<sup>11</sup> Material Information is information that may affect the price of Securities or the decision of investors, prospective investors, or others with an interest in such information, and includes information on matters such as:

1. mergers, acquisitions, consolidations or joint ventures;
2. the distribution of stock splits or stock dividends;
3. extraordinary income or dividends
4. the making or loss of an important contract;
5. a new product or significant invention;
6. a change in a Company's financial year; and
7. a change in control or an important change in management;

<sup>12</sup> Safekeeping includes Collective Custody. "Account holders" are Persons whose names are registered on a Securities account, based on a contract with a Custodian. Account holders may be the owners or representatives of the owners of the Securities posted to their accounts. A "Securities account" is a record showing an investor's position of Securities and funds held with a Custodian.

*For example, an owner deposits his Securities in an account in his name at a Securities Company. The Securities Company later deposits these Securities in an account in its name at a Custodian bank. The Custodian Bank then deposits the Securities in its account at a Central Depository. The Custodian bank is the registered account holder at the Central Depository. In this illustration, the Custodian bank with respect to securities registered in its account at the Central Depository, is the representative of the Securities Company that in turn represents the owner of the Securities.*

<sup>13</sup> "Clearing" is the process of determining the rights and obligations arising from Exchange Transactions. The "Guarantee" referred to is the assurance that rights and obligations of Exchange Members with respect to Exchange Transactions will be settled.

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15. A Public Offering<sup>15</sup> is an offer to sell Securities to the public, made by an Issuer in ways stipulated in this Law and its implementing regulations.
  16. Collective Custody is the service of safekeeping Securities owned jointly<sup>16</sup> by more than one Person whose interests are represented by the Custodian.
  17. An Underwriter is a Person who makes an agreement with an Issuer to conduct a Public Offering, with or without the obligation to purchase Securities that are not sold.
  18. A Broker-Dealer is a Person who engages in the business of buying and selling Securities for the account of others or for his own account.
  19. A Registration Statement is the set of documents that must be submitted to BAPEPAM by a Public Company, or by an Issuer in a Public Offering.
  20. A Company is a limited liability company as defined in Law Number 1 of 1995 on Limited Liability Companies (Article 1, item 1 in the General Provisions).
  21. A Securities Company is a Person who engages in the business of Underwriter, Broker-Dealer and/or Investment Manager.
  22. A Public Company is a Company that has at least 300 shareholders and a paid-in capital of at least three billion rupiah, or such other number of shareholders and paid-in capital that may be stipulated in Government Regulations.
  23. A Person is a natural person, a Company, a partnership, an association or any organized group.
  24. A Securities Portfolio is a collection of Securities that is owned by a Person or Persons.
  25. The Disclosure Principle is the general guideline that requires an Issuer, a Public Company, and other Persons subject to

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<sup>14</sup> "Advice" includes both oral and written advice, and advice published in the mass media.

<sup>15</sup> "Public Offering" refers to an offering of Securities that takes place within a certain time and within specified amounts, either within the territory of Indonesia, or to Indonesian citizens abroad, and offered either through the mass media, or otherwise to more than one hundred Persons, or resulting in sales to more than fifty Persons. An "Offering" within the territory of Indonesia includes both domestic and foreign Issuers, as well as offerings to both domestic and foreign investors, in compliance with Disclosure Principles. Regulations regarding Public Offerings also apply to offerings by domestic Issuers to Indonesian citizens abroad. This provides necessary protection to Indonesian investors overseas in the case of Securities offered by domestic Issuers. In determining whether there has been an offering of Securities to more than one hundred Persons, it is not relevant that the offering is followed by the purchase of Securities. However, the sale of Securities to more than fifty Persons is determined by the actual purchase of Securities, whether or not associated with an offer. "Mass media" refers to newspapers, magazines, film, television, radio and other electronic media, as well as letters, brochures and printed matter distributed to more than one hundred Persons. The number of one hundred offerees and fifty purchasers, used to determine a Public Offering, may be adjusted by BAPEPAM in response to Capital Market developments.

<sup>16</sup> "Jointly-owned" refers to Securities owned by more than one Person and registered in the name of a Custodian. For example, Securities in Collective Custody at a Central Depository are recorded in the Issuer's register of Security-holders in the name of the Central Depository. These Securities are recognized by the Issuer as being owned by one or more Person represented by the Central Depository. Securities in Collective Custody with a Custodian bank or Securities Company are registered in a Securities account at a Central Depository. These Securities are recognized by the Central Depository as being owned by more than one Person represented by such Custodian bank or Securities Company.

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- this Law, to disclose to the public within a certain time, Material Information with respect to their business or Securities, when such information may influence decisions of investors in such Securities and/or the price of the Securities.
26. A Prospectus is written information that is intended to induce another Person to buy Securities in a Public Offering
  27. An Investment Fund is a vehicle used by an Investment Manager to gather funds from the public for investment in a Securities Portfolio.
  28. A Securities Exchange Transaction is a contract between Members of a Securities Exchange in accordance with Exchange rules, that relates to the purchase, sale, borrowing, lending, or other contractual arrangement regarding Securities or the price of Securities<sup>17</sup>.
  29. A Participation Unit is the method of measuring a Person's ownership interest in a collective investment Portfolio.
  30. A Trust-Agent is a Person who represents the interests of holders of credit Securities.

### *Article 2*

The Minister shall determine general policy<sup>18</sup> with respect to the Capital Market.

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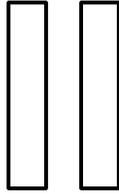
<sup>17</sup> The borrowing and lending of Securities may occur when a Securities Exchange Member lacks the Securities needed to settle a Securities Exchange transaction. Other contracts involving the price of Securities include share-price-index options.

<sup>18</sup> General policy is Capital Market policy directly or indirectly related to fiscal and monetary policy and macro-economics in general.

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### *Article 3*

- 1) The *Capital Market Supervisory Agency*, hereinafter referred to as BAPEPAM, shall provide guidance, regulation, and day-to-day supervision of the Capital Market<sup>19</sup>.
- 2) BAPEPAM reports and is responsible to the Minister.

### *Article 4*

In providing the guidance, regulation and supervision specified in *Article 3*, BAPEPAM shall act with the purpose of ensuring that the Capital Market is orderly, fair, and efficient and that the interests of investors and the public are protected.

### *Article 5*

In order to carry out the provisions of *Articles 3 and 4*, BAPEPAM shall have authority to:

- a. *grant*:
  - 1) business licenses to Securities Exchanges, Clearing Guarantee Institutions, a Central Securities Depository, Investment Funds, Securities Companies, Investment Advisors, and Securities Administration Agencies;
  - 2) individual licenses to Underwriter's Representatives, Broker-Dealer's Representatives, and Investment Manager's Representatives; and
  - 3) approvals to Custodian banks;
- b. require the registration of Capital Market Supporting Professionals and Trust-Agents;
- c. establish qualifications and nominating procedures for directors

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<sup>19</sup> Because the Capital Market is a source of financing for business and an investment vehicle for investors, and because the market has a strategic role in national development, its activities must be supervised to ensure that they are orderly, fair, and efficient. Consequently, BAPEPAM is given administrative authority and the responsibility to guide, regulate and supervise Persons engaged in Capital Market activities. Such supervision may be preventive in the form of regulations, guidelines, guidance and directions, or remedial in the form of inspections, investigations and the imposition of sanctions.

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and commissioners of Securities Exchanges, Clearing Guarantee Institutions, the Central Securities Depository, as well as the procedures for suspending such officials and for appointing interim management until the election of new commissioners or directors<sup>20</sup>.

- d. establish the requirements and procedures regarding Registration Statements and declare, delay, or cancel the effectiveness of such Registration Statements<sup>21</sup>.
- e. inspect and investigate any Person with respect to suspected

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<sup>20</sup> Candidates for director or commissioner of Securities Exchanges, Clearing and Guarantee Institutions, and Central Depositories must fulfill requirements established by BAPEPAM. Among other things, candidates must:

1. have Indonesian citizenship and be legally competent;
2. have never been declared bankrupt or a director or commissioner that has been declared responsible for having caused a Company to go bankrupt;
3. have never been found guilty of a criminal act;
4. have never committed a disgraceful act in the Capital Market or in the financial sector;
5. have good character and morals;
6. have expertise in the Capital Market; and
7. have never committed a material violation of Capital Market laws and regulations.

Procedures for nominating directors or commissioners of Securities Exchanges, Clearing and Guarantee Institutions, and Central Depositories are as follows:

1. Candidates for director or commissioner shall be proposed to BAPEPAM and shall be subject to requirements established by BAPEPAM;
2. When a prospective director or commissioner meets the requirements, BAPEPAM shall give its approval. If, in its evaluation, BAPEPAM determines that the candidate does not meet the requirements, it will reject the nomination; and
3. Candidates for director and commissioner that have been approved by BAPEPAM shall be eligible for election by the General Meeting of Shareholders.

BAPEPAM may temporarily suspend a director or commissioner of a Securities Exchange, Clearing and Guarantee Institution or Central Depository, when such director or commissioner, among other things:

1. loses his Indonesian citizenship or becomes legally incompetent;
2. has been declared bankrupt;
3. has been found guilty of a criminal act;
4. has committed a disgraceful act in the Capital Market or in the financial sector;
5. does not have a good character and or morals; or,
6. commits a material violation of Capital Market laws and regulations.

When BAPEPAM temporarily suspends all members of a board of directors, BAPEPAM may appoint any Person, employed or not by the Securities Exchange, Clearing and Guarantee Institution or Central Depository, as a temporary manager. Thereupon, the Securities Exchange, Clearing and Guarantee Institution or Central Depository shall convene a General Meeting of Shareholders to elect new members of the board of directors.

<sup>21</sup> "Effectiveness" refers to having completed or fulfilled all procedures and legal requirements with respect to a Registration Statement. A declaration of effectiveness is not an approval of the Public Offering nor is it a declaration that BAPEPAM has determined that the information disclosed by the Issuer or Public Company is true and sufficient. Issuers and Public Companies that submit a Registration Statement are responsible to ensure that all information and statements therein are true and not misleading. BAPEPAM does not guarantee that information in a Registration Statement is true or complete. BAPEPAM may delay declaring a Registration Statement effective when the relevant procedures or requirements have not been met. In addition, BAPEPAM may cancel the effectiveness of a Registration Statement when new information is received indicating that there is a violation of this Law or its implementing regulations.

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violations of this Law or its implementing regulations;

f. require any Person to :

- 1) suspend and/or correct any advertisement or promotion related to the Capital Market<sup>22</sup>; or
- 2) take actions necessary to remedy the effects of such advertisement or promotion<sup>23</sup>;

g. inspect<sup>24</sup>:

- 1) Issuers and Public Companies that have submitted or that are required to submit a Registration Statement to BAPEPAM; or
- 2) Persons that, under this Law, are required to have a business or individual license, or to be approved, or to be registered as a professional;

h. authorize a Person<sup>25</sup>, under powers granted to BAPEPAM in letter g, to conduct an inspection;

i. publish findings of inspections<sup>26</sup>;

j. suspend or cancel the listing of a Security on a Securities Exchange or suspend trading in a Security on an Exchange for a certain period, in order to safeguard investors' interests<sup>27</sup>;

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<sup>22</sup> When a Person engaged in Capital Market activities makes an advertisement or promotion in contravention of this Law or its implementing regulations, BAPEPAM may halt the advertisement or promotion and order the Person to make corrections in order to protect the interests of investors and/or the Capital Market.

<sup>23</sup> When investors or others incur a loss as a result of an advertisement or promotion as referred to in item 1), BAPEPAM may order the Person responsible to take necessary measures to remedy the situation, including reimbursement of losses.

<sup>24</sup> In this letter, "inspection" means a routine examination of an Issuer, Public Company, or other Person that has a license, approval or registration from BAPEPAM. In its inspections, BAPEPAM may order the Persons inspected to submit certain reports, and may examine offices and records, such as accounts, books, documents, and working papers, whether recorded manually, mechanically, electronically or by other means.

<sup>25</sup> "Authorized Person" refers to a Securities Exchange that is authorized by BAPEPAM to inspect its Member firms. Authority to conduct inspections may be given also to Public Accountants and others when necessary.

<sup>26</sup> The results of the BAPEPAM inspections referred to in letters e and g, may be published when BAPEPAM deems it is necessary to inform the public of its findings in order to safeguard market integrity and to promote compliance with this Law and or its implementing regulations.

<sup>27</sup> BAPEPAM may suspend or cancel the listing of a Security on a Securities Exchange or halt trading in a Security on an Exchange, when investors' interests are endangered or when it is not possible to trade fairly in a Security, such as when an Issuer fails to disclose the true condition of a Company.

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- k. suspend all trading on a Securities Exchange in times of emergency<sup>28</sup>;
  - l. investigate petitions for relief from Persons sanctioned by a Securities Exchange, a Clearing Guarantee Institution, or a Central Securities Depository and decide whether to revoke or sustain such sanctions<sup>29</sup>;
  - m. set fees for the granting of licenses, approvals, registrations, and fees for inspections and examinations, and other fees related to the Capital Market<sup>30</sup>.
  - n. take steps necessary to avert loss to the public arising from violation of Capital Market regulations<sup>31</sup>;
  - o. provide technical interpretations regarding this Law and its implementing regulations;
  - p. define other instruments as Securities<sup>32</sup>, in addition to those men-

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<sup>28</sup> "Emergency" refers to circumstances beyond anyone's control, including wars, strikes, sabotage and riots, and natural disasters such as earthquakes or floods, as well as a sudden significant drop in the prices of Securities on a Securities Exchange due to a breakdown in the trading or settlement system.

<sup>29</sup> A Person that is sanctioned by a Securities Exchange, Clearing and Guarantee Institution or Central Depository, may petition BAPEPAM for relief. BAPEPAM may grant relief to the petitioner, when its review shows there has been an error of fact or of law in the application of the sanction. BAPEPAM may cancel or amend a decision of a Securities Exchange, Clearing and Guarantee Institution, or Central Depository. Conversely, BAPEPAM may decide that there is no basis to grant relief and reaffirm the decision of the Securities Exchange, Clearing and Guarantee Institution, or Central Depository

<sup>30</sup> "License fees" refer to moneys collected by BAPEPAM for processing license applications of Persons intending to engage in Capital Market activities, including licenses for Securities Exchanges, Clearing Guarantee Institutions, Central Depositories, Securities Companies, Investment Advisors, and Representatives of Underwriters, Broker-Dealers and Investment Managers. "Approval fees" refer to moneys collected by BAPEPAM for processing applications of Persons seeking approval to engage in certain Capital Market activities, such as banks that wish to act as Custodians. "Registration fees" refer to moneys collected for processing the registration of a Trust-agent or a Capital Market Supporting Professional, such as an Accountant, Appraiser, Notary, or Legal Consultant. "Inspection and examination fees" refer to moneys collected for reviewing a Registration Statement or for costs of a special inspection by an Accountant in connection with an investigation. "Other fees" refer to miscellaneous charges, such as fees for information provided investors. All fees that are collected are revenues of the State and shall be paid to the State Treasury. In view of the scope of its duties and the anticipated expansion in its workload, BAPEPAM requires an adequate appropriation in the State Income and Expenditure Budget (APBN) so that its responsibilities may be properly met.

<sup>31</sup> "Steps necessary to prevent loss" refer to significant, timely actions taken to protect the public against violations of this Law and its implementing regulations, including such actions as:

1. Determining how transactions that the Clearing and Guarantee Institution is not able to settle, will be settled;
  2. In the event of counterfeit shares, taking essential measures, such as requesting the Director General of Immigration, or the Department of Justice through the Attorney General to arrest certain Persons;
  3. Requiring a Securities Exchange to change its rules that are contrary to Capital Market regulations;
  4. Requiring an Issuer to use funds raised in a Public Offering for purposes stated in the Prospectus; and
  5. Subject to approval by the General Meeting of Shareholders, permitting changes in the utilization of funds raised through Public Offering.
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tioned *in Article 1 item 5*; and  
q. do any other act<sup>33</sup> required by this Law.

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<sup>32</sup> When defining other instruments as Securities, the provisions of current laws and regulations and the authority of other agencies, such as Bank Indonesia, shall be observed.

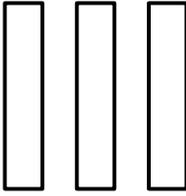
<sup>33</sup> “Any other act” refers to powers other than those indicated in letters a through p. Among the other powers granted to BAPEPAM are:

1. The determination of the method of preparation and submission of the annual budget and profit-utilization plan of a Securities Exchange, in accordance with Article 7 item (3);
  2. Approval of required rules of a Securities Exchange, including amendments thereto, in accordance with in Article 11;
  3. The determination of other services that may be provided by a Clearing and Guarantee Institution and a Central Depository as stated in Article 14 paragraph (3); and
  4. The determination of the method of preparation and submission of the annual budget and profit-utilization plan of a Clearing Guarantee Institution and a Central Depository, in accordance with the provisions of Article 14 paragraph (4).
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CHAPTER



SECURITIES EXCHANGES, CLEARING GUARANTEE  
INSTITUTIONS AND CENTRAL SECURITIES  
DEPOSITORY

**Section One**  
*Securities Exchanges*

**Paragraph I**  
*Licensing*

*Article 6*

- 1) Only a Company that has been granted a business license by BAPEPAM may carry on business as a Securities Exchange<sup>34</sup>.
- 2) Requirements and procedures<sup>35</sup> for the licensing referred to in item (1) with respect to Securities Exchanges shall be determined in Government Regulations.

**Paragraph 2**  
*Purpose and Ownership*

*Article 7*

- 1) Securities Exchanges shall be founded for the purpose of organizing an orderly, fair and efficient trading market for Securities<sup>36</sup>.
- 2) To achieve the purposes mentioned in item (1), a Securities Ex-

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<sup>34</sup> A Securities Exchange is organized primarily to provide systems and facilities for members to trade Securities. Because savings of the public are invested, trading must be orderly, fair and efficient. For this reason, a Securities Exchange must be licensed by BAPEPAM to conduct its business.

<sup>35</sup> Requirements and procedures for licensing deal with such matters as:

1. the business license;
2. provisions that must be included in the articles of association;
3. the management;
4. the capital; and
5. the economic basis for establishing the Securities Exchange.

<sup>36</sup> Securities trading is orderly, fair and efficient when it is based on clear rules that are followed consistently. Prices should be determined by supply and demand. Trading efficiency is reflected in the speed and cost of transactions.

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change must supervise Members' activities and provide them with facilities<sup>37</sup>.

- 3) A Securities Exchange must submit an annual budget and profit-utilization plan to BAPEPAM according to BAPEPAM rules<sup>38</sup>

### *Article 8*

Only Securities Companies that are licensed as Broker-Dealers may be shareholders of a Securities Exchange<sup>39</sup>.

### **Paragraph 3**

#### *Securities Exchange Rules and Inspection Units*

### *Article 9*

- 1) A Securities Exchange must make rules on Membership, listing, fungibility of Securities, clearing and settlement of Exchange Transactions, and related Exchange matters<sup>40</sup>.

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<sup>37</sup> The purpose of a Securities Exchange is to provide systems and facilities for trading Securities. With effective systems and facilities, shareholder-Members may trade Securities in an orderly, fair and efficient manner. Efficient systems and facilities also help Securities Exchanges to supervise their members effectively.

<sup>38</sup> In preparing an annual budget and a profit utilization plan, a Securities Exchange must endeavor to achieve Capital Market efficiency and the Exchange must observe BAPEPAM stipulations regarding, among other things:

1. Improvement of trading systems and facilities;
2. Improvement in guidance and supervision of Members;
3. Development of efficient systems for listing Securities;
4. Development of systems for clearing and settling Exchange Transactions;
5. Improvement of information systems;
6. Development of the Capital Market through promotion and research; and
7. Training human resources.

The annual budget and profit utilization plan shall be approved by the General Meeting of Shareholders and submitted to BAPEPAM. After reviewing the annual budget and profit utilization plan, BAPEPAM may reject proposals that are contrary to the above objectives. Plans that are rejected by BAPEPAM shall be amended by the directors of the Exchange and after obtaining approval from the board of commissioners, resubmitted to BAPEPAM for approval. Only annual budgets and profit-utilization plans that have been approved by BAPEPAM may be implemented.

<sup>39</sup> Considering that the purpose of a Securities Exchange is to provide facilities and systems for trading Securities, and that with respect to trading, only Securities Companies may be Broker-Dealers, shareholders of a Securities Exchange are limited to licensed Securities Companies.

<sup>40</sup> Securities Exchanges have self-regulatory powers. Exchange rules bind Members, Issuers of securities listed on the Exchange, and Exchange contractors such as the Clearing Guarantee Institution, the Central Securities Depository, and Custodian banks. Rule-making on clearing and settlement must be coordinated with the Clearing Guarantee Institution. "Related matters" refers to rules on Member inspections, the coordination of trading with the Clearing Guarantee Institution and the Central Securities Depository, and rules related to new kinds of operations. Fungibility refers to an attribute of Securities that relates to their interchangeability with comparable Securities with the same value, of the same Issuer.

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- 2) Securities Exchanges shall determine the procedures for transferring Securities in connection with Exchange Transactions<sup>41</sup>.
  - 3) Securities Exchanges may set listing fees, Membership dues, Transaction fees, and service charges<sup>42</sup>.
  - 4) Fees and dues referred to in item (3) shall be in accordance with functional needs of the Securities Exchange<sup>43</sup>.

### *Article 10*

A Securities Exchange may not restrain beneficial competition nor restrict its Members from joining other Securities Exchanges<sup>44</sup>.

### *Article 11*

Securities Exchange rules and rule changes become effective when approved by BAPEPAM<sup>45</sup>.

### *Article 12*

- 1) A Securities Exchange must have an inspection unit that is responsible for periodic and surprise inspections of the Exchange and its Members<sup>46</sup>.
- 2) The supervisor of the inspection unit shall report directly to the boards of directors and commissioners of the Securities Exchange, and to BAPEPAM, whenever matters are discovered that could materially affect a Member or the Exchange<sup>47</sup>.

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<sup>41</sup> Securities Exchange rules regarding the transfer of Securities must consider general practices in the Capital Market. The "transfer of Securities" also refers to the transfer of entitlements.

<sup>42</sup> The principal revenues of a Securities Exchange are membership dues, transaction fees, and listing fees. Such revenues are intended to cover costs of services to Members related to Exchange trading, so that such operations are orderly, fair and efficient.

<sup>43</sup> The dues and fees collected by a Securities Exchange are necessary to cover operational costs and to develop the Exchange. When income is more than sufficient for operating and development needs, the Exchange may reduce its dues and fees.

<sup>44</sup> This Article is intended to discourage unfair competition among Securities Exchanges by allowing Securities Company to become members of more than one Exchange.

<sup>45</sup> To ensure that rules of a Securities Exchange comply with this Law and or its implementing regulations, such rules must be approved by BAPEPAM in order to take effect.

<sup>46</sup> The Securities Exchange inspection unit is intended to continuously supervise Exchange Members and management, to ensure that they comply with this Law, its implementing regulations and Securities Exchange rules.

<sup>47</sup> Reporting to the boards of directors and commissioners of the Securities Exchange and BAPEPAM is required so that they may take necessary actions to resolve problems of the Exchange and its Members.

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- 3) Securities Exchanges must make inspection reports available to BAPEPAM on request<sup>48</sup>.

## **Section Two**

### *Clearing Guarantee Institutions, and The Central Securities Depository*

#### **Paragraph 1**

##### *Licensing*

##### *Article 13*

- 1) Only a Company that is licensed by BAPEPAM may act as a Clearing Guarantee Institution or a Central Securities Depository<sup>49</sup>.
- 2) Procedures and requirements for the licensing referred to in *item (1)* with respect to a Clearing Guarantee Institution and a Central Securities Depository shall be stipulated in Government Regulations<sup>50</sup>.

#### **Paragraph 2**

##### *Purpose and Ownership*

##### *Article 14*

- 1) A Clearing Guarantee Institution is established for the purpose of providing clearing services<sup>51</sup> that are orderly, fair and efficient and of guaranteeing settlement of Exchange Transactions.
- 2) A Central Securities Depository is established for the purpose of providing central Custodian services and orderly, fair and efficient services relating to the settlement of Transactions.
- 3) Clearing Guarantee Institutions and Central Securities Depository

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<sup>48</sup> The Securities Exchanges must administer inspection unit reports properly so that they are available to BAPEPAM upon request.

<sup>49</sup> Clearing Guarantee Institution operations are a continuation of activities of the Securities Exchange through settlement of Exchange Transactions. Because public savings are involved, the Clearing Guarantee Institution must fulfill certain technical requirements to ensure that transactions are settled in an orderly, fair and efficient manner. In like manner, a Central Securities Depository, as the principal Custodian for safekeeping Securities, must meet certain technical requirements. Therefore, these two institutions must be licensed by BAPEPAM.

<sup>50</sup> Among licensing requirements and procedures are matters such as:

1. the business license;
2. required provisions in the articles of association;
3. management; and
4. capital.

<sup>51</sup> Clearing is the process of determining and informing Securities Exchange Members of their rights and obligations of with respect to trades they have made.

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- may provide other services in accordance with BAPEPAM rules<sup>52</sup>.
- 4) A Clearing Guarantee Institution as well as a Central Securities Depository must submit an annual budget and profit-utilization plan to BAPEPAM in accordance with BAPEPAM regulations<sup>53</sup>.

### *Article 15*

- 1) Securities Exchanges, Securities Companies, Securities Administration Agencies, Custodian banks or others approved by BAPEPAM, may be shareholders of a Clearing Guarantee Institution and a Central Securities Depository<sup>54</sup>.
- 2) The majority of the shares of a Clearing Guarantee Institution must be owned by a Securities Exchange<sup>55</sup>.

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<sup>52</sup> "Other services" include such things the distribution of voting proxies and annual reports, the processing of preemptive subscription rights, the receipt of Securities in a tender offer, and settlement services for foreign central Custodians.

<sup>53</sup> The annual budget and profit-utilization plan of a Clearing Guarantee Institution or a Central Securities Depository must take into consideration the goal of an efficient Capital Market and BAPEPAM provisions with respect to such matters as:

1. Improvements to clearing and guarantee services so that exchange transactions are orderly, fair and efficient;
2. Improvements to Central Securities Depository services so that settlement of transactions is orderly, fair and efficient;
3. Improved safety of book-entry settlement of Exchange Transactions; and
4. Development of secure systems for safekeeping Securities.

The annual budget and profit utilization plan of the Clearing Guarantee Institution and Central Securities Depository must be approved by the General Meeting of Shareholders and submitted to BAPEPAM. When Bapepam finds that the annual budget and profit-utilization plan of a Clearing Guarantee Institution or a Central Securities Depository is not satisfactory, it may reject the proposal. When BAPEPAM rejects a budget or profit-utilization plan, the board of directors of the respective institution must make changes and obtain approval of its board of commissioners before resubmitting the plan to BAPEPAM. The annual budget and profit-utilization plan can be implemented only when approved by BAPEPAM.

<sup>54</sup> Activities of a Clearing Guarantee Institution, and a Central Securities Depository are closely related to the settlement of Securities transactions. Therefore a Clearing Guarantee Institution and a Central Securities Depository should be owned principally by users of the services of these institutions such as Securities Exchanges, Securities Companies, Securities Administration Agencies and Custodian Banks. However, when funding requirements for organizing a Clearing Guarantee Institution or a Central Securities Depository cannot be met from such sources, other Persons may be shareholders, subject to BAPEPAM approval.

<sup>55</sup> Clearing and guaranteed settlement of Exchange Transactions are part of Securities Exchange business. Therefore, in order to assure that clearing and settlement guarantees are consistent with Securities Exchange activities, the majority of shares of a Clearing Guarantee Institution shall be owned by Securities Exchanges. Majority refers to shareholders with more than fifty percent of the issued and paid-in capital of the company.

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### **Paragraph 3**

#### *Rules of Clearing Guarantee Institutions and The Central Securities Depository*

##### *Article 16*

- 1) A Clearing Guarantee Institution must make rules on clearing and on the guaranteed settlement of Exchange Transactions, and its service charges<sup>56</sup>.
- 2) A Central Securities Depository must make rules on central Custodian services and Securities Transaction settlement services, and its service charges<sup>57</sup>.
- 3) The charges mentioned in *items (1) and (2)* shall be compatible with the functional requirements of the Clearing Guarantee Institution and the Central Securities Depository<sup>58</sup>.

##### *Article 17*

Rules of a Clearing Guarantee Institution or a Central Securities Depository, and amendments thereof, become effective when approved by BAPEPAM<sup>59</sup>.

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<sup>56</sup> In order to ensure that clearing and guaranteed settlement of Exchange Transactions is orderly, fair and efficient, rules protecting the interests of service-users are required. For this reason, a Clearing Guarantee Institution has authority to establish rules that bind and must be observed by all service users.

<sup>57</sup> To protect the users' interests, a Central Securities Depository must issue rules establishing users' rights and obligations.

<sup>58</sup> As non-profit institutions, services fees of a Clearing Guarantee Institution and a Central Securities Depository must be compatible with their operating and developmental costs and the interests of their users.

<sup>59</sup> In order to ensure that rules of a Clearing Guarantee Institution or a Central Securities Depository are in accordance with this Law and its implementing regulations, such rules become effective only when approved by BAPEPAM.

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## Section One

### *Legal Form and Licensing*

#### *Article 18*

1. An Investment Fund can be organized as a:
  - a) **Company**<sup>60</sup>; or
  - b) collective investment contract<sup>61</sup>.
2. The Investment Funds referred to in *item (1) letter a* may be open-ended or closed-ended<sup>62</sup>.
3. An Investment Fund organized in accordance with *item (1) letter a* must be **Company** licensed by BAPEPAM.
4. An Investment Fund organized in accordance with *item (1) letter b* must be managed by an Investment Manager under Contract<sup>63</sup>.
5. Requirements and licensing procedures for Investment Funds referred to in *item (3)* shall be determined in Government Regulations<sup>64</sup>.

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<sup>60</sup> The business of an Investment Fund in corporate form is investing the proceeds of the sale of its shares in Securities traded on the Capital and the money markets.

<sup>61</sup> A Collective investment contract is an agreement between an Investment Manager and a Custodian Bank that binds participating unit-holders and that authorizes the Investment Manager to manage the collective investment portfolio and the Custodian Bank to provide Collective Custody services. Funds organized as collective investment contracts raise funds by issuing Participation Units to investors for the purchase of Securities traded in capital and money markets.

<sup>62</sup> An open-end Investment Fund is a Fund that offers to sell and re-purchases shares from investors up to its authorized capital, whereas a closed-end Investment Fund is a Fund that does not re-purchase shares from its shareholders.

<sup>63</sup> To ensure that the portfolio of a collective investment contract is managed professionally, the management must be done by an Investment Manager.

<sup>64</sup> Licensing rules and procedures include such matters as:

1. the business license;
  2. provisions that must be included in the articles of association;
  3. management; and
  4. capital
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## Article 19

1. Shareholders of open-end Investment Funds may sell their shares back to the Fund.
2. When shareholders wish to sell back their shares, an open-end Investment Fund must buy the shares.
3. Exceptions to the requirement of *item (2)* may be made when
  - a) the Securities Exchange where most of the Securities in the Investment Fund Portfolio are traded, is closed<sup>65</sup>;
  - b) trading is suspended on the Exchange with respect to Securities that make up most of the Investment Fund Securities Portfolio<sup>66</sup>;
  - c) there is an emergency<sup>67</sup>; or
  - d) there has occurred some other circumstance stipulated in the investment management contract approved by BAPEPAM<sup>68</sup>.

## Article 20

1. The Investment Manager, as administrator of an open-end Investment Fund in the form of a collective investment contract, may continuously sell and re-purchase Participation Units, within limits stipulated in the contract<sup>69</sup>.
2. An Investment Manager must re-purchase the Participation Units of holders that wish to sell their Units.
3. Exceptions from the stipulation of *item (2)* can be made when:
  - a) the Securities Exchange where most of the Securities in the Investment Fund Portfolio are traded, is closed<sup>70</sup>;

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<sup>65</sup> "Most of the portfolio" refers to that amount that may significantly affect the valuation of the portfolio and the Fund's net asset value per share. Valuation of a portfolio and the per share net asset value is based on prices on the Exchange where the securities are traded. When the Exchange is closed, there are no prices to serve as a basis for evaluating of the Fund's portfolio or the net asset value of per share.

<sup>66</sup> "Most of the portfolio" has the same meaning as in letter a. When Exchange trading in a Security in the Fund's portfolio is suspended, there is no price basis for the Security.

<sup>67</sup> "Emergency" has the same meaning as in the note to Article 5, letter k.

<sup>68</sup> The provision for "other circumstances" is meant to anticipate Capital Market developments that give rise to a situations other than those referred to in letters a, b and c and provisions ordinarily included in contracts under Article 1338 of the Indonesian Civil Code that establishes freedom of contract. Provisions other than those referred to in letters a, b and c, are binding only when approved by BAPEPAM.

<sup>69</sup> Units of Participation of an Investment Fund in the form of a collective investment contract shall be redeemed by the Investment Manager for the account of the Fund. Money used by the Investment Manager to redeem Participation Units comes from the Fund's assets.

<sup>70</sup> "Most of the portfolio" refers to that amount that may significantly affect the valuation of the portfolio and the Fund's net asset value per Unit. Valuation of a portfolio and the per share net asset value is based on prices on the Exchange where the securities are traded. When the Exchange is closed, there

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- b) trading is suspended on the Exchange with respect to Securities that make up most of the Investment Fund Securities Portfolio<sup>71</sup>;
  - c) there is an emergency<sup>72</sup>; or
  - d) some other circumstance stipulated in the investment management contract approved by BAPEPAM has occurred<sup>73</sup>.

## Section Two *Management*

### *Article 21*

1. Administration of Investment Funds, whether in corporate or collective investment contract form, shall be carried out by an Investment Manager under contract<sup>74</sup>.
2. Parties to an Investment Fund management contract with respect to Funds in corporate form, shall be the board of directors and the Investment Manager<sup>75</sup>.
3. Parties to an Investment Fund management contract are the Investment Manager and the Custodian bank in the case of an open-end collective investment contract, and this contract includes the management contract<sup>76</sup>.
4. Further regulation of the provisions of *items (2) and (3)* shall be made by BAPEPAM<sup>77</sup>.

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are no prices to serve as a basis for evaluating of the Fund's portfolio or the net asset value of per Unit.

<sup>71</sup> "Most of the portfolio" has the same meaning as in letter a. When Exchange trading in a Security in the Fund's portfolio is suspended, there is no price basis for the Security.

<sup>72</sup> "Emergency" has the same meaning as in the note to Article 5, letter k.

<sup>73</sup> "Other circumstances" has the same meaning as in Article 19, item (3) letter d.

<sup>74</sup> "Administration of an Investment Fund" means management of an Investment Fund by an Investment Manager.

<sup>75</sup> A management contract includes such things as:

1. Portfolio diversification policy with respect to the money market and the Capital Market;
2. Diversification policy with respect to bonds and shares;
3. Diversification policy with respect to industry groups; and
4. Prohibitions regarding certain types of investment.

<sup>76</sup> A management contract includes such things as:

1. Portfolio diversification policy with respect to the money market and the Capital Market;
2. Diversification policy with respect to bonds and shares;
3. Diversification policy with respect to industry groups; and
4. Prohibitions regarding certain types of investment.

<sup>77</sup> Further regulation refers to such matters as:

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### Article 22

On every Exchange day, the Investment Manager shall determine the fair market value of Securities in the Portfolio of an open-end Investment Fund, whether organized as a corporation or as a collective investment contract, in accordance with BAPEPAM rules<sup>78</sup>.

### Article 23

Net asset value shall be the basis for evaluating shares of an open-end, corporate Investment Fund and Participation Units of a collective investment contract<sup>79</sup>.

### Article 24

1. An Investment Fund may neither borrow nor lend money<sup>80</sup>.
2. An Investment Fund may not acquire shares or Participation Units of another Investment Fund.
3. Further restrictions on Investment Fund operations may be set by BAPEPAM<sup>81</sup>.

### Article 25

1. The assets of an Investment Fund must be kept with a Custodian bank<sup>82</sup>.
2. The Custodian bank mentioned in *item (1)* may not be Affiliated with the Fund's Investment Manager<sup>83</sup>.

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1. Guidelines for investment management contracts; and
  2. Submission procedures for draft investment management contracts.

<sup>78</sup> The fair market value of a Security that is actively traded on a Securities Exchange is its market price or quotation. The fair market value may differ from the market price when a Security is not actively traded or has not been traded for some time. In such cases, fair market value is determined in accordance with criteria established by BAPEPAM. An "Exchange day" is any day on which a Securities Exchange is open for business.

<sup>79</sup> "Net asset value" is the fair market value of the Securities portfolio and other assets of a Fund, less the liabilities of the Fund.

<sup>80</sup> This provision does not prohibit the purchase of bonds or other debt Securities by an Investment Fund, nor the deposit of cash in banks.

<sup>81</sup> Investment limitations include such things as:

1. The amount invested in a single Security;
2. Limitations on investment in foreign Securities; and
3. Certain instruments that may not be purchased by the Fund.

<sup>82</sup> Investment Fund assets include cash and such Securities as deposit certificates, commercial paper, shares, bonds, and promissory notes. The mandatory deposit of Investment Fund assets with a Custodian Bank is intended to protect the Fund's assets. For the same reason, the function of Custodian is separate from the function of Investment Manager.

<sup>83</sup> To avoid conflicts of interest in Investment Fund administration, the powers of both the Investment Manager and the Custodian Bank are limited. The Investment Manager acts only as portfolio

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3. Investment Funds must calculate and publish their net asset value<sup>84</sup>.

### *Article 26*

1. Parties to the contract for custody of the assets of an Investment Fund in corporate form, shall be the board of directors and the Custodian bank<sup>85</sup>.
2. A collective investment contract shall include the custodial agreement and shall be made by the Investment Manager and the Custodian bank<sup>86</sup>.
3. Further regulation<sup>87</sup> regarding *items (1) and (2)* shall be made by BAPEPAM.

### *Article 27*

1. To the extent possible, an Investment Manager must, in good faith and in a fully responsible manner, carry out his duties in the sole interest of the Investment Fund<sup>88</sup>.
2. An Investment Manager that does not carry out his duties in accordance with *item (1)* shall be liable for losses resulting from his actions<sup>89</sup>.

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manager, while the Custodian provides safekeeping and administrative services for Fund assets. As an additional safeguard, Investment Managers may not be affiliated with the Fund's Custodian Bank.

<sup>84</sup> The net asset value of open-end Investment Funds must be calculated and published each trading day. The net asset value of a closed-end Investment Fund must be calculated and published at least once a week.

<sup>85</sup> The board of directors of an Investment Fund oversees the management and administration of the Fund, including the custody of Fund assets. Therefore, the board of directors must contract with a Custodian Bank with respect to Investment Fund assets.

<sup>86</sup> A custodial contract must include at least the following provisions:

1. Investment Fund Securities must be segregated from those of the Custodian;
2. Changes in Fund assets must be recorded;
3. A Custodian may not terminate its services until a new Custodian is appointed; and
4. Certain reports must be prepared and submitted to the Investment Manager and to BAPEPAM.

<sup>87</sup> Such regulation includes such matters as:

1. guidelines for a custodial contract; and
2. procedures for submitting a draft collective custody contract.

<sup>88</sup> Because Investment Managers administer public funds, there must be maximum assurance that the Investment Manager acts with good intentions and full responsibility with respect to the interests of the Fund.

<sup>89</sup> An Investment Manager is liable for the Fund's losses that result from its irresponsible management or bad faith.

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### Article 28

1. Shares of a corporate open-end Investment Fund have no par value<sup>90</sup>.
2. At least one percent of the authorized capital of a corporate Investment Fund shall be issued and paid-in when the fund is established<sup>91</sup>.
3. Shares of a corporate Investment Fund may be repurchased and resold without the approval of the *General Meeting of Shareholders*<sup>92</sup>.
4. The re-purchase of shares of a corporate Investment Fund shall be made from the Fund's assets<sup>93</sup>.

### Article 29

1. A corporate Investment Fund is not required to maintain reserves.
2. BAPEPAM shall determine the reserves that may be maintained by an Investment Fund<sup>94</sup>.

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<sup>90</sup> The value of Investment Fund shares is based on the net portfolio value. As the portfolio value changes, the net asset value per share also changes. Investors buy and sell Fund shares at net asset value. From the time the Fund is established, the price of Fund shares is always equal to the net asset value per share. Because the net asset value per share constantly changes with the value of the portfolio, Investment Fund shares are issued without par value.

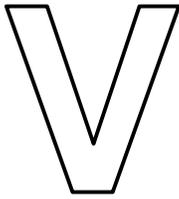
<sup>91</sup> The initial capital of a Fund is supplied by the founder in order to start operations. A Fund's founder need only pay in one percent of the authorized capital. The purpose of a Fund is to gather public savings for portfolio investment. Therefore, additional capital, up to the amount authorized, is obtained through a Public Offering.

<sup>92</sup> Approval of the General Meeting of Shareholders is not required, because the re-purchase of Investment Fund shares and subsequent re-sales occur constantly as a result of shareholder redemptions.

<sup>93</sup> The Fund's assets include cash and proceeds from the sale of securities from the Fund's portfolio.

<sup>94</sup> In principle, profits of a corporate Investment Fund are distributed as dividends to shareholders. Investment Funds may not borrow from third parties. Therefore, reserve are not needed for the protection of creditors. However, reserves may be maintained to increase the size of the Fund and the value of its investment portfolio.

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**Section One***Licensing of Securities Companies**Article 30*

1. Only a Company licensed by BAPEPAM may carry on business as a Securities Company<sup>95</sup>.
2. A Securities Company licensed under *item (1)* may carry on business as an Underwriter, Broker-Dealer and/or Investment Manager and any other business permitted by BAPEPAM rules<sup>96</sup>.
3. A Securities Company license is not required when a Person acts as an Underwriter, Broker-Dealer and/or Investment Manager only with respect to credit Securities that have a maturity of less than one year, or certificates of deposit, insurance policies, Securities issued or guaranteed by the *Indonesian Government* or other Securities determined by BAPEPAM<sup>97</sup>,
4. Further licensing requirements and procedures with respect to Securities Companies shall be stipulated in Government Regulations<sup>98</sup>.

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<sup>95</sup> Securities Company must meet certain licensing requirements, such as sufficient expertise and capital.

<sup>96</sup> An Underwriter's license also serves as a license to act as a Broker-Dealer. Securities Companies that are licensed Underwriters may carry on business as Broker-Dealers. However, a Securities Company licensed only as a Broker-Dealer may not act as an Underwriter.

<sup>97</sup> Persons that act as Underwriters, Broker-Dealers, or Investment Managers only with respect to the types of Securities described in this item are not required to be licensed by BAPEPAM. However, because Persons licensed by BAPEPAM may also deal in such exempt securities, and because operations in these Securities may give rise to new types of Securities that are not regulated or supervised by other government agencies, BAPEPAM has the authority to regulate such activities by virtue of this Law and its implementing regulations.

<sup>98</sup> Licensing requirements and procedure include such things as:

1. Requirements with respect to management, capital and expertise; and
  2. Procedures for submitting license applications.
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### *Article 31*

A Securities Company is accountable for all Securities-related activities of its directors, employees and other Persons that work for the Company<sup>99</sup>.

## **Section Two**

### *Licensing of Securities Company Representatives*

#### *Article 32*

1. Only individuals licensed by BAPEPAM may act as Underwriter Representatives, Broker-Dealer Representatives or Investment Manager Representatives<sup>100</sup>.
2. Further licensing requirements and procedures for Securities Company Representatives shall be stipulated in Government Regulations<sup>101</sup>.

#### *Article 33*

1. An individual licensed as an Underwriter Representative may also act as a Broker-Dealer Representative<sup>102</sup>.
2. An individual licensed as an Underwriter Representative, Broker-Dealer Representative or Investment Manager Representative may only be employed by one Securities Company<sup>103</sup>.

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<sup>99</sup> Securities-related activities refer to the business activities of the Securities Company, such as acting as an Underwriter, Broker-Dealer, or Investment Manager. "Employee" has the same meaning as defined in the note to Article 1 item 1 letter b. "Other Persons that work for the Company" includes non-employees authorized by the Company to perform specific duties.

<sup>100</sup> An Underwriter's Representative acts for the Securities Company with respect to its Securities underwriting business. A Broker-Dealer's Representative acts for the Securities Company with respect to its Securities trading business. An Investment Manager's Representative acts for the Securities Company with respect to its Securities Portfolio management business.

<sup>101</sup> Licensing requirements and procedure include such things as:

1. Requirements with respect to experience and expertise; and
2. Procedures for submitting license applications.

<sup>102</sup> Since a licensed Underwriter's Representative is also a licensed Broker-Dealer's Representative, a licensed Underwriter's Representative may represent the Company in both the Underwriting and Broker-Dealer business. However, an individual licensed only as a Broker-Dealer's Representative may only represent a Securities Company with respect to its Broker-Dealer activities.

<sup>103</sup> The individuals in question work both for a company and its clients. In order to avoid conflicts of interest, Underwriter's Representatives, Broker-Dealer's Representatives and Investment Manager's Representatives may work for only one Securities Company.

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## **Section Three**

### *Licensing of Investment Advisors*

#### *Article 34*

1. Only Persons licensed by BAPEPAM may engage in the business of Investment Advisor<sup>104</sup>.
2. Further requirements and licensing procedures for Investment Advisors shall be stipulated in Government Regulations<sup>105</sup>.

## **Section Four**

### *Code of Conduct*

#### *Article 35*

- Securities Companies and Investment Advisors are prohibited from:
- a) influencing or pressuring clients to act in ways contrary to their interests<sup>106</sup>;
  - b) disclosing a client's name or business, unless authorized in writing by the client or otherwise required by current law and regulations;
  - c) concealing material information from clients or making misrepresentations regarding their business capabilities or financial condition<sup>107</sup>;
  - d) recommending that clients buy or sell Securities, without revealing that the Securities Company or Investment Advisor has an interest in such Securities<sup>108</sup>; or

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<sup>104</sup> The business of an Investment Advisor is to give advice with respect to the sale or purchase of Securities, for a fee. An Investment Advisor must have certain qualifications, such as proficiency in Securities analysis. The scope of the Investment Advisory business includes the activities of a Securities Rating Agency. To ensure they have adequate qualifications, Investment Advisors must be licensed by BAPEPAM in order to do business in the capital market .

<sup>105</sup> Licensing requirements and procedure include such things as:

1. Competency requirements, such as being a licensed Investment Manager's Representative; and
2. Procedures for submitting license applications.

<sup>106</sup> The business of Securities Companies and Investment Advisors is based on trust. In going about their business, Securities Companies and Investment Advisors must give priority to protecting the legitimate interests of their clients. They must avoid actions contrary to the interests of their clients. For example, a Securities Company salesman must not persuade a customer with limited resources to invest in high-risk Securities.

<sup>107</sup> In view of the trust and confidence of their clients, Securities Companies and Investment Advisors must honestly inform customers regarding their professional skills and financial situation, truthfully disclosing all information that is relevant.

<sup>108</sup> This prohibition is meant to avoid possible conflicts of interest, by requiring a Securities Company or Investment Advisor to disclose any interests they may have in certain Securities. When Securities Companies or Investment Advisors and their clients have interests in the same Securities, the clients

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- e) buying or holding in its name or in the name of an Affiliated Person, Securities of an over-subscribed Public Offering, with respect to which the Securities Company is the Underwriter or selling agent, until orders of Unaffiliated Persons are filled<sup>109</sup>.

### *Article 36*

Securities Companies and Investment Advisors must<sup>110</sup>:

- a) know the background, financial situation, and investment objectives of their clients; and
- b) prepare and maintain proper records of their financial condition, orders, and Transactions

### *Article 37*

Securities Companies must follow procedures stipulated by BAPEPAM when receiving clients' Securities and must:

- a) register clients' Securities in accounts that are separate from accounts of the Securities Company<sup>111</sup>; and
- b) maintain secure facilities for safekeeping clients' assets, with separate records for each client<sup>112</sup>.

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must be informed of such interest before making a recommendation. An interest in Securities exists when:

1. Persons, directly or indirectly, individually or jointly with others, own Securities or are entitled to dividends, interest or proceeds from the sale and or use of the Securities;
2. Persons are bound by covenants or agreements to buy Securities, or have the right to transfer or change the ownership of Securities, or have preemptive subscription rights;
3. Persons are under obligation to buy unsold Securities in a Public Offering; and
4. Persons, individually or jointly with others, control any Person referred to in the previous three items.

<sup>109</sup> Besides serving to mobilize public funds, Public Offerings are meant to create liquidity for Securities. Wide distribution of Securities among investors is important. When Securities are only held by a few investors, distribution is insufficient to create liquidity. On the other hand, liquidity creates opportunities for investors to use the market to increase their wealth. To achieve this end, when there is strong demand for a Public Offering, Underwriters must give priority to unaffiliated subscribers, instead of their own orders, or orders of their sales agents or other affiliated Persons.

<sup>110</sup> Because the relationship between Securities Companies and Investment Advisors and their clients is based on trust, they should know the objectives, qualifications and background of their clients. With such knowledge, the Securities Company or Investment Advisor is able adjust its services to fit the needs of each client. Securities Companies and Investment Advisors must avoid situations in which the trust of their clients is abused or actions in their own interest that are against the interest of their clients. In addition, Securities Companies or Investment Advisors must maintain proper records of clients' orders, transactions and investment activities. In this way, at all times documentation is available as proof when needed by clients.

<sup>111</sup> Clients' Securities in safekeeping with a Securities Company are not part of the Securities Company's assets. For this reason, clients' Securities must be maintained in accounts that are segregated from accounts of the Securities Company. Since clients' Securities are not assets of the Securities Company, when the Company is bankrupt or is liquidated, clients' Securities are not part of the assets in bankruptcy or liquidation. Therefore, creditors or others with claims against the Securities Company have no rights with respect to the Securities of clients in custody with the Securities Company.

<sup>112</sup> Besides being obligated to segregate client's Securities from their own assets, a Securities Company must also keep separate records for each client to avoid confusing ownership of Securities. A

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### *Article 38*

A Broker-Dealer may not execute transactions on a Securities Exchange for his own account or for the account of Affiliated Persons, until all buy and sell orders with respect to the same Securities for Un-affiliated clients have been executed<sup>113</sup>.

### *Article 39*

An Underwriter must fulfill all terms of the underwriting agreement disclosed in the Registration Statement<sup>114</sup>.

### *Article 40*

An Underwriter must disclose in the Prospectus<sup>115</sup> any Affiliation or other material relationship with the Issuer.

### *Article 41*

A Broker-Dealer that is the Investment Manager of an Investment Fund, or a Broker-Dealer that is Affiliated with a Fund's Investment

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Securities Company must also provide safe storage facilities for assets to reduce the chance that clients' securities will be lost, damaged or stolen. With separate accounts, clients of Securities Companies can readily determine the number of Securities they own and use such records as evidence

<sup>113</sup> A Broker-Dealer may not purchase Securities for his own account or for the account of an affiliated Person, when there is an open purchase order with better terms from a non-affiliated Person with respect to the same Securities. However, a Broker-Dealer may purchase Securities for his own account or for the account of an affiliated Person on less favorable terms than orders of non-affiliated Persons. A Broker-Dealer may not sell Securities for his own account or for the account of an affiliated Person, when there is an open selling order on more favorable terms from a non-affiliated Person with respect to the same Securities. A Broker-Dealer may sell Securities for his own account or for the account of an affiliated Person on less favorable terms than orders of non-affiliated Persons. For example, if a non-affiliated Person gives an order to buy shares of PT X for Rp 10,000.00, the Broker-Dealer may purchase the same shares for his own account or for the account of an affiliated person for more than Rp 10,000.00. When a non-affiliated Person gives an order to sell shares of PT X for Rp 10,000.00, the Broker-Dealer may sell the same type of shares for his own account or for the account of an affiliated Person for less than Rp 10,000.00.

<sup>114</sup> The agreement between the Underwriter and the Issuer with respect to a Public Offering must be disclosed in the Prospectus and the parties are required to comply with its terms. An Underwriting contract may be on a full commitment or best efforts basis. Under a full commitment contract, Underwriters must purchase unsold Securities. Under a best efforts contract, Underwriters must do their best to sell the Securities, but are not obliged to purchase Securities that are not sold.

<sup>115</sup> Issuers can issue Securities without using an Underwriter. In such cases, the Issuer determines the price. Underwriters may assist Issuers in marketing or may provide Issuers with assurances that they will receive the expected proceeds from the sale. In either case, the investor decides whether or not to purchase the Securities. Investors consider offerings in which the Underwriter is affiliated with the Issuer as similar to offerings by an Issuer acting without an Underwriter. When the Underwriter is affiliated with the Issuer, the investor is aware of possible conflicts of interest. When clearly disclosed in the Prospectus, the relationship between the Issuer and the Underwriter is not the decisive factor for investors. With disclosure, investors may evaluate the degree of independence of the Underwriter with respect to the Issuer. "Other material relationships" include such things as a business or debtor-creditor relationship between an Issuer and an Underwriter or a contract to provide certain services.

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Manager, may not charge commissions to the Fund that are higher than would be charged by an Unaffiliated Broker-Dealer<sup>116</sup>.

*Article 42*

An Investment Manager or an Affiliated Person may not receive any form of direct or indirect compensation that might influence that Investment Manager to buy or sell Securities for the Investment Fund<sup>117</sup>.

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<sup>116</sup> This is to safeguard the Investment Fund against excessive commissions charged by a Securities Company that is both Investment Manager and Broker-Dealer for the Fund, or by a Broker-Dealer that is affiliated with the Investment Manager

<sup>117</sup> Investment Managers may not receive compensation of any type that influences their decisions to buy or sell Securities for an Investment Fund. Such decisions must be based solely on the interests of share or unit-holders of the Fund. An Investment Manager providing Broker-Dealer services may receive commissions without violating Article 41, as long as such commissions are not excessive. Other compensation related to fund management and stipulated in the investment management contract is also permitted.

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CHAPTER  
**V**

CAPITAL MARKET SUPPORTING INSTITUTIONS

**Section One**  
*Custodians*

**Paragraph 1**  
*Approval*

*Article 43*

1. Only a Central Securities Depository, a Securities Company or a Commercial bank approved by BAPEPAM may carry on business as a Custodian<sup>118</sup>.
2. Further requirements and procedures for approving commercial banks as Custodians shall be stipulated in Government Regulations<sup>119</sup>.

**Paragraph 2**  
*Securities in Custody*

*Article 44*

1. A Custodian is responsible for safekeeping an account-holder's Securities and for fulfilling the conditions of the account-holder's contract with the Custodian.
2. Securities on deposit must be maintained and recorded separately.
3. Securities in safekeeping or posted to a Securities account with a Custodian are not part of the Custodian's assets<sup>120</sup>.

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<sup>118</sup> Safekeeping is an activity of Commercial Banks that is permitted under banking laws. Therefore, Commercial Banks do not require a license from BAPEPAM to provide safekeeping services. To act as Custodians, Commercial Banks must be approved by BAPEPAM since custody involves a wider range of services than safekeeping and relates to activities of the Central Securities Depository, Securities Companies, and Investment Funds. Neither A Central Securities Depository nor a Securities Company requires a separate license or approval to act as a Custodian, because their licenses already cover Custodial activities.

<sup>119</sup> Approval requirements and procedures include such things as:

1. Requirements regarding facilities;
  2. Requirements with respect to expertise.
  3. Qualifications for supervisors of Custodial activities; and
  4. Procedures for submitting an application for approval.
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### Article 45

A Custodian may deliver Securities or funds recorded in a Securities account only upon written instruction from the account-holder or from a Person authorized to act in the account-holder's name<sup>121</sup>.

### Article 46

A Custodian must reimburse account-holders for losses resulting from the Custodian's mistake<sup>122</sup>.

### Article 47

1. A Custodian or an Affiliated Person may not give out information on a client's Securities account to any Person other than<sup>123</sup>:
  - a) a Person authorized in writing by the account-holder or his heirs;
  - b) the police, public prosecutor or a judge with regards to criminal proceedings;
  - c) the Court with regards to civil proceedings on request of the disputing Persons;
  - d) tax officials for tax purposes;
  - e) BAPEPAM, a Securities Exchange, a Clearing Guarantee Institution, an Issuer, a Securities Administration Agency or another Custodian in the execution of their respective functions; or
  - f) a Person serving the Custodian, including a consultant, a legal advisor and a public accountant.
2. Other than as necessary in carrying out their duties, Persons mentioned in *letters a through f of item (1)* may not disclose information received from a Custodian or an Affiliate con-

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<sup>120</sup> Because Securities held in Securities accounts are not property of the Custodian, such Securities cannot be taken or seized by the creditors of the Custodian. When a Custodian is bankrupt, the Securities deposited with the Custodian are excluded from the bankruptcy assets and must be returned to the account-holders.

<sup>121</sup> "Written instruction" includes a signed letter or any other type of instruction authorized in the contract between the Custodian and the account-holder.

<sup>122</sup> Since Securities held by a Custodian in a Securities account are under his administration, the account-holders must be safeguarded against losses for which the Custodian is responsible, such as:

1. loss or damage to assets and related records;
2. delay in transferring assets; or
3. failure to collect income on assets, such as dividends, interest and other rights.

<sup>123</sup> Exceptions are necessary to make it possible to implement systems for trading Securities, including related clearing services, settlement guarantees, and custody of securities, since the institutions involved need information on Securities accounts. For such purposes, Securities Exchanges and Clearing Guarantee Institutions must have access to information on Securities accounts with Custodians, including Custodian Banks and the Central Securities Depository. In addition, Securities Administration Agencies need information on Securities accounts with Custodians, including Custodian Banks and the Central Securities Depository, in order to keep records of Security-holders and to distribute entitlements, such as dividends. Exceptions are also needed for BAPEPAM to carry out its supervisory function under the powers stipulated in this Law.

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- cerning a client's Securities account<sup>124</sup>.
  3. Requests for information on clients' Securities accounts referred to in *letters b, c, and d of item (1)* shall be submitted for approval to BAPEPAM by the *Commander-in-Chief of the Police Force of the Republic of Indonesia, the Attorney General, the Chairman or official of the Supreme Court, or the Director General of Taxation*, stating the name and rank of the police officer, prosecutor, judge, or tax official, and the name or number of the account-holder and the reasons and justification for the request<sup>125</sup>.

## **Section Two**

### ***Securities Administration Agencies***

#### *Article 48*

1. Only a Company that is licensed by BAPEPAM may carry on business as a Securities Administration Agency.
2. Further requirements and procedures for the Securities Administration Agency license referred to in *item (1)* shall be stipulated in Government Regulations<sup>126</sup>.

#### *Article 49*

1. A Securities Administration Agency may record Securities ownership in the Issuer's register of Security-holders, and may distribute entitlements on such Securities, in accordance with the written contract between the Issuer and the Securities Administration Agency;
2. The contract mentioned in *item (1)* must clearly indicate the rights and obligations of the Securities Administration Agency and the Issuer, as well as their duties to Security-holders.

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<sup>124</sup> Although Persons indicated in item (1), letters a through f, are authorized to have access to information on Clients' Securities accounts with Custodian and their affiliated Persons, such information may not be passed on freely to other Persons. Information regarding Securities accounts only may be passed to others that needed it to carry out their duties. For example, a Securities Administration Agency needs information about the Securities accounts of Clients of a Central Securities Depository in order to give Issuers the names of shareholders that are entitled to participate in the General Meeting of Shareholders.

<sup>125</sup> The named official is the individual who is authorized to have access to information from Securities accounts by the Commander-in-Chief of the Police Force of the Republic of Indonesia, the Attorney General, or the Chairman of the Supreme Court.

<sup>126</sup> Licensing requirements and procedures refer to such matters as:

1. requirements concerning the availability of facilities;
  2. qualifications of staff experts;
  3. capital requirements; and
  4. procedures for submitting an application for approval.
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## Section Three

### *Trust-Agents*

#### *Article 50*

1. The function of Trust-Agent may be performed by<sup>127</sup>:
  - a) a commercial bank; and
  - b) any other Person permitted by Government Regulation
2. Commercial banks or other Persons mentioned in *item (1)* must register with BAPEPAM before acting as a Trust-Agent<sup>128</sup>.
3. Further requirements and procedures for the registration of Trust-Agents shall be stipulated in Government Regulations<sup>129</sup>.

#### *Article 51*

1. A Trust-Agent may not be Affiliated with an Issuer, except for Government-owned Trust-Agents<sup>130</sup>.
2. A Trust-Agent shall represent the interests of the credit Security-holders in and out of court<sup>131</sup>.
3. A Trust-Agent may not have any credit relationship with an Issuer that exceed limits set by BAPEPAM as representing a possible conflict of interests between the Trust-Agent as

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<sup>127</sup> Because debt securities acknowledge the indebtedness of one Person with respect to widely-dispersed creditors, Trust-agents are needed in order to represent these creditors and manage their interests. In order that Trust-agents may represent the interests of holders of debt securities, Commercial Banks may engage in trust-agency activities since they have wide business connections. However, as the Capital Market grows, Persons other than Commercial Banks may be permitted by Government Regulation to act as Trust-agents.

<sup>128</sup> Trust-agency is one of the functions of Commercial Banks under the banking laws. Therefore, Commercial Banks do not require a license from BAPEPAM to act as Trust-agents. Nevertheless, in order to undertake such activities, Commercial Banks still need to register with BAPEPAM.

<sup>129</sup> Licensing requirements and procedure for Trust-agents include such things as:

1. Requirements with respect to expertise;
2. Capital requirements; and
3. Procedures for submitting registration applications.

<sup>130</sup> These requirements are intended to prevent conflicts of interest between a Trust-agent as the representative of creditors and the interests of the Trust-agent as a Person affiliated with the Debt Issuer. This is necessary so that a Trust-agent does its duty to fully protect the interests of creditors with independence.

<sup>131</sup> When signing a trust-agency contract with an Issuer, the Trust-agent agrees to represent the holders of the debt securities. Such representation becomes effective when the securities have been allocated to these creditors. In this process, the Law authorizes Trust-agents to represent debt security-holders of in court to defend their interests as creditors. A Trust-agents authority encompasses claiming the rights of debt security-holders, both in and out of court, without the need for specific powers-of-attorney from these creditors.

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- creditor and as a representative of credit Security-holders<sup>132</sup>.
4. The use of Trust-Agent services shall be regulated by BAPEPAM<sup>133</sup>.

#### *Article 52*

The terms of the trust-agency agreement between an Issuer and a Trust-Agent shall be regulated by BAPEPAM<sup>134</sup>.

#### *Article 53*

A Trust-Agent must reimburse credit Security-holders for losses due to its negligence in performing its duties under this Law and the implementing regulations or under the terms of the Trust-Agency agreement<sup>135</sup>.

#### *Article 54*

A Trust-Agent may not represent the interests of both the holders and guarantors of the same credit Securities<sup>136</sup>.

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<sup>132</sup> This is to avoid conflicts of interest between a Trust-agent in its capacity as representative of debt security-holders and the Trust-agent as a creditor or debtor of the Issuer. This is necessary so that the Trust-agent performs its functions independently so as to fully protect the interests of debt security-holders.

<sup>133</sup> This item refers to the need of an Issuer of bonds or other long-term debt Securities to use Trust Agency services.

<sup>134</sup> BAPEPAM may stipulate that the terms of the Trust-agency agreement cover matters such as:

1. the principal, interest and other benefits to be paid by the Issuer;
2. the maturity date;
3. the guarantee (if any);
4. the paying agent; and
5. the duties and functions of the Trust-agent.

<sup>135</sup> This Article gives debt security-holders the right to claim compensation from a Trust-agent that, through negligence to its duties, is the cause of their loss.

<sup>136</sup> This Article prevents a Trust-agent from having a conflict of interest between its role as representative of the interests of debt security-holders and interests it would have as a guarantor that was bound to fulfill the Issuer's obligations in the event of default.

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**Section One***Settlement of Securities Exchange Transactions**Article 55*

1. Settlement of Securities Exchange Transactions may occur by book-entry, physical delivery or other means stipulated in Government Regulations<sup>137</sup>.
2. A Clearing Guarantee Institution must guarantee settlement of Securities Exchange Transactions<sup>138</sup>.
3. Procedures for guaranteeing the settlement of Securities Exchange Transactions mentioned in *items (1) and (2)*, shall be stipulated by contracts with the Securities Exchange, the Clearing Guarantee Institution, and the Central Securities Depository<sup>139</sup>.
4. In guaranteeing the settlement of Securities Exchange Transactions as stipulated in *item (2)*, a Clearing Guarantee Institution may require collateral from users of its services.

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<sup>137</sup> “Book-entry settlement” refers to the fulfillment of rights and obligations arising from an Exchange Transaction, by means of debits and credits to Securities accounts with a Custodian, including electronic transfers. The transfer of rights to such Securities occurs at the time of delivery, or at the time the Securities are debited to one Securities account and credited to another. “Physical Delivery” refers to settlement of Exchange Transactions by conveyance of Security certificates between Broker-Dealers. “Other means of settlement of Exchange Transactions” refers to such methods as:

1. posting to the Issuer’s registry of Security-holders rather than posting to Securities accounts at a Custodian;
2. settlements between countries or in other countries;
3. electronic settlement or settlement using new technology;
4. other means of settlement that may become necessary as are result of new laws and regulations.

<sup>138</sup> Because Exchange Transactions are inter-related, all trades must be settled by the parties. Since prior transactions are the basis for subsequent Transactions, the cancellation of a trade affects succeeding trades. A Clearing Guarantee Institution is necessary to guarantee settlement of Exchange contracts by assuring that the obligations of Exchange Members are met.

<sup>139</sup> Because the functions of Securities Exchanges, Clearing Guarantee Institutions, and the Central Securities Depository are linked and inter-related, from the execution of the trade until settlement, these institutions must ensure that their activities are performed with efficiency and safety. To this end, these institutions must agree among themselves in writing with respect to such matters as procedures and scheduling for trading and settlement, methods of acquiring collateral from Exchange Members and the amount of collateral required, and transaction and settlement fees.

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5. The contracts and collateral guarantees mentioned in *items (3) and (4)* shall be subject to BAPEPAM approval.

## **Section Two**

### *Collective Custody*

#### *Article 56*

1. Securities in Collective Custody at a Central Securities Depository shall be recorded in the Issuer's registry of Security-holders in the name of the Central Securities Depository as the representative of its account-holders<sup>140</sup>.
2. Securities in Collective Custody at a Custodian bank or a Securities Company and posted to a Securities account at a Central Securities Depository, shall be registered in such account in the name of the Custodian bank or Securities Company as the representative of its account holders<sup>141</sup>.
3. Securities in Collective Custody at a Custodian bank that are part of a Securities Portfolio under a collective investment contract and that are not deposited in Collective Custody at a Central Securities Depository, shall be recorded in the Issuer's registry of Security-holders in the name of the Custodian bank as the representative of owners of Participation Units of the collective investment contract<sup>142</sup>.
4. Issuers must provide either certificates or confirmations to the Central Securities Depository referred to in *item (1)* or to the Custodian bank referred to in *item (3)*, as proof of registry in the Issuer's record of Security-holders<sup>143</sup>.
5. Central Securities Depository, Custodian banks, and Securi-

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<sup>140</sup> This provision provides legal assurance that holders of accounts at a Central Securities Depository are recognized as the owners of the Securities or as Persons with rights with respect to the Securities, while their interests are represented by the Central Securities Depository in whose name the Securities are recorded in the Issuer's registry of Security-holders.

<sup>141</sup> This provision provides legal assurance that account-holders at Custodian Banks and Securities Companies are either the owners or Persons with other rights with respect to Securities recorded in Securities accounts at the Central Securities Depository, even though the names of the Custodian Banks and Securities Companies are recorded on the accounts at the Central Securities Depository. In this case, Custodian Banks and Securities Companies represent the interests of their account-holders.

<sup>142</sup> This provision provides legal assurance that all holders of Participation Units in an Investment Fund that is organized as a collective investment contract, are the owners or Persons with other rights with respect to the Securities in the Fund's portfolio. The Custodian Bank in whose name the Securities are registered on the Issuers registry of Security-holders, represents the owners. In this case, the Custodian Bank acts solely as representative of the owners of Participation Units in the Investment Fund.

<sup>143</sup> A Confirmation may be a written statement or any other form that indicates the number of Securities that are registered in the name of the Central Securities Depository in the Issuer's record of Security-holders, as representative of the interests of its account holders, or Securities registered in the name of a Custodian Bank that represents the interests of holders of Participation Units in an Investment Fund that is organized as a collective investment contract.

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ties Companies must provide account-holders with confirmations<sup>144</sup> that serve as proof of registry in the Securities accounts mentioned in *items (1) and (2)*.

### *Article 57*

Securities In Collective Custody are interchangeable with and equivalent to other Securities of the same type and class of the same Issuer<sup>145</sup>.

### *Article 58*

1. A Custodian shall record the transfer of ownership of Securities in Collective Custody by debiting and crediting the respective Securities accounts with the number of Securities transferred.
2. On the instruction of the Central Securities Depository or Custodian bank, the Issuer must record on its books, the transfer of Securities out of Collective Custody, from the name of the Central Securities Depository or Custodian bank, to the name of the Person indicated<sup>146</sup>.
3. An Issuer shall refuse to record in Collective Custody, Securities that have been reported lost or destroyed, unless the Person requesting such registry can provide the Issuer with proof or a guarantee that it considers sufficient<sup>147</sup>.

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<sup>144</sup> This provision requires a Central Securities Depository, a Custodian Bank and a Securities Company to provide proof of registration in the form of confirmations to their account-holders.

<sup>145</sup> Securities in Collective Custody are deemed to be fungible, so that settlement of Securities transactions is more efficient. In this respect, Securities are considered as having the same characteristics as money. For example, when someone withdraws money from a bank account, he cannot claim that the bank deliver money that is the same tangible currency he had previously deposited. In the same way, holders of Securities accounts cannot claim ownership of specific Securities based on certificate numbers, serial numbers or other characteristic of the Securities that had been deposited in the account. Account-holders can only lay claim to a certain quantity of Securities of a specific type and class.

<sup>146</sup> Although the name of a Central Securities Depository or Custodian Bank is recorded in an Issuer's registry of Security-holders, an account-holder may instruct the Central Securities Depository or Custodian Bank to transfer the Securities in the Issuer's registry of Security-holders into his own name or into the name of any other Person that he indicates. A Central Securities Depository or Custodian Bank, on receiving such instructions, must instruct the Issuer to record the Securities in its registry of Security-holders, in the name of the account-holder or such other Person indicated by the account-holder. Issuers, on receiving such instructions, must execute them in accordance with this item.

<sup>147</sup> This provision is to ensure that Securities in Collective Custody are valid, which means that they are clear from any legal defect including claims from anyone with respect to any rights to such Securities. This is necessary so that Securities in Collective Custody are truly available for trading. Securities that have been reported as lost or destroyed are considered to be defective, and therefore, cannot be included in Collective Custody. However, a Person may be able to prove that he owns the lost or destroyed Securities and that these Securities have never been transferred to anyone else. In this case, an Issuer may decide to allow the registry of such Securities in Collective Custody and to take responsibility for such registration.

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4. An Issuer shall refuse to record in Collective Custody, Securities that have been pledged, blocked by court order, or seized as a result of a criminal investigation<sup>148</sup>.

### Article 59

1. An account-holder has the right to withdraw funds and Securities at any time from his Securities account at a Central Securities Depository<sup>149</sup>.
2. Notwithstanding the stipulation of *item (1)*, a Central Securities Depository may refuse to allow funds to be withdrawn or to transfer Securities from a Securities account, when such assets are blocked, restricted, or pledged<sup>150</sup>.
3. The blocking of a Securities account as stipulated in *item (2)*, may only take place when the Central Securities Depository receives a written order from BAPEPAM or a written request from the *Head of the Regional Police Force*, the *Chairman of the High Prosecutor*, or the *Chairman of the High Court*, with respect to civil or criminal court proceedings.

### Article 60

1. Account holders that have Securities in Collective Custody are entitled to vote at the *General Meeting of Security-holders*<sup>151</sup>.
2. Issuers, the Central Securities Depository, Custodian banks, and Securities Companies must promptly distribute dividends, interest, bonus shares and other ownership entitlements on an account-holder's Securities in Collective Custody<sup>152</sup>.

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<sup>148</sup> Securities that are pledged, foreclosed by court decision, or seized as a result of a criminal investigation, are considered invalid for trading. Therefore, this item stipulates that such Securities cannot be entered into Collective Custody.

<sup>149</sup> Cash and Securities in Securities accounts at a Central Securities Depository belong to the account-holders. This item affirms that account-holders have the right to withdraw such cash and Securities at any time.

<sup>150</sup> When a Securities account is blocked, restricted or pledged, the funds and Securities in the account may not be withdrawn or transferred. Therefore, the Central Securities Depository may refuse to comply with a request to withdraw or transfer funds or Securities from such an account.

<sup>151</sup> Because account-holders own or have rights over the Securities in their accounts, they have intrinsic voting rights with respect to these Securities. This provision provides assurances and affirms that account-holders are entitled to attend and vote in the General Meeting of Security-holders, even though the Securities are recorded on the Issuer's registers in the name of the Central Securities Depository or a Custodian Bank. The role of the Central Securities Depository or Custodian Bank, in this case, is that of a Custodian representing the interests of account holders.

<sup>152</sup> The item affirms that account holders should promptly receive entitlements in the form of dividends, interest, bonus shares or other rights. This is essential to protect account holders against losses that may result from delays in collecting of such entitlements.

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### *Article 61*

Except for Securities in the account of an Investment Fund, Securities in Collective Custody may be loaned or pledged<sup>153</sup>.

### *Article 62*

Issuers must provide for Collective Custody<sup>154</sup> in their Articles of Association.

### *Article 63*

Further rules on Collective Custody shall be stipulated by BAPEPAM

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<sup>153</sup> Account-holders may loan or pledge Securities in their accounts at any time, without having to withdraw the Securities from Collective Custody. This is a requisite for safe and efficient loaning and pledging of Securities. The loan or pledge must be done by the account-holder's written instructions to the Central Securities Depository or to the Custodian Bank, specifying the number and type of Securities that are to be loaned or pledged, the name of the borrower or pledgee, and the conditions of the loan or pledge.

<sup>154</sup> Securities holders, especially shareholders, must clearly understand their rights with respect to Securities in Collective Custody and be able to exercise them. The Articles of Association of an Issuer must include provisions regarding Collective Custody, covering such matters as:

1. the fungibility of Securities;
  2. the obligation to issue certificates or confirmations to the Central Securities Depository or to a Custodian Bank;
  3. the voting rights, rights to dividends and other entitlements of account-holders with respect to Securities in Collective Custody; and
  4. the transfer of ownership of Securities in Collective Custody.
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## Section One

### *Registration*

#### *Article 64*

1. *Capital Market Supporting Professionals* include:
  - a) Accountants<sup>155</sup>;
  - b) Legal Consultants<sup>156</sup>;
  - c) Appraisers<sup>157</sup>;
  - d) Notaries<sup>158</sup>; and
  - e) Other professionals<sup>159</sup> specified in Government Regulations.
2. The *Capital Market Supporting Professionals* mentioned in *item (1)* must register with BAPEPAM before engaging in Capital Market activities<sup>160</sup>.
3. Further requirements and procedures for the registration of *Capital Market Supporting Professionals* shall be stipulated in Government Regulations<sup>161</sup>.

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<sup>155</sup> This item refers to Accountants that are licensed by the Minister of Finance and that are registered with BAPEPAM.

<sup>156</sup> Legal Consultants are the legal experts registered with BAPEPAM that give legal opinions to others

<sup>157</sup> Appraisers are Persons registered with BAPEPAM that evaluate Company assets

<sup>158</sup> Notaries are public officials that are registered with BAPEPAM and that are authorized to authenticate deeds.

<sup>159</sup> BAPEPAM is authorized to require the registration of other professionals whose opinions or evaluations are necessary as a result of future developments in the Capital Market.

<sup>160</sup> Because of the importance of their opinions to the decision-making of investors, Capital Market Supporting Professionals must register with BAPEPAM in order that their activities in the Capital Market may be supervised.

<sup>161</sup> Registration requirements and procedures include such matters as:

1. requirements with respect to expertise and basic facilities;
  2. educational qualifications;
  3. requirements regarding professional licensing by the appropriate authorities; and
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## Article 65

1. A *Capital Market Supporting Professional's* registration with BAPEPAM is automatically canceled when the professional's license is revoked by the issuing authority<sup>162</sup>.
2. Prior services rendered by a *Capital Market Supporting Professional* shall remain valid despite cancellation of the professional's registration, except for services that caused the cancellation of his registration or the revocation of his license.
3. When the registration of a *Capital Market Supporting Professional* is canceled, BAPEPAM may investigate and evaluate other services rendered by this Professional with respect to the Capital Market to determine whether such services remain valid<sup>163</sup>.
4. If BAPEPAM decides that services of a *Capital Market Supporting Professional*, referred to *item (3)* are invalid, BAPEPAM may order a Company that used these services to appoint another *Capital Market Supporting Professional* to audit and evaluate the Company.

## Section Two Obligations

### Article 66

All *Capital Market Supporting Professionals* must comply with codes of ethics and professional standards set by their respective professional associations as long as such standards are not in conflict with this Law and its implementing regulations<sup>164</sup>.

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4. procedures for submitting an application for registration.

<sup>162</sup> A professional license is requirement for registration. Therefore, the BAPEPAM registration is void when the license is revoked.

<sup>163</sup> Capital Market Supporting Professionals perform a variety of services. Moreover, some services involve on-going, periodic duties. Services are provided to more than one client. When registration is revoked with respect to service of a specific type to a specific client, or with respect to services provided over a period for a client, BAPEPAM may investigate services of other types and given at other times, to the same or to other clients. "Other services" are services other than those that were the basis for the cancellation of registration or revocation of the professional license referred to in item (2). Investigation of such other services is essential to determine whether such services were correctly performed.

<sup>164</sup> Codes of ethics and professional standards represent minimum quality expectations with respect to client services, and must be adhered to by all Capital Market Supporting Professionals. However, if an item in such codes or standards is illegal, professionals must comply with the law. This is vital for investor protection.

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### *Article 67*

When engaged in Capital Market business, *Capital Market Supporting Professionals* must provide independent opinions and evaluations<sup>165</sup>.

### *Article 68*

Accountants that are registered with BAPEPAM and that audit financial reports of Issuers, Securities Exchanges, Clearing Guarantee Institutions, Central Securities Depository and other Persons engaged in Capital Market activities, must report in confidence<sup>166</sup> to BAPEPAM within three working days of discovering the following:

- a) any violation of this Law and or its implementing regulations; or
- b) any matter that may jeopardize the financial condition of the institution, or the interests of its clients.

## **Section Three**

### *Accounting Standards*

### *Article 69*

1. Financial reports that are submitted to BAPEPAM must be prepared in accordance with generally accepted accounting principles<sup>167</sup>.
2. Notwithstanding the requirement in *item (1)*, BAPEPAM may establish accounting rules with respect to the Capital Market<sup>168</sup>.

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<sup>165</sup> This provision is intended to ensure that Capital Market Supporting Professionals provide opinions that are professional, objective, impartial, and not influenced by clients or affiliated persons.

<sup>166</sup> The purpose of reporting violations within three days is to ensure that BAPEPAM is informed of such matters as soon as possible; so that it may take immediate action to limit or prevent loss to investors, when necessary. These confidential reports must be submitted to BAPEPAM in writing.

<sup>167</sup> "Generally accepted accounting principles" refer to Financial Accounting Standards issued by the Indonesian Institute of Accountants and other general accounting practices used in the Capital Market.

<sup>168</sup> When the Financial Accounting Standards referred in the note to item (1) are inadequate for the needs of the Capital Market, such as compliance with the Full Disclosure Principle, BAPEPAM may establish rulings on such matters in order to protect the public interest.

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CHAPTER  
**IX**

ISSUERS AND PUBLIC COMPANIES

**Section One**  
*Registration Statements*

*Article 70*

1. The only Issuers that may conduct a Public Offering are those that have submitted a Registration Statement to BAPEPAM with respect to the sale or offering of Securities to the public, and then only after such Registration Statement has become effective<sup>169</sup>.
2. The stipulations of *item (1)* are not applicable<sup>170</sup> to Persons that:
  - a) make an offering of credit Securities with a maturity of less than one year;
  - b) issue certificates of deposit;
  - c) issue insurance policies;
  - d) make an offering of Indonesian Government Securities or Securities guaranteed by the Indonesian Government; or
  - e) make an offering other types of Securities stipulated by BAPEPAM.

*Article 71*

No Person may sell Securities in a Public Offering, unless the purchaser or subscriber certifies on the order form that, before or at the time of subscription, he has received or has had an opportunity to read the Prospectus with respect to such Securities<sup>171</sup>

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<sup>169</sup> Public Offerings are a method of raising funds from the public. It is necessary to protect the interests of public investors in Securities. For this reason, Persons intending to raise funds through a Public Offering are required to submit a Registration Statement to BAPEPAM. The Public Offering may only be initiated when the Registration Statement becomes effective.

<sup>170</sup> Exemptions with respect to item (1) are required because the Securities referred to in letters a, b, and c of this item are subject to the administration, regulation, and supervision of other agencies. The requirements of item (1) do not apply to Securities that are issued or guaranteed by the Indonesian Government, because the Government is capable of meeting all obligations with respect to such Securities. In anticipation of the issuance of other Securities, BAPEPAM may have reason to provide exemptions for such Securities from the obligations of item (1).

<sup>171</sup> Investors have an opportunity to have review to the contents of a Prospectus when making their investment decisions.

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## Article 72

1. Managing Underwriters are appointed by Issuers.
2. When there is more than one Managing Underwriter, all are jointly and severally liable for the conduct of the Public Offering<sup>172</sup>.
3. Managing Underwriters and Issuers are responsible for the correctness and completeness of Registration Statements submitted to BAPEPAM.

## Article 73

Every Public Company must submit a Registration Statement to BAPEPAM<sup>173</sup>.

## Section Two

### *Procedures for Submitting Registration Statements*

## Article 74

1. A Registration Statement becomes effective on the forty-fifth day after receipt in complete form, or on any earlier date on which it is declared effective by BAPEPAM<sup>174</sup>.
2. During the period referred to in *item (1)*, BAPEPAM may request amendments and additional information from the Issuer or Public Company.
3. When a Public Company or Issuer submits changes or additional information, the Registration Statement is considered to have been resubmitted as of the date such amendments or additional information are received<sup>175</sup>.
4. A Registration Statement does not become effective until the additional information or amendments mentioned in *item (2)* have been received and all BAPEPAM requirements have been met<sup>176</sup>.

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<sup>172</sup> Joint and several liability means that when there are multiple Underwriters, investors can claim compensation from one or more of these Underwriters, when they have losses due to the negligence of such Underwriters.

<sup>173</sup> To protect the interests of shareholders of Public Companies, Companies that are so classified must submit a Registration Statement.

<sup>174</sup> This provision assures Issuers that their Registration Statement will become effective automatically on the forty-fifth day, even though BAPEPAM takes no action, as long as the Registration Statements that have been submitted are complete and meet all requirements.

<sup>175</sup> When BAPEPAM asks an Issuer or Public Company to amend or provide additional information with respect to a Registration Statement, the date that the Registration Statement automatically becomes effective is counted from the date that such additional information or amendment is received.

<sup>176</sup> It may occur that a Registration Statement submitted to BAPEPAM is incomplete and does not meet the requirements so that the date that Registration Statement become effective exceeds the initial forty-five day period. In such cases, BAPEPAM may request amendments and additional informa-

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### *Article 75*

1. BAPEPAM shall consider the completeness, adequacy, objectivity, comprehensiveness and clarity of a Registration Statement in order to ensure that it fulfills the Disclosure Principle.
2. BAPEPAM shall not evaluate the merits and weakness of a Security<sup>177</sup>.

### *Article 76*

When the Registration Statement states that Securities are to be listed on a Securities Exchange, the offering of such Securities shall be null and void if the listing requirements are not met, and the subscription moneys shall be returned to subscribers<sup>178</sup>.

### *Article 77*

Further rules regarding the requirements and procedures for submitting Registration Statements shall be made by BAPEPAM<sup>179</sup>.

## **Section Three** *Prospectuses and Publications*

### *Article 78*

1. A Prospectus shall not contain false statements with respect to Material Information, and shall not omit Material Informations that would be necessary for the Prospectus to not be misleading<sup>180</sup>.

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tion from the Issuer or Public Company. An amended Registration Statements may be declared effective, when:

1. All amendments and additional information required by BAPEPAM have been submitted; and
2. Such amendments and additional information meet the requirements.

<sup>177</sup> BAPEPAM does not judge the quality of Securities offered. The decision to invest is entirely that of the investor.

<sup>178</sup> The intent to list Securities on a Securities Exchange is an important consideration in the investment decision. Therefore, when such intent is disclosed but not met, the Public Offering is annulled, and Issuers and Underwriters must return subscription moneys to the investors.

<sup>179</sup> Requirements and procedures for submitting Registration Statements include, among other things:

1. requirements as to the type of documents that make up the Registration Statement;
2. requirements that must be fulfilled by Persons making a Public Offering; and
3. procedures for submitting Registration Statements.

<sup>180</sup> A Prospectus is one of the main documents in a Public Offering. For this reason, the information contained must truthfully describe the Issuer's situation and constitute a useful basis for making investment decisions. When Material Information is false, or when Material Information is not disclosed, investors may be led to make unsuitable investment decisions.

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2. All Persons are prohibited from stating, directly or indirectly, that BAPEPAM has approved, authorized, certified or researched the merits or weaknesses of a Security<sup>181</sup>.
  3. Further regulation regarding Prospectuses shall be made by BAPEPAM<sup>182</sup>.

#### *Article 79*

1. Announcements in the mass media that relate to Public Offerings shall not contain false statements regarding Material Information and shall not omit to state Material Information that is required in order that the statements contained in such announcements are not misleading<sup>183</sup>.
2. Matters that must be disclosed and the contents and requirements for the announcements mentioned in *item (1)* shall be further regulated by BAPEPAM<sup>184</sup>.

### **Section Four**

#### *Liability For False Or Misleading Information*

#### *Article 80*

1. When the Registration Statement of a Public Offering contains false Material Information or is misleading because of the omission of Material Information required by this Law and its implementing regulations, then the following Persons shall be jointly and severally liable for losses that are a consequence of such actions:
  - a) each Person that signs the Registration Statement;

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<sup>181</sup> This provision is intended to prevent Persons that are trying to influence the public to buy Securities, from falsely stating that BAPEPAM has approved, licensed, verified, examined, or evaluated the various aspects or advantages of such Securities.

<sup>182</sup> Such "further regulation" shall deal with the form and content of the Prospectus. A Prospectus shall at least contain:

1. a description of the Public Offering;
2. the purpose of the Public Offering and the projected use of the proceeds;
3. an analysis and discussion of the business and finances;
4. business risks;
5. financial data;
6. information on legal aspects;
7. information regarding how to subscribe to the Securities; and
8. information on the Articles of Association.

<sup>183</sup> The intent of this item is to provide the public with correct information regarding Issuers on which to base their investment decisions.

<sup>184</sup> These announcements shall include, among other things:

1. the name of the Issuer;
  2. the type of Securities being offered;
  3. the Issuer's line of business;
  4. the names and addresses of Selling Agents (if any); and
  5. the names and addresses of Underwriters (if any).
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- b) the Issuer's directors and commissioners at the time the Registration Statement became effective;
  - c) the Managing Underwriter; and
  - d) Capital Market Supporting Professionals and other Persons that consented to provide an opinion or information included in the Registration Statement;
2. The Persons in *item (1) letter d* shall be liable only with respect to opinions or information they have provided<sup>185</sup>.
  3. The liability imposed in *item (1)* is not applicable when a Person specified in *letters c and d of item (1)* can prove that he acted professionally<sup>186</sup> and took adequate measures to ensure that:
    - a) the statements or information published in the Registration Statement were true; and
    - b) he knew of no omitted Material Information that was needed for the Registration Statement not to be misleading.
  4. Claims for compensation for violations of *item (1)*, must be filed within five years of the effective date of the Registration Statement.

### Article 81

1. A Person offering or selling Securities by Prospectus or by other means, either written or verbal, with Material Information that he knows or should know to be false or to have been omitted, shall be liable for losses resulting from his actions.
2. A buyer of Securities that is aware that information is false or misleading prior to completing the purchase cannot claim reimbursement for losses arising from the transaction.

## Section Five

### *Preemptive Rights, Conflicts of Interest, Tender Offers, Mergers, Consolidations and Acquisitions*

### Article 82

1. BAPEPAM may require Issuers and Public Companies to give preemptive subscription rights to shareholders on a proportionate basis whenever they issue new shares or Securities convertible into shares<sup>187</sup>.

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<sup>185</sup> The liability of a Capital Market Supporting Professional is limited to opinions or information that he provides for the Registration Statement. Therefore, investors can claim compensation from a Capital Market Supporting Professional only for losses related to the material that he has provided.

<sup>186</sup> A Managing Underwriter or Capital Market Supporting Professional is not liable to reimburse investors' losses, as long as he has developed evaluations and opinions included in the Registration Statement professionally, with due diligence to verify statements and information in accordance with the principles and codes of ethics of his profession, and so long as his opinions and evaluations were independent.

<sup>187</sup> Preemptive subscription rights are rights of a shareholder to purchase new Securities before they are offered to others.

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2. BAPEPAM may require Issuers and Public Companies to obtain approval from independent shareholders with respect to transactions in which the economic interests of the Company are in conflict with the private economic interests of directors, commissioners, or substantial shareholders<sup>188</sup>.
  3. Further requirements and procedures regarding preemptive subscription rights and conflict-of-interest transactions referred to in *items (1) and (2)* shall be determined by BAPEPAM<sup>189</sup>.

### *Article 83*

A Person that makes a tender offer to purchase Securities of Issuers or Public Companies must comply with rules on disclosure, fairness and reporting stipulated by BAPEPAM<sup>190</sup>.

### *Article 84*

An Issuer or a Public Company that merges or consolidates with another Company, must comply with rules on disclosure, fairness and reporting stipulated by BAPEPAM and with other applicable laws and regulations<sup>191</sup>.

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<sup>188</sup> To protect the interests of independent shareholders, that are usually in the minority, against acts of directors, commissioners or principal shareholders that, out of personal interest, would cause the Company to enter into transactions on unfair terms, BAPEPAM may require the Company to obtain the consent of a majority of independent shareholders with respect to such conflict-of-interest transactions.

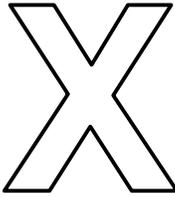
<sup>189</sup> Requirements and procedures regarding preemptive rights and conflict-of-interest transactions include such things as:

1. the form and content of a Registration Statement relating to preemptive rights;
2. documents to be submitted with such Registration Statements;
3. the form and content of a Prospectus relating to preemptive rights; and
4. quorum and voting requirements in the General Meeting of Shareholders convened obtain the consent of independent shareholders.

<sup>190</sup> A Tender Offer is an offer in the mass media to buy or exchange equity Securities. Equity Securities are shares, or Securities that are convertible into shares, or Securities with rights to acquire shares. Considering that a Tender Offer involves the purchase of Securities from the public and may result in a significant decrease in the number of shareholders, the Company involved may lose its status as a Public Company. Because of this, Tender Offers must be conducted properly, so that public shareholders are protected. The proper conduct of a Tender Offer includes providing information regarding the offer, such as the offer price, procedures for tendering Securities, and conditions that could lead to cancellation of the offer.

<sup>191</sup> This Article is intended to protect investors against loss in the event of mergers, consolidations, or acquisitions that involve Issuers or Public Companies, by requiring compliance with the Principles of Disclosure, in accordance with reporting procedures established by BAPEPAM. This provision shall be implemented without curtailing to the provisions of Law Number 1 of 1995 on Limited Liability Companies.

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*Article 85*

Securities Exchanges, Clearing Guarantee Institutions, Central Securities Depository, Investment Funds, Securities Companies, Investment Advisors, Securities Administration Agencies, Custodian banks, Trust-Agents and other Persons that are licensed by, approved by, or registered with BAPEPAM, must submit reports to BAPEPAM<sup>192</sup>.

*Article 86*

1. An Issuer whose Registration Statement has become effective, or a Public Company, is required to<sup>193</sup>:
  - a) publish periodic reports and submit such reports to BAPEPAM<sup>194</sup>; and
  - b) make public Material Information regarding events that may affect the price of Securities, not later than two working days after the event, while reporting such information to BAPEPAM<sup>195</sup>.
2. BAPEPAM may exempt Issuers and Public Companies from the reporting requirements<sup>196</sup> referred to *in item (1)*.

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<sup>192</sup> This Article refers to both periodic reports and occasional reports.

<sup>193</sup> Information on Issuers and Public Companies is essential to investors and also to BAPEPAM for purposes of effective supervision. Issuers and Public Companies must submit reports to BAPEPAM and such reports are made public so that information regarding the business of such companies is widely available.

<sup>194</sup> Investors require periodic information on the business and financial status of Issuers and Public Companies in order to make investment decisions with respect to these Securities. Therefore, Issuers and Public Companies must submit periodic reports to BAPEPAM and such reports shall be made available to the public.

<sup>195</sup> In addition to the periodic reports referred to in letter a, Issuers and Public Companies must report material events to BAPEPAM within two working days. At the same time, such material event must be announced to the public.

<sup>196</sup> This item authorizes BAPEPAM to determine conditions under which an Issuer or Public Company is not required to submit the reports referred to in item (1). Such conditions may include the number of shareholders and paid-up capital below which Companies are no longer required to submit the reports referred to in item (1). However, Public Companies that have registered with BAPEPAM are not automatically exempted from the reporting requirements referred to in item (1), when they no longer meet the definition of a Public Company.

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### Article 87

1. Directors and commissioners of Issuers and Public Companies must report to BAPEPAM, their ownership of the shares of such Companies and each change of such ownership<sup>197</sup>.
2. Every Person owning five percent or more of the shares of an Issuer or Public Company must report such ownership to BAPEPAM, as well as each change in ownership.
3. Reports mentioned in *items (1) and (2)* must be submitted not later than ten days of the acquisition or sale of the shares<sup>198</sup>.

### Article 88

Further requirements and procedures with respect to the reports specified in *Articles 85, 86, and 87* shall be determined by BAPEPAM<sup>199</sup>.

### Article 89

1. All information that must be submitted to BAPEPAM by virtue of this Law and its implementing regulations shall be available to the public<sup>200</sup>.
2. Exceptions from the requirement of *item (1)* can only be made by BAPEPAM<sup>201</sup>.

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<sup>197</sup> Because of their critical positions, directors and commissioners of Issuers or Public Companies are required to disclose changes in their ownership of the Securities of such Companies.

<sup>198</sup> The time limit for reporting changes in ownership is to be counted from the date of the transaction.

<sup>199</sup> Requirements and procedures for reporting to BAPEPAM includes such things as:

1. the form and contents of reports;
2. persons entitled to sign reports;
3. deadlines for submitting reports; and
4. procedures for submitting reports.

<sup>200</sup> The information referred to in this item includes, among other things, Registration Statements Pro-spectuses, business license applications, individual license applications, applications for approval and professional registration, and periodic and other reports.

<sup>201</sup> The exceptions refer to such things as a secret specification of a Company's product or service.

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CHAPTER  
**XI**

FRAUD, MARKET MANIPULATION AND INSIDER  
TRADING

*Article 90*

When buying and selling Securities<sup>202</sup>, every Person is prohibited from directly or indirectly:

- a) defrauding or deceiving another Person, by any means or method;
- b) participating in a fraud or deception against another Person; and
- c) falsely stating Material Information or failing to disclose Material Information so that statements are misleading with respect to conditions at the time, either with the intent to obtain a benefit or to avoid a loss, either for himself or for another Person, or with the intent of influencing another Person to buy or sell Securities.

*Article 91*

Every Person is prohibited from, directly or indirectly, taking any action that has the purpose of creating a false or misleading appearance of trading activity, market conditions or the price of Securities on a Securities Exchange<sup>203</sup>.

*Article 92*

Every Person, either alone or with others, with intent to influence others to buy, sell or hold Securities, is prohibited from making two or more Securities Transactions, that directly or indirectly cause the price

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<sup>202</sup> Buying and selling securities includes the offering of securities for sale in a Public Offering, offers to purchase or sell securities on a Securities Exchange, as well as offers to purchase or sell Securities of Issuers and Public Companies off of a Securities Exchange.

<sup>203</sup> Public investors need information on trading activities, market conditions, and securities prices on a Securities Exchange, as indicators by the strength of the supply and demand, and as a basis for making investment decisions with respect to Securities. This article prohibits activities that create a deceptive representation of trading activities, market conditions or Securities prices, such as:

1. Securities transactions that do not represent any change in ownership; or
  2. Offers to sell or buy Securities at a certain price made by someone in conspiracy with another Person who offers to sell or buy the same Securities at approximately the same price.
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of Securities on the Securities Exchange to rise, fall, or remain steady<sup>204</sup>.

### *Article 93*

All Persons are prohibited from making, by any means, a statement and giving Material Information that is false or misleading and that affects the price of Securities on a Securities Exchange, if at the time of making such statement or giving such information:

- a) the Person knows or should have known that such Material Information was false or misleading; or
- b) the Person has failed to exercise due care in determining the truth of such statement or information.

### *Article 94*

BAPEPAM may determine that certain activities<sup>205</sup> of Securities Companies, are not prohibited by *Articles 91 and 92*.

### *Article 95*

An insider<sup>206</sup> with respect to an Issuer or Public Company, who is in possession of inside information, is prohibited from buying or selling Securities of:

- a) the Issuer or Public Company<sup>207</sup>; or

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<sup>204</sup> This article prohibits anyone, either alone or with others in a conspiracy, with intent to obtain benefits for themselves or others, from engaging in a series of Securities transactions that create of a deceptive pattern of prices on a Securities Exchange, based on trades that are not legitimate.

<sup>205</sup> The type of activities referred to in this Article include, among other things:

1. stabilization of prices during a Public Offering, when such stabilization is disclosed in the Prospectus; and
2. dealing in Securities by a Securities Company that regularly acts as a market-maker in order to maintain a liquid market in such Securities.

<sup>206</sup> "Insider" means:

1. a commissioner, director or employee of an Issuer or Public Company;
2. a substantial shareholder of an Issuer or Public Company;
3. an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and
4. an individual who within the last six months was a Person defined in letters a, b or c, above.

The term "position" in letter c, includes a position at a government agency, institution or body. The term "business relationship" in letter c, is any working relationship or partnership in a business activity, as well as the relationship as client, supplier, contractor, customer, or creditor. The term "inside information" in letter c, refers to Material Information held by an insider that is not yet available to the public. An example of the case indicated in letter d, would be as follows:

*Although, Mr. A quit as a director on January 1, he is still considered to be an insider until June 30 of the same year.*

<sup>207</sup> An insider that has inside information is prohibited from buying or selling Securities of the Issuer or Public Company with which he is associated, based on the principle that an insider has a duty to put

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- b) another Company engaged in transactions<sup>208</sup> with the Issuer or Public Company.

### *Article 96*

The insider<sup>209</sup> referred to in *Article 95* is prohibited from:

- a) influencing a Person to buy or sell the Securities in question; or
- b) providing inside information to a Person he has reason to believe may use such information to buy or sell the Securities in question.

### *Article 97*

1. A Person that tries to obtain inside information<sup>210</sup> from an insider in violation of the law and who obtains such information, is subject to the same prohibitions as the insiders mentioned in *Articles 95 and 96*.
2. A Person who tries to obtain inside information and who obtains it without violating the law, is not subject to the prohibitions applicable to insiders mentioned in *Articles 95 and 96*, as long as such information is made available without restriction by the Issuer or Public Company<sup>211</sup>.

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first the interests of his Company and its shareholders as a whole, and this duty precludes him from using inside information for his personal benefit or for the benefit of others.

<sup>208</sup> In addition to the restriction referred to in letter a, an insider of an Issuer or Public Company that is engaged in transactions with another company, is also prohibited from trading in the Securities of such other company, even though he is not an insider of the other company. This is because the information with respect to the other Company is usually obtained due to the insider's position in the Issuer or Public Company. The term "transactions" in this letter refers to all types of transactions that might take place between an Issuer or Public Company and another Company, including transactions involving the Securities of such other Company.

<sup>209</sup> An insider as referred to in Article 95 is prohibited from influencing other Persons to buy and or sell Securities of such Issuer or Public Company, even when the insider, so as not to use inside information to induce other Persons to trade in the Securities, does not actually pass on the inside information to such other Persons. In addition, insiders are prohibited from giving inside information to other Persons who are likely to use such information to buy or sell Securities. Accordingly, insiders have an obligation to use caution when divulging information in order that such information is not misused for Securities trading by the Persons receiving such information.

<sup>210</sup> A Person who, in violation of the law, attempts to obtain and eventually obtains inside information regarding an Issuer or Public Company, is subject to the same prohibitions as an insider, as indicated in Articles 95 and 96. Consequently, such Persons are prohibited from trading in such Securities, from influencing other Persons to trade in such Securities, and from passing on inside information to other Persons that are likely to use it to trade in such Securities. Examples of obtaining information in violation of the law, include:

1. stealing inside information;
2. obtaining inside information by tricking insiders; and
3. obtaining inside information by violence or threat.

<sup>211</sup> As an example, when someone who is not an insider requests information from an Issuer or Public Company and obtains it easily without any conditions, such Person is not subject to the restrictions applicable to insiders. However, if the inside information is provided, under condition of confidentiality

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### *Article 98*

A Securities Company that has inside information concerning an Issuer or a Public Company is prohibited from engaging in Securities transactions<sup>212</sup> of such Issuer or Public Company, unless:

- a) the transaction is made for the account of and in accordance with instructions of a client; and
- b) the Securities Company makes no recommendation to the client with respect to such Securities.

### *Article 99*

BAPEPAM may determine that certain transactions<sup>213</sup> are exempted from the prohibitions of *Articles 95 and 96*.

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or some other restriction, the Person obtaining the inside information is subject to the restrictions as in Articles 95 and 96.

<sup>212</sup> This Article allows a Securities Company that has inside information to execute Securities transactions for the account of a client, as a Broker-Dealer. However, in executing such trades, the Securities Company that has inside information, is prohibited from making any recommendation to its clients, with respect to such Securities. If this condition is not followed, the Securities Company is in violation of the restrictions on insider trading of Articles 95 and 96.

<sup>213</sup> Article 99 authorizes BAPEPAM to exempt certain Securities transactions from the prohibitions of Articles 95 and 96. For example, certain Securities transactions among insiders may be permitted.

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*Article 100*

1. BAPEPAM may initiate a formal investigation of any Person suspected of violating or being involved in a violation of this Law and/or its implementing regulations<sup>214</sup>.
2. When conducting investigations<sup>215</sup> referred to in *item (1)*, BAPEPAM is authorized to:
  - a) request information and corroboration from Persons suspected of engaging in or having been involved in a violation of this Law or its implementing regulations, or from other Persons, as deemed necessary;
  - b) require Persons suspected of engaging in or having been involved in a violation of this Law or its implementing regulations, to do or not to do certain things.
  - c) inspect and make copies of records, books, and other documents owned by Persons suspected of engaging in or having been involved in a violation of this Law or its implementing regulations, including records, books, and documents owned by other Persons, when deemed necessary; and

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<sup>214</sup> In order to supervise the Capital Market, BAPEPAM requires the authority to investigate any Person that is suspected of having violated; being engaged in a violation; attempting to engage in a violation; or attempting to influence or assist another Person to engage in a violation of this Law and or its implementing regulations. With this authority, BAPEPAM can obtain data, information, and other evidence of violation of this Law and its implementing regulations.

<sup>215</sup> When making an investigation, BAPEPAM may request information and corroboration from any Person suspected of violating or participating in a violation of this Law and its implementing regulations, of from other Persons as deemed necessary, and in such regard, BAPEPAM may inspect the records, books and other documents of such Persons. BAPEPAM may order the cessation of specific activities that constitute violations of this Law and its implementing regulations, including ordering an Issuer or Public Company to suspend publication of a misleading advertisement in the mass media. Conversely, when deemed necessary, BAPEPAM may direct that certain things be done to reduce or prevent loss, such as ordering an Issuer or Public Company to correct an advertisement in the mass media. BAPEPAM may also stipulate conditions and consent to a settlement regarding losses resulting from violations of this Law and its implementing regulations. Such settlement may be a commercial arrangement between the parties. Data, information, material and facts gathered in an investigation may be used by BAPEPAM in connections with the imposition of administrative sanctions. Should BAPEPAM decide to pursue an inquiry as a criminal investigation, such data, information, material and facts may be used as initial evidence in such investigation. It is not necessary that a criminal investigation be preceded by a formal investigation. BAPEPAM may initiate a criminal investigation whenever it considers an activity to involve a violation of this Law and its implementing regulations, and that the activity is contrary the interests of the Capital Market or endangers investors and the public.

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- d) establish requirements for and/or permit Persons to do certain things that are appropriate in the context of the settlement of losses that have occurred as a result of a suspected violation of this Law and or its implementing regulations
  3. Further provisions regarding the investigative procedures mentioned in *item (1)*, shall be stipulated in Government Regulations<sup>216</sup>.
  4. BAPEPAM employees and other Persons appointed by BAPEPAM to conduct formal investigations, may not use for themselves, information obtained by virtue of this Law or disclose such information to another Person, except as necessary to achieve BAPEPAM's purposes of, or as otherwise required by law<sup>217</sup>.

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<sup>216</sup> Investigative procedures include:

1. methods of programming and investigation;
2. procedures for conducting an investigation; and
3. procedures for reporting the findings of an investigation.

<sup>217</sup> BAPEPAM Employees are the Civil Servants on the BAPEPAM staff.

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*Article 101*

1. Whenever BAPEPAM believes that a violation of this Law or its implementing regulations has damaged Capital Market interests and/or has placed property of investors or the public in jeopardy, BAPEPAM may initiate a criminal investigation<sup>218</sup>.
2. Specific *Government Officials of* BAPEPAM have special authority to conduct criminal investigations with respect to the Capital Market, based on provisions in the *Indonesian Criminal Code*<sup>219</sup>.
3. Investigators referred to *item (2)* are authorized to:
  - a) Receive reports, information or complaints from Persons with respect to Capital Market crimes;
  - b) Investigate the authenticity of reports or information relating to Capital Market crimes;
  - c) Investigate Persons suspected of Capital Market crimes;
  - d) Summon, inspect, and request information and evidence from Persons suspected of Capital Market crimes;
  - e) Inspect books, records and other documents with reference to Capital Market crimes;
  - f) Inspect certain locations where evidence may be found in books, records and other documents and seize materials that may be used as evidence in criminal cases related to the Capital Market;
  - g) Block bank accounts or other financial assets of Persons suspected of Capital Market crimes;
  - h) Request professional assistance in criminal investi-

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<sup>218</sup> Capital Market misbehavior varies in type, *modus operandi*, and potential for loss. For this reason, BAPEPAM is authorized to consider the consequences of a violation and has discretion to proceed with an investigation, based on its judgment. BAPEPAM is not required to initiate a criminal investigation for every violation of this Law and its implementing regulations, since such a course of action might inhibit general business in the Securities market. When the harm inflicted endangers the Capital Market system, the interests of investors or the public, or when a settlement is not reached with respect to losses, BAPEPAM may initiate a criminal investigation. The Chairman of BAPEPAM orders the initiation of investigations by Criminal Investigators on BAPEPAM staff.

<sup>219</sup> A criminal investigation in the Capital Market involves a series of investigative acts to find and gather necessary evidence so as to solve a Capital Market crime, and to locate suspects and determine the amount of harm that has been done. Capital Market Criminal Investigators are specific Civil Servants on the staff of BAPEPAM, that are appointed by the Minister of Justice in accordance with current laws and regulations.

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- gations related to the Capital Market; and
- i) Determine the initiation and termination of an investigation<sup>220</sup>.
4. When conducting an investigation as mentioned in *item (1)*, BAPEPAM, may make a request to the Minister to obtain information from banks on the financial situation of suspects, under applicable banking laws and regulations<sup>221</sup>.
5. Investigators mentioned in *item (2)*, shall announce the initiation of an investigation and deliver their results to the *Attorney General*, in accordance with provisions in the *Indonesian Criminal Code*.
6. When using the investigative powers mentioned in *item (1)*, BAPEPAM may request assistance from other law enforcement agencies<sup>222</sup>.
7. BAPEPAM officials and other Persons appointed by BAPEPAM to conduct criminal investigations, may not use for themselves information obtained by virtue of this Law, or disclose such information to another Person, except as necessary to achieve BAPEPAM purposes, or as otherwise required by law.

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<sup>220</sup> The opening and closing of an investigation by Criminal Investigators on BAPEPAM staff requires the approval of the Chairman of BAPEPAM.

<sup>221</sup> This item stipulates that when conducting a criminal investigation, in order to obtain information from a bank regarding the financial status of a suspect, BAPEPAM must obtain the approval of the Minister. If the investigation is not related to bank information on the financial status of a suspect, BAPEPAM does not need to obtain approval of the Minister.

<sup>222</sup> The other law enforcement agencies referred to include the Police Force of the Republic of Indonesia, the Director General of Immigration, the Ministry of Justice, and the Attorney General.

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*Article 102*

1. BAPEPAM may impose administrative sanctions for violations of this Law and/or its implementing regulations against every Person that is licensed, approved or registered with BAPEPAM<sup>223</sup>.
2. The administrative sanctions referred to in *item (1)* may consist of:
  - a) written admonitions;
  - b) fines;
  - c) restrictions on business activity;
  - d) suspensions of business activity;
  - e) revocations of business licenses;
  - f) cancellations of approvals; and
  - g) cancellations of registrations.
3. Further provisions regarding the administrative sanctions in *items (1) and (2)* shall be determined by Government Regulation.

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<sup>223</sup> In applying administrative sanctions, BAPEPAM needs to consider the constructive aspects of sanctions with respect to the Person concerned. Persons referred to in this article are Issuers, Public Companies, Securities Exchanges, Clearing Guarantee Institutions, the Central Securities Depository, Investment Funds, Securities Companies, Investment Advisors, Underwriters' Representatives, Broker-dealers' Representatives, Investment Managers' Representatives, Securities Administration Agencies, Custodians, Trust-Agents, Capital Market Supporting Professionals and other Persons that have been licensed, approved or registered by BAPEPAM. The stipulations of this article also apply to directors, commissioners, and any Person referred to in Article 87 and holding at least five percent of the shares of an Issuer or Public Company.

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*Article 103*

1. Any Person who engages in Capital Market business activities without a license, approval, or registration required in *Articles 6, 13, 18, 30, 34, 43, 50, and 64*, shall be subject to imprisonment for a maximum of five years and a maximum fine of five billion rupiah.
2. Any Person who engages in business without a license required in *Article 32* shall be subject to imprisonment for a maximum of one year and a maximum fine of one billion rupiah.

*Article 104*

Any Person who violates the provisions of *Articles 90, 91, 92, 93, 95, 96, 97 item (1) and 98*, shall be subject to imprisonment for a maximum of ten years and a maximum fine of fifteen billion rupiah.

*Article 105*

Investment Managers and or Affiliated Persons that violate the provisions of *Article 42* shall be subject to imprisonment for a maximum of one year and a maximum fine of one billion rupiah.

*Article 106*

1. Any Person who violates the provisions of *Article 70* shall be subject to imprisonment for a maximum period of ten years and a maximum fine of fifteen billion rupiah<sup>224</sup>.
2. Any Person who violates the provisions of *Article 73* shall be subject to imprisonment for a maximum period of three years and a maximum fine of five billion rupiah<sup>225</sup>.

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<sup>224</sup> This item stipulates that every Public Offering must conform to the provisions of Article 70 item (1). In accordance with Article 1, item 6, an Issuer is defined the Person that makes a Public Offering. Therefore, it is the Issuer that must submit the Registration Statement to BAPEPAM and such Registration Statement must have become effective. Accordingly, every Person that intends to make a Public Offering must meet the requirements of Article 70 item (1), and may be subject to criminal sanctions in case of a violation.

<sup>225</sup> The "Person" referred to in this item is a Public Company as defined in Article 1, item 22.

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### *Article 107*

Any Person with intent to deceive or to cause loss to another Person or to mislead BAPEPAM, loses, destroys, erases, obscures, hides, or falsifies records of a Person that is licensed approved or registered, including a registered Issuer or a Public Company shall be subject to imprisonment for a maximum period of three years and a maximum fine of five billion rupiah.

### *Article 108*

The criminal penalties of imprisonment, confinement, and fines mentioned in *Articles 103, 104, 105, 106 and 107*, shall also be applied to Persons who, directly or indirectly, influence other Persons to violate such *Articles*.

### *Article 109*

Any Person who disobeys or obstructs the implementation of *Article 100* is subject to criminal confinement for a maximum period of one year and a maximum fine of one billion rupiah.

### *Article 110*

1. Criminal acts mentioned in *Articles 103 item (2), 105, and 109*, are misdemeanors.
2. Criminal acts mentioned in *Articles 103 item (1), 104, 106, and 107*, are felonies.

*Article 111*

Any Person who suffers losses arising from violations of this Law and or its implementing regulations can sue for compensation, either jointly or severally with other Persons with similar claims, against the Person or Persons responsible for such violations.

*Article 112*

BAPEPAM and *Bank Indonesia* shall mutually consult and coordinate their respective functions of overseeing Custodians, Trust-Agents, and other matters regarding Capital Market operations of commercial banks, as specified in law and regulations

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*Article 113*

Any Company meeting the criteria of a Public Company as defined in this Law, that has not submitted a Registration Statement to BAPEPAM as of the date this Law becomes effective, must fulfil out the provisions in this Law not later than two years from the date the Law becomes effective.

*Article 114*

Upon the effectiveness of this Law:

- a) all laws and regulations issued prior to the effectiveness of this Law, shall remain in force insofar they are not contrary to this Law or not revised by this Law;
- b) all business licenses, individual licenses, approvals and registrations issued prior to the effectiveness of this Law shall remain in force;
- c) Registration Statements and applications for business licenses, approvals and registrations submitted prior to the effectiveness of this Law shall be disposed of according to the regulation prevailing prior to the effectiveness of this Law; and
- d) clearing activities, settlement of Securities Transactions, and custody of Securities that are being carried out by a Company licensed as a *Clearing, Central Securities Depository*, may continue to be done for a period determined by BAPEPAM.

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CHAPTER

XVIII

CLOSING PROVISIONS

*Article 115*

Upon the effectiveness of this Law, the "Emergency Law on Securities Exchanges" No. 15 of 1952 and Laws 79 of 1951 and 67 of 1952, is revoked.

*Article 116*

This Law shall become effective on January 1, 1996.

IN ORDER THAT EVERYONE MAY BE INFORMED, IT IS ORDERED  
THAT THIS LAW BE PROCLAIMED BY PUBLICATION IN THE  
*STATE GAZETTE OF THE REPUBLIC OF INDONESIA.*

Authorized in Jakarta  
on November 10, 1995  
THE PRESIDENT OF THE  
REPUBLIC OF INDONESIA

**SOEHARTO**

Promulgated in Jakarta  
on November 10, 1995  
THE MINISTER STATE SECRETARY  
THE REPUBLIC OF INDONESIA

**MOERDIONO**

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