ATTACHMENT
Decision of the Chairman of Capital Market and Financial Institutions Supervisory Agency (CMFISA)
Number : Kep-258/BL/2008
Date : June 30, 2008

RULE NUMBER V.D.6 : FINANCING SECURITIES TRANSACTIONS BY SECURITIES COMPANIES FOR THEIR CLIENTS AND SHORT SELLING TRANSACTIONS CONDUCTED BY SECURITIES COMPANIES

1. Definitions:
   a. Initial Collateral means the amount of funds and or securities that must be deposited by client to Securities Company as Financing Collateral when opening a Securities Financing Account for Margin Transaction or Securities Account for Short Financing Selling Transaction.
   b. Financing Collateral means an amount of client’s fund and or securities reserved by Securities Company as collateral to Margin Transaction or Short Selling Transaction settlement.
   c. Margin Call means a request by Securities Company to its client to deposit some fund and or securities in order to meet the maximum limit of financing provided by Securities Company to its client or the minimum limit of Financing Collateral that must be provided by the client.
   d. Financing Agreement means an agreement between Securities Company and its client that contains rights and obligations regarding financing the settlement of client’s securities transaction by Securities Company, either fund financing or Securities financing.
   e. Long Position means the balance of securities in a specific account in Securities Ledger that indicates the amount of Securities owned by Securities Company or Securities that must be delivered by the Securities Company to its clients.
   f. Short Position means the balance of securities in a specific account in Securities Ledger that indicates the amount of securities sold by Securities Company for its own or client’s interest, that, at the time of transaction, has not been owned by the Securities Company and nor delivered by the client to the Securities Company.
   g. Securities Financing Account for Margin Transaction means a client’s Securities Account used specifically for Margin Transaction activities.

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h. Securities Financing Account for Short Selling Transaction means a client’s Securities Account used specifically for Short Selling Transaction activities.

i. Debit Balance means a balance in a client’s Securities Account for Margin Transaction Financing or Securities Account for Short Selling Financing that indicates the amount of money that must be paid by the client to the Securities Company.

j. Credit Balance means a balance in a client’s Securities Account that indicates the amount of Securities Company’s liabilities to its clients, and or collateral, including Financing Collateral in Securities Account For Margin Transaction Financing or Securities Account for Short Selling Transaction Financing.

k. Margin Transaction means a purchase transaction of securities for client’s interest financed by Securities Company.

l. Short Selling Transaction means a sales transaction of securities that at the time of transaction, has not been owned by the seller.

2. Requirements for Securities Companies to be eligible in financing the settlement of securities transactions.

a. Financing the settlement of a Margin Transaction or Short Selling Transaction can be conducted only if the Securities Company has met all of the following requirements:

1) have a business license from Bapepam-LK as a Broker Dealer that administers its clients’ Securities Accounts.

2) have Net Adjusted Working Capital that meets the conditions required in Rule Number V.D.5 concerning Maintenance and Reporting of Net Adjusted Working Capital.

3) have an approval from the Stock Exchange for conducting Margin Transactions and or Short Selling Transactions.

4) if the Securities Company shall provide fund financing through Margin Transactions, the Securities Company must have adequate source of financing for settlement of the Securities Transaction.

5) if the Securities Company shall provide securities financing through Short Selling Transactions, the Securities Company must have agreements with Clearing and Guarantee Institution, other Securities Companies, Custodian Banks, and or other Parties approved by Bapepam-LK for borrowing securities required for settlement of securities selling transaction.

b. Prior to approval as referred to Item 2. a. 3), the Stock Exchange must examine the Securities Company’s operational system, concerning risk

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management system of client’s Securities Transaction settlement financing.

c. Stock Exchange that has given its approval must conduct regular audit on the operational system as referred to Item 2. b., at least once a year.

3. Requirements for Clients to be eligible in taking financing for settlement of Securities Transactions.

Financing the settlement of a Margin Transaction or Short Selling Transaction can be provided by a Securities Company to its client only if the client has met all of the following requirements:

a. has a regular securities account, needed for tracing the client’s Securities Transaction history;

b. has opened Securities Financing Account for Margin Transaction for clients to conduct Margin Transactions, or Securities Account for Short Selling Transaction for clients to conduct Short Selling Transactions at the Securities Company, based on Financing Agreement, and still maintain regular account referred to letter a above for Securities Transactions that are not financed by the Securities Company.

c. has deposited Initial Collateral for Securities Account for Margin Transaction Financing, and Securities Account for Short Selling Transaction Financing, each of at least IDR 200,000,000.00 (two hundred million rupiah).

4. Principles on Client’s Securities Transaction Financing Agreement

The Financing Agreement as referred to Item 3. b must accommodate at least clauses as follows:

a. the high risk of client’s investment due to changes in securities prices that might cause the client’s Financing Collateral value decreasing, used up, or even negative;

b. valuation policy on Financing Collateral in the form of Securities, including, among others, type of securities eligible as Financing Collateral, market fair pricing of that securities, and haircut calculation (if any);

c. client’s obligation to fulfill the Securities Company’s request at all time including, among others, Margin Call for Margin Transactions and or Short Selling Transactions.

d. Securities Company’s obligation for notifying its client on Margin Call;

e. Securities Company’s right, in case the client fails to comply with Margin Call, at all time, without giving any reason or notification, or obtaining
prior approval, to sell or buy securities or to execute any other action agreed by the client in order to meet:

1) the requirement of Financing Collateral value as given in Financing Agreement; and

2) client’s obligation for Securities Transaction settlement.

f. the client may not choose which securities to be liquidated or sold to fulfill his/her obligation;

g. maximum selling or buying limit of client’s Securities as Financing Collateral for fulfilling Margin Call, or settlement of Margin Transactions and or Short Selling Transaction;

h. conditions that might cause the Securities Company, at all time, close Securities Account for Margin Transaction Financing or Securities Account for Short Selling Transaction Financing;

i. financing conditions, including, among others, financing period, financing interest calculation, and methods for financing interest calculation; and

j. conditions on securities lending and borrowing agreement between the client and the Securities Company for client’s Short Selling Transactions.

5. Requirements for securities to be eligible for transaction with Securities Transaction Financing.

a. Margin Transaction and or Short Selling Transaction can be conducted only if the securities have been listed at Stock Exchange, unless considered otherwise by Bapepam-LK.

b. Conditions for securities to be eligible for transaction with Securities Transaction Financing as well as for becoming Financing Collateral are set out by Stock Exchange within its regulation.

c. In setting out the conditions for securities as referred to Item 5.b above, Stock Exchange must consider at least the followings:

1) minimal average daily transaction value within a certain period;

2) minimal number of party possessing the respective securities within a certain period;

3) fundamental factor of the respective securities; and

4) specific criteria for securities to be eligible for Short Selling Transactions, including percentage of maximum amount of securities for Short Selling Transactions from total floating shares of the respective securities.
d. Securities that satisfy the conditions as referred to Item 5.c. above shall be:
   1) announced to the public and reported to Bapepam-LK by the Stock Exchange on the last working day for every month;
   2) reviewed on the compliance to the conditions in case of material information, and the outcome shall be reported to Bapepam-LK by the Stock Exchange on the same day.

e. If the securities shall no longer satisfy the conditions set by Stock Exchange as securities eligible for transaction with Securities Transaction Financing and for becoming Financing Collateral, the financing that has been provided must be settled in no longer than 5 (five) market days since the time of ineligibility.

6. Mechanisms of Client’s Securities Transactions Financing
   a. General Provisions
      1) Prior to financing Margin Transactions and or Short Selling Transactions, Securities Company must examine whether:
         a) the client has met the conditions as provided in Item 3; and
         b) the Securities Company has met the conditions as provided in Item 2.a. 4) and 5).
      2) Financing Collateral Value of client’s obligations in Securities Financing Account for Margin Transaction or Securities Financing Account for Short Selling Transaction is:
         a) the amount of money recorded on Credit Balance as collateral in Securities Financing Account for Margin Transaction or Securities Financing Account for Short Selling Transaction; and
         b) the market fair value of securities on Long Position as collateral in Securities Financing Account for Margin Transaction or Securities Financing Account for Short Selling Transaction in the Securities Ledger after calculating the haircut.
      3) Securities Companies must record Margin Transactions and Short Selling Transactions in accordance to the existing Securities Company accounting standards
   b. Margin Transactions
      1) Prior to the approval of Securities Transaction settlement financing, credit personnels in the order and trade division must ensure that an amount of fund and or securities is available as Initial Collateral.
      2) The value of Margin Transactions financing is the amount of account receivable of Margin Transactions provided by Securities Company
to its clients, and recorded as Debit Balance in Securities Account for Margin Transaction Financing.

3) The value of Initial Collateral shall be at least 50% (fifty percent) of the value of securities at the time of purchase, or IDR 200,000,000.00 (two hundred million rupiah), whichever is higher.

4) The value of Margin Transaction financing that can be provided by Securities Companies to the client shall be at most 65% (sixty five percent) of Financing Collateral value.

5) If Financing Collateral value is decreasing until the financing value as referred to Item 6.b.2) exceeds 65% (sixty five percent) of the Financing Collateral value, the Securities Company must make a Margin Call to the client and the client must fulfill the Margin Call, subsequently that the financing value shall no longer exceed 65% (sixty five percent) of the Financing Collateral value as referred to Item 6. b. 4).

6) If the client fails to fulfill the Margin Call as referred to Item 6. b. 5) in 3 (three) market days, then the Securities Company, on the 4th (fourth) market day, must immediately sell the securities of the Financing Collateral, by executing selling order subsequently that the financing value shall no longer exceed 65% (sixty five percent) of Financing Collateral value.

7) If the financing value reaches 80% (eighty percent) of Financing Collateral value, then the Securities Company, with or without prior notice to its clients, must immediately sell the securities of the Financing Collateral until the financing value shall no longer exceed 65% (sixty five percent) of Financing Collateral value.

8) Securities Companies must deliver written confirmation to their clients regarding selling transactions as referred to Item 6.b.6) and 7), separated from written confirmation of the clients’ order-based transactions on the same day.

c. Short Selling Transaction Financing

1) Prior to approval on financing settlement of Short Selling Transaction, credit officers at the Order and Trade Division of Securities Company must:
   a) ensure that an amount of fund and or securities is available in Securities Financing Account for Short Selling Transaction as Initial Collateral;
   b) examine the availability of securities for settlement, including, among others:
(1) ownership of other securities that is convertible or exchangeable to the securities used for settlement of Short Selling Transaction; or

(2) options or warrants that have already been exercised in order to obtain securities to be used in settlement of Short Selling Transaction.

c) ensure that the client has signed Securities Lending and Borrowing Agreement with the Securities Company; and
d) ensure that the client has comprehended his rights and obligations related to Short Selling Transaction.

2) Financing value of Short Selling Transaction shall be equal to fair market value of securities sold short by the client that is financed by the Securities Company, and shall be posted as Short Position of Securities Financing Account for Short Selling Transaction at the Securities Ledger.

3) The value of Initial Collateral shall be at least 50% (fifty percent) of the value of Short Selling Transaction, or IDR 200,000,000.00 (two hundred million rupiahs), whichever is higher;

4) The value of Financing Collateral shall be at least 150% (one hundred and fifty percent) of Short Selling Transaction value at the time of the transaction, and Financing Collateral shall consist of at least Initial Collateral and the fund obtained from the sale of securities through the respective Short Selling Transaction;

5) The value of Financing Collateral of Short Selling Transaction maintained by the client shall be at least 135% (one hundred and thirty five percent) of market fair value of Securities at Short Position.

6) If the value of Financing Collateral is decreasing and or the fair market value of securities at Short Position is increasing, causing the value of Financing Collateral as referred to Item 6. a. 2) less than 135% (one hundred and thirty five percent) of market value of securities at Short Position, then the Securities Company must make a Margin Call to the client, and the client must meet the Margin Call, subsequently that the financing value shall no longer be less than 135% (one hundred and thirty five percent) of market value of securities at Short Position as referred to Item 6. c. 5).

7) If the client fails to meet the Request for Collateral Fulfillment as referred to Item 6. b. 6) in 3 (three) market days, then the Securities Company, on the 4th (fourth) market day, must immediately buy the securities of the Short Selling Transaction, by executing buy order subsequently that the value of Financing Collateral shall no

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longer be less than 135% (one hundred and thirty five percent) of market value of securities at Short Position.

8) If the financing value is less than 120% (one hundred and twenty percent) of market value of securities at Short Position, then the Securities Company must immediately buy the securities at Short Position, by executing buy order until the value of Financing Collateral shall no longer be less than 135% (one hundred and thirty five percent) of market value of securities at Short Position.

9) Securities Companies must deliver written confirmation to their clients regarding buying transactions as referred to Item 6. c. 7) and 8), separated from written confirmation of the clients’ order-based transactions on the same day.

10) Short Selling Transactions are limited to the following conditions:

a) that selling price inputted in Stock Exchange’s trading system shall be above the last done price; and

b) the Securities Company must indicate “short” sign when inputting the sell order into the Stock Exchange’s trading system.

d. Securities Lending and Borrowing Agreement for client’s Short Selling Transaction financing.

1) Securities Company can provide Short Selling Transaction financing to its client only if the securities for settlement of the securities transaction shall be obtained by borrowing securities from and or through:

a) Clearing and Guarantee Institution;

b) other Securities Companies;

c) Custodian Banks; and or

d) other parties.

2) Securities Lending and Borrowing Agreement must contain details of, among others:

a) the amount and type of securities;

b) the borrowing period;

c) the collateral;

d) the rights concerned with ownership of the securities including voting rights, preemptive rights, bonus, dividends, and interest;

e) tax obligations;

f) expenses of lending and borrowing;

g) default conditions;
h) methods of valuation of borrowed securities and collateral; and
i) dispute settlement mechanism.

3) In carrying out its function, Clearing and Guarantee Institution must make a standard for Securities Lending and Borrowing Agreement in accordance to Item 6. d. 2) to be approved by Bapepam-LK, in order to be suitable for all parties as referred to Item 6. d 1) above.

4) Each party as referred to Item 6. d 1) which does not use the standard Securities Lending and Borrowing Agreement as referred to Item 6. d. 3) can make Securities Lending and Borrowing Agreement that complies with this rule, as long as provided with Legal Opinions from 2 (two) registered Legal Consultants, and the agreement must be approved by Bapepam-LK prior to its prevailance.

7. Securities Company is prohibited to provide Margin Transaction and or Short Selling Transaction financing for its client if the client is a member of board of commissioner, director, or employee of the Securities Company.

8. Short Selling Transaction conducted by Securities Company
   Securities Company conducting Short Selling Transaction for its own interest must meet following requirements:
   a) Prior to conducting Short Selling Transaction, the Securities Company must:
      1) have opened a segregated account for Short Selling Transaction;
      2) have reserved some fund and or Securities into the account as referred to Item 8. a. 1) in amount of at least 50% (fifty percent) of the value of Short Selling Transaction as reserved asset to cover the risk of Short Selling Transaction; and
      3) ensure the availability of securities for Short Selling Transaction settlement, including, among others:
         a) ownership of other securities that is convertible or exchangeable to the securities used for settlement of Short Selling Transaction;
         b) options or warrants that have already been exercised in order to obtain securities to be used in settlement of Short Selling Transaction; and or
         c) signing of Securities Lending and Borrowing Agreement with or through parties as referred to Item 6. d. 1). The Securities
Lending and Borrowing Agreement must comply with Item 6.
d. 2), 3), and 4).

b. At the time Short Selling Transaction is executed, the value of reserved
asset as referred to Item 8. a. 2), added by fund received from selling of
securities through Short Selling Transaction, shall be at least 150% (a
hundred and fifty percent) of Short Selling Transaction value.

c. The value of reserved asset, added by fund received from selling of
securities through Short Selling Transaction as referred to Item 8. b, shall
be maintained by Securities Company at least 135% (one hundred and
thirty five percent) of fair market value of Securities at Short Position.

d) If the value of reserved asset, added by fund received from selling of
securities through Short Selling Transaction as referred to Item 8. b, is
decreasing and or the market fair value of securities at Short Position is
increasing, causing the value of reserved asset, added by fund received
from selling of securities through Short Selling Transaction less than:
a) 135% (one hundred and thirty five percent) of market value of
securities at Short Position, then the Securities Company must put
additional reserved asset and or buy the securities of the Short
Selling Transaction in no longer than 3 market days, until the value
of reserved asset, added by fund received from selling of securities
through Short Selling Transaction, shall no longer be less than 135%
(one hundred and thirty five percent) of market value of securities
at Short Position as referred to Item 8. c.

b) 120% (one hundred and twenty percent) of market value of
securities at Short Position, then the Securities Company must
immediately put additional reserved asset and or buy the securities
of the Short Selling Transaction, until the value of reserved asset,
added by fund received from selling of securities through Short
Selling Transaction, shall no longer be less than 135% (one hundred
and thirty five percent) of market value of securities at Short
Position as referred to Item 8. c.

e) Short Selling Transactions are limited to the following conditions:
a) that selling price inputted in Stock Exchange’s trading system shall
be above the last done price; and

b) the Securities Company must indicate “short” sign when inputting
the sell order into the Stock Exchange’s trading system.

f. Securities Company can execute Short Selling Transaction only for the
securities set out by Stock Exchange as eligible for Short Selling
Transaction.

h. If the securities shall no longer comply with the conditions set out by
Stock Exchange as eligible for Short Selling Transaction, then the existing

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Short Selling Transaction must be settled in no longer than 5 (five) market days since the time of ineligibility.

9. By no means undermining criminal stipulation in Capital Market, Bapepam-LK may impose sanctions on any violation of this rule, as well as on any party that cause the violation to occur.

Enacted in : Jakarta  
Date : June 30, 2008

Chairman of Capital Market and Financial Institutions Supervisory Agency
signed
A. Fuad Rahmany
NIP 060063058

Based on the original document
Head of General Affair Division
signed
Prasetyo Wahyu Adi Suryo
NIP 060076008