

**MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
THE CAPITAL MARKET AND FINANCIAL INSTITUTION SUPERVISORY
AGENCY**

DUPLICATE OF

**DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET AND
FINANCIAL INSTITUTIONS SUPERVISORY AGENCY**

NUMBER: KEP - 130 /BL/2006

CONCERNING

ISSUANCE OF SHARIA SECURITIES

**THE CHAIRMAN OF THE CAPITAL MARKET AND FINANCIAL
INSTITUTIONS SUPERVISORY AGENCY,**

- Considering : a. that business sector and investor needs the variety of source of fund and investment, including those based on Islamic principle.
- b. that in order to provide sufficient legal framework for the issuance of sharia securities in Indonesian Capital Market, it is deemed necessary to enact Capital Market and Financial Institutions Supervisory Agency Rule concerning the Issuance of Sharia Securities;
- In view of : 1. Law Number 8 year 1995 concerning the Capital Market (Statute Book year 1995 number 64, Supplement to the Statute Book Number 3608);
2. Government Regulation Number 45 year 1995 concerning Capital Market Organization (Statute Book Year 1995 Number 86, Supplement to Statute Book Number 3617) as revised by Government Regulation Number 12 year 2004 (Statute Book Year 2004 Number 27, Supplement to Statute Book Number 4372);
3. Government Regulation Number 46 year 1995 concerning Capital Market Formal Investigative Procedures (Statute Book year 1995 Number 87, Supplement to Statute Book Number 3618);
4. Decree of the President of the Republic of Indonesia Number 45/M year 2006;

HAS DECIDED:

To enact : **DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY CONCERNING THE ISSUANCE OF SHARIA SECURITIES**

Article 1

Provision concerning the Issuance of Sharia Securities is regulated in Rule Number IX.A.13 as stipulated in the Attachment of this Decision.

Article 2

This decision shall become effective since the date of its promulgation.

**MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
THE CAPITAL MARKET AND FINANCIAL INSTITUTION SUPERVISORY
AGENCY**

In order that all will be informed, this Regulation will be promulgated by publication in the State Gazette of the Republic of Indonesia.

Enacted in : Jakarta

Date : November 23, 2006

Chairman of Capital Market And Financial
Institutions Supervisory Agency

Signed

A. Fuad Rahmany

NIP 060063058

Based on the original documents
Acting Executive Secretary

signed

Robinson Simbolon

NIP 060047831

ATTACHMENT :

Decision of Chairman of Capital
Market and Financial Institutions
Supervisory Agency (CMFISA)
Number : Kep-130/BL/2006
Date : November 23, 2006

RULES NUMBER X.A.13 : ISSUANCE OF SHARIA SECURITIES

1. Definition:

- a. Sharia Contract is an agreement/contract that is based on Sharia Principles in Capital Market in compliance with Capital Market and Financial Institutions Supervisory Agency (CMFISA) Rule Number IX.A.14.
- b. Sharia Securities is securities as defined in Capital Market Law and its implementing regulation in which its contract and issuance method fulfills the Sharia Principles in Capital Market.
- c. Sharia Principles in Capital Market is Islamic law Principles concerning Capital Market activities which is in compliance with the instruction of The National Sharia Board, Indonesian Council of Ulama (or DSN-MUI in Indonesian acronym), not only the instruction applied in CMFISA rule but also the instruction issued before the enactment of this rule, as long the instruction is in line with this rule or other rules which are based on the instruction of DSN-MUI.
- d. Sukuk is Sharia Securities in a form of certificate or proof of ownership which have the same value and represent participation unit which is not separated from or consists of:
 - 1) the ownership of particular tangible assets;
 - 2) the beneficial value or services of particular project's assets or particular investment activities; or
 - 3) the ownership of particular project's assets or particular investment activities.
- e. Sukuk Trust-Agent is a Trust-Agent that is registered with the CMFISA that represent the interests of Sukuk holders.

2. General Provisions

- a. Business activities which conflict with Sharia Principles, among other things, are:

- 1) gambling and games considered as gambling or prohibited trading;
 - 2) running financial services which implements usury concept, buying and selling of risk which contains ambiguity and or gambling;
 - 3) producing, distributing, trading, and or providing:
 - a) products or services that are forbidden because of its contents;
 - b) products or services that are forbidden not because of its contents but because they are stated forbidden by DSN-MUI; and or
 - c) products or services that can deprave one's morals and are useless; and or
 - 4) investing in a company in which the ratio between the company's debt that consists of usury is more dominant than its capital, unless the investment is stated as sharia investment by DSN-MUI.
- b. The Issuance of Sharia Securities must be executed in accordance with Sharia Contract.
- c. Any Person issuing Sharia Securities must fulfill the requirements set up in the Shariah in Capital Market related to Sharia Securities offered, provisions stated this rule, and other rules and regulation in Capital Market area.
- d. Any Person issuing Sharia Securities must comply with Sharia Principles in Capital Market related to the Sharia Securities offered.
- e. Sharia Securities do not longer fulfill the Sharia Principles in Capital Market when the business activity, business governance, assets of investment funds, and or assets of collective investment contract of Assets Backed Securities of the Issuer are not in compliance with Sharia Principles in Capital Market.
- f. Any Person issuing the Sharia Securities and stating that the company business activity and business governance are compliance with the Sharia Principles in Capital Market must affirm that:
- 1) the business activity and business governance of the Person performing Public Offering are in compliance with the Sharia Principles in Capital Market as stated in the company article of association or collective investment contract;
 - 2) the nature of business, produced goods and services, managed assets, contract, and business governance the Person performing public offering are not in conflict with the Sharia Principles in Capital Market; and
 - 3) has members of board of directors and board of commissioner, Investment Manager's Representatives, and responsible person to carry out the custodian activities which understand any action that may conflict with the Sharia Principles in Capital Market; and

3. The issuance of Sharia Securities by Issuer or Public Company stating that the company business activity and business governance are in compliance with the Sharia Principles in Capital Market
 - a. Unless determined otherwise by this rule, Issuer or Public Company issuing the Sharia Securities must:
 - 1) follows Rule Number IX.A.1 concerning General Requirements Regarding Submission of a Registration Statement or Rule Number IX.B.1 concerning Guidelines for the Form and Content of a Public Company Registration Statement, and other related rules regarding Public Offering; and
 - 2) discloses additional information in the prospectus informing that:
 - a) its article of association states that the business activity and business governance are in compliance with the Sharia Principles in Capital Market;
 - b) the nature of business, produced goods and services, managed assets, contract, and business governance of the Issuer or Public Company do not conflict with the Sharia Principles in Capital Market; and
 - c) the Issuer or Public Company has members of board of directors and board of commissioners that understand any activity that may conflict with the Sharia Principles in Capital Market.
 - b. Issuer or Public Company issuing Sharia shares may only amend its article of association related to business activity and business governance to be no longer in compliance with Sharia Principles in Capital Market if:
 - 1) there is a proposal from the shareholders that has fulfilled requirements stated in the Company Law; and
 - 2) the proposal has been approved in General Shareholders' Meeting.
 - c. The plan of holding General Shareholders' Meeting which aims to amend the article of association agenda as referred to in point b must be published in at least 1 (one) Indonesian newspaper which has a nationwide circulation no later than 28 (twenty eight) days before the General Shareholders' Meeting, containing the following information, among other things:
 - 1) explanation, consideration, and reason for the proposed amendment related to business activity and business governance;
 - 2) issuer's plan of activities and governance after the issuer is no longer in compliance with Sharia Principles in Capital Market;
 - 3) the settlement method for shareholders who do not agree with the amendment; and

- 4) the explanation that the decision of General Shareholders' Meeting regarding the amendment of the article of association is effective after obtaining the approval from shareholders and the Minister of Justice and Human Rights.
- d. General Shareholders' Meeting may decide to approve the amendment of the article of association referred to in provision stated in point c after fulfilling the following provisions:
- 1) shareholders proposing such amendment and their affiliation can not be considered in the attendance quorum;
 - 2) the meeting must be attended by shareholders that represent at least 2/3 (two thirds) of total shares with legal voting right owned by those shareholders;
 - 3) the decision must be approved by shareholders that represent at least 2/3 (two thirds) of the shares with legal voting rights owned by the attending shareholders;
 - 4) in the case the first General Shareholders' Meeting does not have a quorum, the second or third meeting can not be held; and
 - 5) if the amendment of the article of association can not be executed because the meeting does not have a quorum, as mentioned in item 2) and or item 3) of this rule, the proposal may be resubmitted at least 12 (twelve) months since the date of the meeting which does not have a quorum as mentioned in provision stated in item 2) and or item 3).
- e. Issuer or Public Company referred to in provision stated in article 1 point b must settle the disapproving shareholders' rights by ensuring that those shares could be sold at fair price by considering the following provisions:
- 1) in case the shares are not listed in the exchanges, the exercise share price should at least be the same as the price determined by an independent Appraiser;
 - 2) in case the shares are listed and traded in exchanges but within 90 (ninety) days are being idle or temporary suspended, the exercise shares price is at least the same as the highest price within the last 12 (twelve) months prior to the last trading day or the day it is temporarily suspended; or
 - 3) in case the shares are listed and traded in exchanges, the exercise share price should at least be the same as the highest share price within 90 (ninety) day prior to the date of publication of General Shareholders' Meeting regarding the amendment of the article of association agenda referred to in provision stated in article 3 point c.
- f. If the Issuer or Public Company that issues the Sharia stock violates provision stated in article 3 point b mentioned above, it must:

- 1) report to the CMFISA and make publication about any material information or fact regarding the changes of business activities and business governance which do not accomplish with the Sharia Principles, as stated in Rule No X.K.1 concerning Disclosure of Information that must be made Public Immediately; and
 - 2) be subject to administration sanction in the form of fines and must oblige to do certain action in compliance with provision stated in article 3 point c, point d, and point c.
4. The Issuance of Sukuk
- a. Unless determined otherwise by this rule, Issuer that offers Sukuk to public must:
- 1) follows Rule Number IX.A.1 concerning General Requirements Regarding Submission of a Registration Statement and other related rules regarding Public Offering;
 - 2) submits the Securities rating, Trust-Agent agreement of Sukuk, and Sharia Contract related to the issuance to the CMFISA;
 - 3) submits to the CMFISA the statement that the company business activity underlying of the issuance of Sukuk is in compliance with provision stated in article 2 point a of this rule, and guarantee that during Sukuk period the business activity will not conflict with provision stated in article 2 point 2 of this rule;
 - 4) submits the statement from Trust-Agent informing that the Trust-Agent has responsible officer in charge of Trust-Agent activities that understand any activity which may conflict with Sharia Principles in Capital Market; and
 - 5) discloses information in prospectus covering at least the following items:
 - a) the underlying company business activity of the issuance of Sukuk is in compliance with provision stated in article 2 point a of this rule, and the Issuer assures that during Sukuk period the business activity will not conflict with provision stated in article 2 point 2 of this rule;
 - b) the Trust-Agent has responsible officer in charge of Trust-Agent activities that understand any activity which may conflict with Sharia Principles in Capital Market;
 - c) type of Sharia Contracts and the Sharia transaction schemes used in Sukuk Issuance;
 - d) summary of Sharia Contract or Agreement;
 - e) the source of revenue that will be used to calculate the compensation for revenue sharing, margin, or fee;

- f) the ratio of revenue or profit sharing, margin, or fee;
 - g) the schedule plan and procedure of disbursement and or payment of revenue or profit sharing, margin, or fee; and
 - h) the commitment of the Issuer to disclose annually the Sukuk rating until the end of Sukuk period.
- b. The Trust-Agent Agreement must cover at least:
- 1) a description of the Sukuk Contract underlying the issuance of Sukuk;
 - 2) the use of fund obtained from the issuance of Sukuk in according to the Sharia Contract characteristic;
 - 3) the source of fund used to pay for sharing that is in compliance with the Sharia Contract characteristics;
 - 4) the ratio for the revenue or profit sharing, margin, or fee;
 - 5) the schedule plan and procedure of disbursement or payment of revenue or profit sharing, margin, or fee;
 - 6) the obligation of Trust-Agent to take any necessary action to ensure the Issuers compliance to Sharia Principles in Capital Market;
 - 7) the actions taken if Issuers will change the Sharia Contract, contents of Sharia Contract, business activity and or underlying asset of the Sukuk issuance;
 - 8) the changes of the type of Sharia Contract, contents of Sharia Contract, business activity and or underlying asset of the Sukuk issuance must obtain approval from General Sukuk holders' Meeting;
 - 9) the mechanism for settlement of the rights of disapproving Sukuk holders;
 - 10) the stipulation stating that violation against provisions stated in item 7), item 8), and 9) can be considered as reason to decide that Issuer fails to carry out its obligation; and
 - 11) the mechanism for handling the default of obligation.
- c. If there is any change of the type of Sharia Contract, contents of Sharia Contract, business activity and or underlying asset of the Sukuk issuance causing violation of Sharia Principles in Capital Market, the Sukuk issued is null and canceled and the Issuers must settle its obligation to the Sukuk holders.
- d. The Issuer and the Trust-Agent must conduct all requirements stated in Trust-Agent Agreement.
- e. The Issuer must use the fund obtained from the Public Offering of Sukuk for activities or investments that are in compliance with Sharia Principles in Capital Market.

f. Sukuk can be traded in secondary market upon fulfilling the following requirements:

- 1) all fund obtained from Public Offering of Sukuk are already received by the Issuer; and
- 2) the fund received is already used in accordance with the purpose of Sukuk issuance.

5. The issuance of Sharia Investment Fund

a. The issuance of Sharia Investment Fund

Unless determined otherwise by this rule, the Issuer that makes a Public Offering of Sharia Investment Fund must:

- 1) follows the Rule Number IX.A.1 concerning General Requirements Regarding Submission of a Registration Statement or the Rule Number IX.C.4 concerning Registration Statement for a Public Offering of An Investment Fund in the Form of Corporation and other related rules regarding Public Offering; and
- 2) discloses in the management contract and or Contract for Custody of Investment Fund, and additional information in prospectus the following information:
 - a) the article of association should state that the business activity and business governance are in compliance with the Sharia Principles in Capital Market;
 - b) investment policy of Investment Fund is not in conflict with Sharia Principles in Capital Market;
 - c) the nature of business, services offered, managed assets, contract, and business governance the Issuer do not conflict with the Sharia Principles in Capital Market;
 - d) has members of board of directors, Investment Manager's Representatives, and responsible person to carry out the custodian activities in Custodian Bank that understand any activity that may conflict with the Sharia Principles in Capital Market.
 - e) the mechanism for purification of assets of an Issuer from particular substances that conflict with Sharia Principles in Capital Market; and
 - f) the fund under management of Sharia Issuers could only be invested in Securities which are on the list of Sharia Securities determined by the CMFISA or other Persons acknowledged by the CMFISA.

b. The issuance of Sharia Investment Fund Participation Unit in the form of Collective Investment Contract

Unless determined otherwise by this rule, the Issuer that offers Sharia Investment Fund to public must:

- 1) follows the Rule Number IX.A.1 concerning General Requirements Regarding Submission of a Registration Statement or the Rule Number IX.C.4 concerning Registration Statement for a Public Offering of an Investment Fund in the Form of a Collective Investment Contract and other related rules regarding Public Offering; and
- 2) discloses in the Collective Investment Contract and additional information in prospectus the following items:
 - a) investment policy of Collective Investment Contract does not conflict with Sharia Principles in Capital Market;
 - b) investment Manager's Representatives that conduct Investment Fund management, and responsible person carrying out the custodian activities in Custodian Bank understand any activity that may conflict with the Sharia Principles in Capital Market;
 - c) adding the word "Sharia" in the name of Investment Fund issued;
 - d) the mechanism for purification of assets of an Investment Fund from particular substances that conflict with Sharia Principles in Capital Market; and
 - e) the fund under management of Sharia Investment Fund could only be invested in Securities which are on the list of Sharia Securities determined by CMFISA or other Persons acknowledged by CMFISA.
- c. Directors, Investment Managers and or Custodian Bank must implement all provisions regulated in Management Contract, Contract for Custody, or Collective Investment Contract.
- d. The Custodian Bank must refuse the Investment Manager's instruction in writing with a copy to the CMFISA in the case the instruction causes the Investment Fund portfolio contain Securities other than those listed in Sharia Securities list determined by the CMFISA or other Person acknowledged by the CMFISA.
- e. If the Investment Fund portfolio contains Securities other than those listed in Sharia Securities list determined by the CMFISA or other Persons acknowledged by the CMFISA and this incidence is not caused by Investment Manager and Custodian Bank actions, then:
 - 1) The Investment Manager must sell the Securities, no later than 2 (two) working days after the Securities are identified as no longer in Sharia Securities list determined by the CMFISA or other Persons acknowledged by the CMFISA with the requirement that the excess value between selling price and fair market value of Securities in the period those Securities are still in the Sharia Securities list determined by the CMFISA or other Persons acknowledged by the CMFISA, and are separated from the calculation of Net Asset Value of Investment Fund and treated as a social fund; and

- 2) The Custodian Bank must submit to the CMFISA and Participation Unit holders the information on the excess value of the Securities as stated in article 5 point e item 1) and information regarding used of social fund no later than the 12th (twelfth) day of every month (if any).
- f. Should there is any action of Investment Manager and Custodian Bank that causes Investment Fund portfolio to contain Securities other than those listed in Sharia Securities list determined by the CMFISA or other Person acknowledged by the CMFISA , then the CMFISA may:
 - 1) prohibits the Investment Managers and Custodian Bank to sell new Participation Units of Investment Fund;
 - 2) prohibit the Investment Managers and Custodian Bank to transfer any asset of the Investment Fund other than for purification of assets from any substance that conflicts with Sharia Principles in Capital Market;
 - 3) requires Investment Manager and Custodian Bank to be mutually responsible for buying the portfolio that conflicts with Sharia Principles in Capital Market at initial cost price in a certain period determined by the CMFISA; and or
 - 4) requires Investment Manager to make announcement to public regarding the prohibition and or requirements determined by the CMFISA referred to in item 1), item 2), and item 3) above, immediately no later than the end of 2nd (second) working day after the CMFISA letter is accepted in 2 (two) Indonesian newspapers that have a nationwide circulation at Manager Investment's and Custodian Bank's cost.
- g. If the Investment Manager and or Custodian Bank do not obey the prohibition or do not fulfill the obligation required by the CMFISA referred to in point f, the CMFISA has the authority to:
 - 1) substitute the Investment Manager and or Custodian bank; or
 - 2) wind up the Investment Fund.
6. The issuance of Sharia Assets Backed Securities (ABS)
 - a. Unless determined otherwise by this rule, the Issuer that offers Sharia Investment Fund to public must:
 - 1) follows Rule Number IX.A.1 concerning General Requirements Regarding Submission of a Registration Statement or Rule Number IX.C.9 concerning Registration Statement for Asset Backed Securities Public Offering and other related rules regarding Public Offering;
 - 2) discloses in the Sharia ABS Investment Collective Contract and additional information in prospectus the following information:

- a) that the assets which are part of the Sharia ABS do not conflict with Sharia Principles in Capital Market;
 - b) Investment Manager's Representatives that manage Sharia ABS Investment Collective Contract and responsible person that carry out the custodian activities in Custodian Bank understand any action that may conflict with the Sharia Principles in Capital Market;
 - c) adding the word "Sharia" in the name of ABS Investment Collective Contract issued;
 - d) the mechanism for purification of assets of an Investment Fund from particular substances that conflict with Sharia Principles in Capital Market;
 - e) that the management of Sharia ABS fund is not in conflict with Sharia Principles in Capital Market;
 - f) type of Sharia Contracts and the Sharia transaction schemes used in ABS Issuance;
 - g) summary of Sharia Contract;
 - h) the ratio of revenue or profit sharing, margin, or fee; and
 - i) the schedule plan and procedure of disbursement or payment of revenue or profit sharing, margin, or fee.
- b. If there is any action of Investment Manager and Custodian Bank that causes the assets of Sharia ABS contains particular assets that conflict with the Sharia Principles in Capital Market, the CMFISA may:
- 1) prohibit the Investment Managers and Custodian Bank to transfer the assets of Sharia ABS other than for purification of assets from substances that are in conflict of Sharia Principles in Capital Market;
 - 2) requires Investment Manager and Custodian Bank to be mutually responsible for buying the assets of ABS that are in conflict with Sharia Principles in Capital Market at initial cost price or purifying the ABS fund that conflicts with Sharia Principle in Capital Market in a certain period determined by the CMFISA; and or immediately, no later than 2nd (second) working day after violation is detected; and or
 - 3) requires Investment Manager to make announcement to public regarding the prohibition and or requirements determined by the CMFISA referred to in item 1), item 2), and item 3) above, immediately, no later than the end of 2nd (second) working day since the acceptance of the CMFISA letter in 2 (two) Indonesian newspapers that have a nationwide circulation at Manager Investment's and Custodian Bank's cost.

- c. If the Investment Manager and or Custodian Bank do not obey the prohibition or do not conduct requirement determined by the CMFISA referred to point b, the CMFISA has the authority to:
- 1) substitute the Investment Manager and or Custodian bank; or
 - 2) wind up the ABS Collective Investment Contract.
7. By no means of undermining criminal stipulation in capital market, the CMFISA may impose sanctions on any violations of this rule, as well as on any person that causes the violation to occur.

Enacted in : Jakarta
Date : November 23, 2006

Chairman of Capital Market and
Financial Institutions Supervisory
Agency

Signed

A. Fuad Rahmany
NIP. 060063058

Based on the original documents
Executive Secretary

Signed

Robinson Simbolon
NIP 060047831