

**ATTACHMENT :**

Decision of Chairman of Capital Market and  
Financial Institutions Supervisory Agency

Number : Kep-3347BL/2007

Date : 28 September 2007

**RULES NUMBER V.A.1 : LICENSING OF SECURITIES COMPANY**

**1. GENERAL PROVISIONS**

- a. Person who may conduct business activity as Securities Company is a limited liabilities company which has already obtained business license from Capital Market and Financial Institutions Supervisory Agency (CMFISA).
- b. Securities Company that has obtained business license as meant in point 1 letter a of this rule may conduct business as Underwriter, Broker Dealer, and or Investment Manager and other activities pursuant to provisions determined by CMFISA.
- c. Business license as Underwriter is also eligible for business license as Broker Dealer. Nevertheless, business license as Broker Dealer is not eligible for conducting business as Underwriter.
- d. Securities Company that has obtained business license as Underwriter may conduct business activities in securities underwriting and other activities in relation with corporate action, such as providing advice with regard to securities issuance, merger, consolidation, acquisition, and or restructuring, and other activities pursuant to provisions determined by CMFISA.
- e. Securities Company that has obtained business license as Broker Dealer may conduct business activities in buying and selling of securities for their own account or other third party, and other activities pursuant to provisions determined by CMFISA.
- f. Securities Company that has obtained business license as Investment Manager may conduct business activities in managing fund of their clients to be invested in securities portfolio or collective investment portfolio, and other activities pursuant to provisions determined by CMFISA.

**2. CONTROLLER AND SHAREHOLDER**

- a. Securities Company is prohibited to be controlled, directly or indirectly, by Person who:

- 1). has ever committed indecent conduct and or being punished for committed financial crime that has been proven; and
  - 2). has no good integrity and moral, as meant in Article 35 paragraph (1) of Government Regulation Number 45 of 1995 concerning Capital Market Organization.
- b. Controller and shareholder of Securities Company shall satisfy the following requirements:
- 1). integrity requirements that consist of:
    - a). has never committed indecent conduct and or being punished for committed financial crime that has been proven;
    - b). having good character and morals;
    - c). having high level commitment to comply with the prevailing rules and regulations; and
    - d). having high level commitment to develop a sound operation of Securities Company.
  - 2). financial soundness requirements, that consist of:
    - a). financial ability; and
    - b). has never been declared insolvent or became member of board of directors and commissioners that proven guilty for causing a company to be declared insolvent.
- c. Securities Company that becomes a shareholder of Securities Exchange and its affiliates is prohibited from having relationship with other Securities Company that also become shareholder of the same Securities Exchange, through:
- 1). ownership, both directly and indirectly, at least 20% (twenty percent) of voting right shares;
  - 2). holding position as member of board of directors or board of commissioners at the same time; or
  - 3). having control of management and or policy of company, both directly and indirectly.

### **3. DIRECTOR AND COMMISSIONER**

- a. director and commissioner of Securities Company shall satisfy the following requirements:
- 1). integrity requirements that consist of:
    - a). individual who is capable to commit legal deeds;

- b). has never been declared insolvent or became member of board of directors and commissioners that proven guilty for causing a company to be declared insolvent;
  - c). has never committed indecent conduct and or being punished for committed financial crime that has been proven;
  - d). having good moral and integrity;
  - e). having high level commitment to comply with the prevailing rules and regulations; and
  - f). having high level commitment to develop a sound operational of Securities Company.
- 2). competency and expertise in capital market requirements, with the following provisions:
- a). for candidate of commissioner:
    - (1). having sufficient expertise in capital market that is relevant to the position; and or
    - (2). having experience for at least 2 (two) years in company conducting business activities in capital market and or financial sector;
  - b). for candidate of director:
    - (1). having sufficient knowledge in Capital Market that is relevant with his position and having academic educational background at least diploma degree, and
    - (2). having experience and expertise in Capital Market and or financial sectors for at least 2 (two) years at managerial level in companies conducting business in Capital Market and or financial sector.
    - (3). For Director of Securities Company conducting business activity as Investment Manager, having experience and expertise in Capital Market and or financial sector for at least 3 (three) years at managerial level in companies conducting business in Capital Market and or financial sector as meant in number 3 letter a point 2) b) (2) of this rule means companies dealing with management of client's fund invested in securities portfolio or portfolio of collective investment schemes.

- b. All members of the Board of Directors of Securities Company shall have individual license as Securities Company Representative in accordance with each field of duties.
- c. Member of Board of Directors is prohibited from holding double positions in other companies, except as commissioner of Securities Exchange, Clearing and Guarantee Institution or Custodian and Settlement Institution.
- d. Commissioner of Securities Company is prohibited from holding position as commissioner of other Securities Companies at the same time.
- e. Director of Securities Company shall be dwelling in Indonesia.

#### **4. PROCEDURES FOR FILING APPLICATION FOR BUSINESS LICENSE**

- a. Application for business license of Securities Company is filed with CMFISA in 2 (two) copies using Form Number: V.A.1-1 attachment 1 of this rule.
- b. Application for business license of Securities Company as meant in number 1 letter a of this rule along with the following supporting documents:
  - 1). identity of company, such as name, address and logo;
  - 2). copy of deed of incorporation of the company that has been legalized by authorized institution, along with recent amendment of articles of association that has been approved by or has been issued notification of acceptance of amendment of articles of association from the authorized institution;
  - 3). copy of Tax Payer Identification Number (NPWP) of the company;
  - 4). list of names and data of directors, commissioners, and employees who have license as Securities Company Representative, consisting of:
    - a). curriculum vitae signed by respective person, containing occupational background, such as official position, reason for quitting or resigning of previous job, and summary of duties and responsibility of the position;
    - b). copy of recent formal education certificate or certificate of expertise in Capital Market;
    - c). copy of individual license as Securities Company Representative;
    - d). copy of valid residence identification card or passport; and

- e). 2 (two) pieces of 4x6 cm size recent photograph;
- 5). list of names and data of shareholders, consist of:
  - a). individual, consist of:
    - (1) curriculum vitae signed by the respective person;
    - (2) copy of valid residence identification card or passport; and
    - (3) 2 (two) pieces of 4x6 cm size recent photograph;
  - b). legal entity, consist of:
    - (1) copy of deed of incorporation of the company that has been legalized by authorized institution, along with recent amendment of articles of association that has been approved by or has been issued notification of acceptance of amendment of articles of association from the authorized institution;
    - (2) copy of Tax Payer Identification Number (NPWP) for Indonesian legal entity;
    - (3) information regarding the Person controlling the legal entity directly or indirectly, such as name and form of control;
    - (4) latest financial statement of the legal entity;
    - (5) list of names and data of directors, commissioners and or management, consist of:
      - (a) curriculum vitae signed by respective person;
      - (b) copy of valid residence identification card or passport; and
      - (c) 2 (two) pieces of 4x6 cm size of recent photograph;
    - (6) list of names and data of shareholders:
      - (a) individual, consist of:
        - i. curriculum vitae signed by respective person;
        - ii. copy of valid residence identification card or passport; and
        - iii. 2 (two) pieces of 4x6 cm size of recent photograph;
      - (b) legal entity, consist of:
        - i. latest articles of association; and
        - ii. latest financial statement of the legal entity;

- (7) for foreign company performing business as securities company, confirmation letter and or other evidence from regulator of capital market activity in the respective country proving that such company is under its supervision;
  - (8) for foreign company performing business as financial service company, statement letter and or other evidence from regulator of financial service activity in the respective country proving that such company is under its supervision.
- 6). information regarding Person controlling the company both directly and indirectly that includes among other things name and the controlling form;
- 7). name list of officers a level under Director who do not have Securities Company Representative license and their positions in the organizational structure of the company;
- 8). copy of Foreign Manpower Employment Permit (IMTA) and Foreign Manpower Working Permit (IKTA) for foreign citizen from the authorized institution in accordance with the provision of prevailing rules and regulations;
- 9). latest financial statement audited by public accountant registered with CMFISA. The time period between the date of such financial statement and the date of issuance of business license as Securities Company should not be more than 90 (ninety) days;
- 10). copy of joint venture agreement for joint venture securities company;
- 11). balance sheet;
- 12). evidence of capital deposits;
- 13). evidence of Net Adjusted Working Capital as required by Rule Number: V.D.5;
- 14). statement letter from the Person controlling the Securities Company both directly and indirectly stating that the related Party:
  - a) has never committed indecent conduct and or being punished for committed financial crime that has been proven;
  - b) having good moral and integrity;
  - c) having high level commitment to comply with the prevailing rules and regulations; and
  - d) having high level commitment to develop a sound operation of Securities Company;

- 15). statement letter from director and commissioner stating that the following requirements have been fulfilled:
  - a) individual who is capable to commit legal deeds;
  - b) has never been declared insolvent or became member of board of directors and commissioners that proven guilty causing a company declared insolvent;
  - c) has never committed indecent conduct and or being punished for committed financial crime that has been proven;
  - d) having good moral and integrity;
  - e) having high level commitment to comply with the prevailing rules and regulations; and
  - f) having high level commitment to develop a sound operation of Securities Company;
- 16). statement letter from the director stating that the Securities Company is fully responsible for any action conducted on behalf of the company, by director, Securities Company Representative, employee, and other Person who work for such Securities Company;
- 17). statement letter from the director and commissioner stating that he or she is not working with any other company, except as commissioner of the Stock Exchange, the Clearing and Guarantee Institution or the Custodian and Settlement Institution and statement letter from the commissioner stating that he or she is not working with any other Securities Company;
- 18). statement letter from the director and commissioner stating that he or she has or has no family relationship up to second degree with the director or commissioner of the respective Securities Company;
- 19). statement letter from the director and commissioner stating that he or she has or has no family relationship up to second degree with the director or commissioner of other Securities Companies or Issuers listed on the Stock Exchange;
- 20). statement letter from the employee who holds individual license as Securities Company Representative stating that such employee is not working with any other Securities Company;
- 21). letter of domicile issued by building management or other related authority, agreement if the business place is not owned by the company, layout of the office, and photos of rooms of Securities Company with their usage;

- 22). organization structure containing the names of employees with their positions and job descriptions including the existence working unit or under director level officer who are responsible for ensuring that the company always satisfies and actively follows the amendment of provisions of the Capital Market rules and regulations;
  - 23). Description of operation plan and mission of the company and financial projection for at least 5 (five) years ahead;
  - 24). answer to questionnaires stated in attachment 8 (List of Questionnaires) and 9 (List A, B, and C) and attachment Form V.A.1-1 of this rule;
  - 25). list of branches and its alteration in accordance with Attachment V.D.8-1 Rule Number V.D.8; and
  - 26). standard operating procedures of Securities Company which at least contain provisions as stipulated in CMFISA rules related to the implementation of proposed business activity.
- c. For the Securities Company that has already hold one of Securities Company business licenses and intend to apply for any other Securities Company business license, the validity period between the date of latest audited financial statement as meant in provision number 4 letter b point 9) and the date of the issuance of Securities Company business license should not be more than 180 (one hundred eighty) days.
  - d. In order to process the application for Securities Company business license, CMFISA shall review the required documents, may conduct interview, request for presentation, conduct on-site inspection at the applicant office, conduct fit and proper test for candidates of shareholder, controller, director and commissioner of Securities Company, and or request for additional documents.
  - e. In case that the shareholder of Securities Company is in the form of legal entity, the assessment of fitness and properness of such legal entity shall be conducted by assessing such legal entity and its management, and any Person based on CMFISA review is considered as the owner and controller, directly or indirectly of such legal entity.
  - f. In case of the application that filed has not satisfied the requirements, CMFISA shall send notification letter to the applicant stating that:
    - 1). its application is incomplete by using Form Number: V.A.1-2 Attachment 2 of this rule; or
    - 2). its application is refused by using Form Number: V.A.1-3 Attachment 3 of this rule.

- g. The applicant who has not completed all documents required within 45 (forty five) days after the date of the notification letter as meant in number 4 letter f point 1) of this rule, is considered to be withdrawn.
- h. In case of the application has completed the requirements, CMFISA shall grant business license of Securities Company proposed to the licensee by using Form Number: V.A.1-4 Attachment 4 of this rule.

## **5. CONTINUING OBLIGATIONS**

- a. Securities Companies should comply with all prevailing provisions of the Capital Market rules and regulations.
- b. Securities Companies should report CMFISA of any alteration in relation to:
  - 1). identity of the company, that includes among other thing name, address, or logo;
  - 2). articles of association of the company;
  - 3). copy of Tax Payer Identification Number (NPWP) of the company;
  - 4). copy of Foreign Manpower Employment Permit (IMTA) and or Foreign Manpower Working Permit (IKTA) for foreign citizen;
  - 5). copy of joint venture agreement for joint venture securities company;
  - 6). information on business place and internal control system of Securities Company;
  - 7). organizational structure and job description of each employee;
  - 8). reception and or resignation of Securities Company Representative; and
  - 9). standard operating procedures of the company not later than 7 (seven) days after completion of such alteration.
- c. In case that director and or commissioner resigns, deceases, or being fired, the Securities Company shall report CMFISA not later than 2 (two) working days since the abovementioned events have been known by the Securities Company.
- d. CMFISA may postpone the resignation of director or commissioner as meant in number 5 letter c.
- e. Planning for changing of shareholders of Securities Company shall previously be submitted to CMFISA through the Securities Company for approval in order to fulfill the provisions number 2 letters a, b, and c of this rule.

- f. Provision as meant in number 5 letter e as mentioned above is not applicable for Securities Company that is also an Issuer or Public Company where such changing of shareholders is not causing the changing of control directly or indirectly.

If the changing of shareholders of Securities Company that is also an Issuer or Public Company causes the changing of control directly or indirectly, the candidate of controller shall submit application for approval to CMFISA through the Securities Company in accordance with provision number 5 letter e above.

- g. Application of planning for changing of shareholders as meant in number 5 letter e and application for approval by candidate of controller as meant in number 5 letter f shall be accompanied with documents as meant in provision number 4 letter b points 5), 6) and 14).

For Securities Company that is also shareholder of the Stock Exchange, in addition to the documents as mentioned above, application of planning for changing of shareholders as meant in number 5 letter e and application for approval by candidate of controller as meant in provision number 5 letter f shall also be accompanied by following documents:

- 1). statement letter from the candidate of shareholder or candidate of controller stating that the respective candidate has no ownership of at least 20% of shares with voting right issued by other Securities Company which is also a shareholder of the same Stock Exchange; and
  - 2). statement letter from the candidate of shareholder or candidate of controller stating that the respective candidate has no control in management and or policy of the company, directly or indirectly over other Securities Company which is also a shareholder of the same Stock Exchange.
- h. In order to determine whether to approve or reject the planning for changing the shareholders or application for candidate of controller as meant in number 5 letter g, CMFISA shall conduct assessment as meant in number 4 letter d and e.
  - i. Planning for changing the composition and or replacement of director and or commissioner shall be submitted to CMFISA through the Securities Company for approval before the particular candidate is approved by the General Meeting of Shareholders.
  - j. Application of planning for changing the composition and or replacement of:

- 1). director shall be accompanied with documents as meant in number 4 letter b points 4), 8), 15), 16), 17), 18) and 19); and or
  - 2). commissioner shall be accompanied with documents as meant in number 4 letter b points 4), 15), 16), 17), 18) and 19).
- k. In order to determine whether to approve or reject the planning for changing the composition and or replacement of director and or commissioner as meant in number 5 letter i, CMFISA shall conduct assessment as meant in number 4 letter d.
- l. Securities Company shall submit to CMFISA any result of General Shareholders Meeting in relation with changing of shareholders, that requires approval from CMFISA, director and or commissionaire, not later than 7 (seven) working days after the commencement date of General Shareholders Meeting.

## **6. REVOCATION OF SECURITIES COMPANY'S BUSINESS LICENSE**

- a. business license as a Securities Company may be revoked by CMFISA based on the following:
  - 1). business license is returned to CMFISA by the Securities Company;
  - 2). in case of violation against Capital Market rules and regulations; or
  - 3). in case the Securities Company is liquidated.
- b. Securities Company may apply for returning business license as Securities Company by submitting letter of application for returning business license as Securities Company to CMFISA along with the following documents:
  - 1). information on the reason for returning the license;
  - 2). approval from General Meeting of Shareholders on the plan for returning the business license;
  - 3). CMFISA Decision regarding Business license as Securities Company;
  - 4). evidence of announcement regarding plan to return its business license at least in one newspaper with nationwide distribution which contain ssuch as notification of settlement of rights and obligations; and
  - 5). report on settlement of rights and obligations of the Securities Company to its clients along with the supporting documents.
- c. Securities Company which has more than 1 (one) business license and desires to return one of its business licenses, may propose only one of its business licenses.

- d. In case that a Securities Company is also an Issuer or Public Company, the filing process for returning business license shall previously satisfy provisions in relation to Issuer and Public Company.
- e. Business license of Securities Company may be revoked in case of:
  - 1). Securities Company does not business activity as Securities Company with the following conditions:
    - a) Securities Company's office is not found;
    - b) Securities Company's office is found, but in the period of consecutively 2 (two) years Securities Company does not conduct business activity as Underwriter, Broker Dealer, and or Investment Manager; and or
    - c) Securities Company has no employee;
  - 2). Securities Company can not fulfill deficiency that required by prevailing rule after given opportunity and period of time has been passed; and or
  - 3). Securities Company is proven to commit violation of crime as meant in Law Number 8 of 1995 regarding Capital Market.
- f. In case that Exchange Member Securities Company is in the process of returning its business license or in the process of revocation of its business license by CMFISA, then:
  - 1). CMFISA instructs Custodian and Settlement Corporation to freeze securities sub account of customer of such Securities Company with notification to Securities Exchange where such Securities Company becomes its member, except for:
    - a). the purpose of overbooking transaction from customer's securities sub account to other securities sub account based on written instruction from the respective securities account owner customer; and or
    - b) settlement of right and obligation of Securities Company with its customers that proven with instruction of customers in form of authentic written documents.
  - 2). Securities Company shall resolve all of its obligations to customers and CMFISA.
- g. In case that Securities Company only holds business license as Underwriter, then:

- 1). such Securities Company may return business license as Underwriter, and CMFISA may grant business license as Broker Dealer in case that such Securities Company still satisfy the requirements and conduct business as Broker Dealer; or
  - 2). CMFISA may revoke business license of Underwriter in case that such Securities Company no longer satisfy requirements as Underwriter, and CMFISA may grant business license as Broker Dealer in case that such Securities Company still satisfy the requirements and conduct business activity as Broker Dealer.
7. By no means of undermining criminal provisions in capital market, CMFISA may impose sanctions against any violation of this rule, as well as against any Person who causes such violation to occur.

Enacted in: Jakarta

Dated: 28 September 2007

**Chairman of Capital Market and  
Financial Institutions Supervisory  
Agency**

signed

**A. Fuad Rahmany**

NIP 060063058

Based on the original document  
Head of General Affairs Division

**Prasetyo Wahyu Adi Suryo**

NIP 060076008