

**A Law of The Republic Indonesia
Number 8 Year 1995 concerning The Capital Market**

Unofficial English Translation

**Chapter I
Article 1**

In this Law, what is meant by:

1. Affiliation is:
 - a. a family relationship by marriage and descent to the second degree, horizontal as well as vertical;
 - b. a relationship between a Person and its employees, directors, or commissioners;
 - c. a relationship between two Companies with one or more directors or commissioners in common;
 - d. a relationship between a Company and a Person that directly or indirectly, controls or is controlled by that Company;
 - e. a relationship between two Companies that are controlled directly or indirectly by the same Person; or
 - f. a relationship between a Company and a substantial shareholder.
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 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 of Securities .
6. An Issuer is a Person who makes a Public Offering.
7. Material Information 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 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 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 to others regarding the sale or purchase of Securities.
15. A Public Offering 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 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 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.
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 with respect to the Capital Market.

Chapter II THE CAPITAL MARKET SUPERVISORY AGENCY

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.
- (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 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.
- d. establish the requirements and procedures regarding Registration Statements and declare, delay, or cancel the effectiveness of such Registration Statements.
- e. inspect and investigate any Person with respect to suspected 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; or
 - 2) take actions necessary to remedy the effects of such advertisement or promotion;
- g. inspect:
 - 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, under powers granted to BAPEPAM in letter g, to conduct an inspection;
- i. publish findings of inspections;
- 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;
- k. suspend all trading on a Securities Exchange in times of emergency;.
- 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;
- m. set fees for the granting of licenses, approvals, registrations, and fees for inspections and examinations, and other fees related to the Capital Market.
- n. take steps necessary to avert loss to the public arising from violation of Capital Market regulations;
- o. provide technical interpretations regarding this Law and its implementing regulations;
- p. define other instruments as Securities, in addition to those mentioned *in Article 1 item 5*; and
- q. do any other act required by this Law.

Chapter III
SECURITIES EXCHANGES,
CLEARING GUARANTEE INSTITUTIONS
AND CENTRAL SECURITIES DEPOSITORY

Section One
Securities Exchanges

Paragraph 1
Licensing

Article 6

- (1) Only a Company that has been granted a business license by BAPEPAM may carry on business as a Securities Exchange.
- (2) Requirements and procedures 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.
- (2) To achieve the purposes mentioned in item (1), a Securities Exchange must supervise Members' activities and provide them with facilities.
- (3) A Securities Exchange must submit an annual budget and profit-utilization plan to BAPEPAM according to BAPEPAM rules

Article 8

Only Securities Companies that are licensed as Broker-Dealers may be shareholders of a Securities Exchange.

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

Article 10

A Securities Exchange may not restrain beneficial competition nor restrict its Members from joining other Securities Exchanges.

Article 11

Securities Exchange rules and rule changes become effective when approved by BAPEPAM.

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.
- (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.
- (3) Securities Exchanges must make inspection reports available to BAPEPAM on request.

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.
- (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.

Paragraph 2
Purpose and Ownership

Article 14

- (1) A Clearing Guarantee Institution is established for the purpose of providing clearing services 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 may provide other services in accordance with BAPEPAM rules.
- (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.

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.
- (2) The majority of the shares of a Clearing Guarantee Institution must be owned by a Securities Exchange.

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.
- (2) A Central Securities Depository must make rules on central Custodian services and Securities Transaction settlement services, and its service charges.
- (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.

Article 17

Rules of a Clearing Guarantee Institution or a Central Securities Depository, and amendments thereof, become effective when approved by BAPEPAM

Chapter IV **INVESTMENT FUNDS**

Section One **Legal Form and Licensing**

Article 18

- (1) An Investment Fund can be organized as a:
 - a. **Company**; or
 - b. collective investment contract.
- (2) The Investment Funds referred to in *item (1) letter a* may be open-ended or closed-ended.
- (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.
- (5) Requirements and licensing procedures for Investment Funds referred to in item (3) shall be determined in Government Regulations.

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

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

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.
- (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.
- (3) Parties to an Investment Fund management contract are the Investment Manager and the Custodian bank in the case of a open-end collective investment contract, and this contract includes the management contract.
- (4) Further regulation of the provisions of *items (2) and (3)* shall be made by BAPEPAM.

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.

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.

Article 24

- (1) An Investment Fund may neither borrow nor lend money..
- (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.

Article 25

- (1) The assets of an Investment Fund must kept with a Custodian bank.
- (2) Investment Funds must calculate and publish their net asset value.
- (3) 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.

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.
- (2) A collective investment contract shall include the custodial agreement and shall be made by the Investment Manager and the Custodian bank.
- (3) Further regulation 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.
- (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.

Article 28

- (1) Shares of a corporate open-end Investment Fund have no par value.
- (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.
- (3) Shares of a corporate Investment Fund may be repurchased and resold without the approval of the *General Meeting of Shareholders*.

- (4) The re-purchase of shares of a corporate Investment Fund shall be made from the Fund's assets.

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

Chapter V

SECURITIES COMPANIES, SECURITIES COMPANY REPRESENTATIVES AND INVESTMENT ADVISORS

Section One

Licensing of Securities Companies

Article 30

- (1) Only a Company licensed by BAPEPAM may carry on business as a Securities Company.
- (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.
- (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,
- (4) Further licensing requirements and procedures with respect to Securities Companies shall be stipulated in Government Regulations.

Article 31

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

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.
- (2) Further licensing requirements and procedures for Securities Company Representatives shall be stipulated in Government Regulations.

Article 33

- (1) An individual licensed as an Underwriter Representative may also act as a Broker-Dealer Representative.
- (2) An individual licensed as an Underwriter Representative, Broker-Dealer Representative or Investment Manager Representative may only be employed by one Securities Company.

Section Three

Licensing of Investment Advisors

Article 34

- (1) Only Persons licensed by BAPEPAM may engage in the business of Investment Advisor.
- (2) Further requirements and licensing procedures for Investment Advisors shall be stipulated in Government Regulations.

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;
- 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;
- d. recommending that clients buy or sell Securities, without revealing that the Securities Company or Investment Advisor has an interest in such Securities; or
- 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.

Article 36

Securities Companies and Investment Advisors must:

- 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; and
- b. maintain secure facilities for safekeeping clients' assets, with separate records for each client.

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 Unaffiliated clients have been executed.

Article 39

An Underwriter must fulfill all terms of the underwriting agreement disclosed in the Registration Statement.

Article 40

An Underwriter must disclose in the Prospectus 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 Manager, may not charge commissions to the Fund that are higher than would be charged by an Unaffiliated Broker-Dealer.

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

Chapter VI
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.
- (2) Further requirements and procedures for approving commercial banks as Custodians shall be stipulated in Government Regulations.

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.

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.

Article 46

A Custodian must reimburse account-holders for losses resulting from the Custodian's mistake.

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:
 - 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 concerning a client's Securities account.
- (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..

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.

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.

Section Three Trust-Agents

Article 50

- (1) The function of Trust-Agent may be performed by:
 - 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.
- (3) Further requirements and procedures for the registration of Trust-Agents shall be stipulated in Government Regulations.

Article 51

- (1) A Trust-Agent may not be Affiliated with an Issuer, except for Government-owned Trust-Agents.
- (2) A Trust-Agent shall represent the interests of the credit Security-holders in and out of court.
- (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 creditor and as a representative of credit Security-holders.
- (4) The use of Trust-Agent services shall be regulated by BAPEPAM.

Article 52

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

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.

Article 54

A Trust-Agent may not represent the interests of both the holders and guarantors of the same credit Securities.

Chapter VII

COLLECTIVE CUSTODY AND THE SETTLEMENT OF EXCHANGE TRANSACTIONS

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.
- (2) A Clearing Guarantee Institution must guarantee settlement of Securities Exchange Transactions.
- (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.
- (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.
- (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.
- (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.
- (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.
- (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.
- (5) Central Securities Depository, Custodian banks, and Securities Companies must provide account-holders with confirmations 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.

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.
- (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.
- (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.

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.
- (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.
- (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*.
- (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.

Article 61

Except for Securities in the account of an Investment Fund, Securities in Collective Custody may be loaned or pledged.

Article 62

Issuers must provide for Collective Custody in their Articles of Association.

Article 63

Further rules on Collective Custody shall be stipulated by BAPEPAM

Chapter VIII

CAPITAL MARKET SUPPORTING PROFESSIONALS

Section One

Registration

Article 64

- (1) *Capital Market Supporting Professionals* include:
 - a. Accountants;
 - b. Legal Consultants;
 - c. Appraisers;
 - d. Notaries; and

- e. Other professionals specified in Government Regulations.
- (2) The *Capital Market Supporting Professionals* mentioned in *item (1)* must register with BAPEPAM before engaging in Capital Market activities.
- (3) Further requirements and procedures for the registration of *Capital Market Supporting Professionals* shall be stipulated in Government Regulations.

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.
- (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.
- (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.

Article 67

When engaged in Capital Market business, *Capital Market Supporting Professionals* must provide independent opinions and evaluations.

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 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.
- (2) Notwithstanding the requirement in *item (1)*, BAPEPAM may establish accounting rules with respect to the Capital Market.

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.
- (2) The stipulations of *item (1)* are not applicable 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

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.
- (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.

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.
- (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.
- (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.

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.

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.

Article 77

Further rules regarding the requirements and procedures for submitting Registration Statements shall be made by BAPEPAM.

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.
- (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.
- (3) Further regulation regarding Prospectuses shall be made by BAPEPAM.

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.
- (2) Matters that must be disclosed and the contents and requirements for the announcements mentioned in *item (1)* shall be further regulated by BAPEPAM.

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;
 - 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.
- (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 and took adequate measures to ensure that:
- (3) the statements or information published in the Registration Statement were true; and

- 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.
- (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.
- (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.

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.

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.

Chapter X

REPORTING AND DISCLOSING INFORMATION

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

Article 86

- (1) An Issuer whose Registration Statement has become effective, or a Public Company, is required to:
 - a. publish periodic reports and submit such reports to BAPEPAM; 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.

- (2) BAPEPAM may exempt Issuers and Public Companies from the reporting requirements referred to in *item (1)*.

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.
- (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.

Article 88

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

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.
- (2) Exceptions from the requirement of *item (1)* can only be made by BAPEPAM.

Chapter XI

FRAUD, MARKET MANIPULATION AND INSIDER TRADING

Article 90

When buying and selling Securities, 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

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 of Securities on the Securities Exchange to rise, fall, or remain steady.

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 of Securities Companies, are not prohibited by *Articles 91 and 92*.

Article 95

An insider 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; or
- b. another Company engaged in transactions with the Issuer or Public Company.

Article 96

The insider 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 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.

Article 98

A Securities Company that has inside information concerning an Issuer or a Public Company is prohibited from engaging in Securities transactions 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 are exempted from the prohibitions of *Articles 95 and 96*.

Chapter XII **FORMAL INVESTIGATIONS**

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.
- (2) When conducting investigations 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 or 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
- 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.
- (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.

Chapter XIII

CRIMINAL INVESTIGATION

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.
- (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*.
- (3) Investigators referred to *item (2)* are authorized to:
- Receive reports, information or complaints from Persons with respect to Capital Market crimes;
 - Investigate the authenticity of reports or information relating to Capital Market crimes;
 - Investigate Persons suspected of Capital Market crimes;
 - Summon, inspect, and request information and evidence from Persons suspected of Capital Market crimes;
 - Inspect books, records and other documents with reference to Capital Market crimes;
 - 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;
 - Block bank accounts or other financial assets of Persons suspected of Capital Market crimes;
 - Request professional assistance in criminal investigations related to the Capital Market; and
 - Determine the initiation and termination of an investigation.
- (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.
- (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.
- (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.

Chapter XIV

ADMINISTRATIVE SANCTION

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.
- (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.

Chapter XV CRIMINAL PROVISIONS

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.
- (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.

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.

Chapter XVI **OTHER PROVISIONS**

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

TRANSITIONAL PROVISIONS

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.

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.