RULE NUMBER III.A.10 : SECURITIES TRANSACTIONS

Attachment :
Decision of the Chairman of Bapepam
Number : Kep-42/PM/1997
Dat : December 26, 1997

1. Definitions

   a. Clearing is a process of determining the rights and obligations that arise from Exchange Transactions.

   b. Netting is a Clearing activity that determines rights and obligations of each Clearing member to deliver or receive a certain number of Securities for each type of Security that is transacted and to receive or pay a certain amount of money for all Securities that have been traded.

   c. Exchange Transactions are contracts made by Securities Exchange Members in accordance with Exchange rules and relating to Securities sales and purchases, the borrowing and lending of Securities, or other contracts relating to Securities or the price of Securities.

   d. Non-Exchange Transactions are transactions between Securities Companies or between a Securities Company and another Person that are not regulated by a Securities Exchange, and transactions between Persons that are not Securities Companies.

   e. Client Account Transactions are Securities transactions that are executed by Securities Companies for the account of clients in accordance with a contract between the Securities Company and the client, that is made in conformance with number 5 of Rule V.D.3 and number 4 of Rule V.D. 6.

   f. Public Client Transactions are transactions related to the subscriptions of Securities in Public Offerings by investors that do not have a Securities account in a Securities Company as intended by number 5 letter a item 3) of Rule V.D.3.

   g. Institutional Client Transactions are Securities transasctions between Securities Companies and Institutional clients based on an agreement between the Securities Company and Institutions such as insurance companies, Investment Funds, banks or other financial institutions that do not have a Securities account with the Securities Company, as provided in number 5 letter a item 3) of Rule V.D.3.

2. Exchange Transactions

   a. Securities Exchanges are prohibited from issuing rules that prohibit or restrict Issuers or Securities Administration Agencies from registering Securities that have been obtained through a Non-Exchange Transaction or requiring that the transfer of Securities be based on an Exchange Transaction, although a Securities Exchange may prohibit members from trading listed Securities outside of the Exchange.

b. Securities Exchanges shall not issue rules that prohibit or restrict Securities Companies, Issuers, Securities Administration Bureaus or other Persons from:

1) transferring Securities from one Securities account to another Securities account in a Bank Custodian or Securities Company;

2) transferring Securities in or out of Collective Custody;

3) transferring Securities into the name of a Securities Company or a Clearing Guarantee Institution to serve as collateral; and

4) transferring Securities with respect to borrowing or lending, a gift, inheritance, or court order.

c. Securities Exchanges must issue rules that specify the terms and conditions of Exchange Transactions.

d. A Securities Exchanges may establish several types of Exchange Transactions, on the condition that each type of Exchange Transaction is executed in a separate market managed and supervised by the Securities Exchange.

e. Securities Exchange rules for each type of Exchange Transaction must contain, among other things;

1) the time the contract becomes binding;

2) contract cancellation conditions, if any;

3) provisions regarding the hour and date for settlement of the transaction or provisions regarding whether the hour and date for settlement of transactions may be agreed freely by the buying Exchange member, the selling Exchange member, or by both together;

4) provisons regarding the form and content of powers of attorney, transfer documents, and information or statements regarding transfer, printed on the Securities certificate.

5) provisions regarding Securities certificates, including the denomination, the printing method, the type, weight and size of paper, physical condition, and special safety characteristics, for Exchange Transactions that are to be settled by physical delivery.

6) provisons regarding the form and manner of payment used in the settlement of transactions;

7) provisions regarding the partial settlement of transactions, if any;

8) provisions regarding the procedures for settlement of transactions including provisions regarding:

a) whether settlement is by means of book-entry or physical delivery;

b) whether settlement is trade-for-trade between Exchange members or between Securities Exchange members and the Clearing Guarantee Institution or by Netting between Exchange members and a Clearing Guarantee Institution;

9) provisions regarding the rights of buying Exchange members with respect to dividends, bonus shares, interest, and preemptive rights, as well as provisions regarding rights resulting from a delay or failure to settle an Exchange Transaction, and provisions regarding the claiming of rights of buying Exchange members with respect to tax reimbursments.
10) provisions regarding time limits for corrections of each type of mistake in settling Exchange Transaction, if any;
11) provisions regarding sanctions including fines for failure to settle an Exchange Transaction, if any; and
12) actions that must be undertaken in the event of failure to settle an Exchange Transaction;

f. Exchange Transactions that are negotiated through an automatic matching of buy and sell offers through a computer system, may only be cancelled when there is agreement by the buying Exchange member, the selling Exchange member and the Securities Exchange on the same day, before Clearing takes place.

g. Exchange Transactions that occur as a result of direct negotiations between Exchange members become binding at the time specified by Securities Exchange and may be based on confirmations that are given by the buying Exchange member, the selling Exchange member or by both of them, with or without affirmation;

h. Clients of Exchange members are only liable to the Exchange member that executes transactions for their account and are not liable to other Persons, including the Clearing Guarantee Institution, other Exchange members, or clients of other Exchange members.

i. When the settlement of Exchange Transactions is done through Netting and book-entry transfer:

1) legal relationships between the Exchange members that result in rights and obligations with respect to Exchange Transactions are novated into legal relationships between Exchange members and the Clearing Guarantee Institution at the time Clearing takes place; and

2) The respective Exchange members that execute such contracts cease to have claims on each other.

j. Securities of the same type and class of a specific Issuer that are objects of Exchange contracts are fungible and settlements of such transactions may not be restricted to:

1) ownership by certain Persons, such as ownership by foreigners; or

2) certificates with certain serial numbers.

3. Client Account Transactions

a. Client Account Transactions among other things include orders to sell or buy, orders to borrow or lend, collection of rights with respect to corporate actions, as well as other matters relating to a client’s Securities account.

b. In connection with Client Account Transactions, the client is only liable to the Securities Company that executes the Exchange or Non-Exchange Transactions and is not liable to others including other Securities Companies or the Clearing Guarantee Institution that may be a party to the Transaction.

c. When an order to sell or buy Securities is executed through an Exchange or a Non-Exchange Transaction, the client and the Securities Company that executed such transaction are bound with respect to the number and type of Securities, the price, and the settlement date of the Transaction.

d. Client orders may be refused or cancelled by a Securities Company.

e. If a Securities Company cancels a client order, the Securities Company must inform the client in writing on the same day.

f. A client may cancel an order at any time before the transaction is executed.

g. If the transaction is executed although the client has cancelled the order, the client is still responsible unless:

   1) instructions to cancel the order were received by the Securities Company 30 minutes or more before the transaction was executed in Indonesia; or
   2) instructions to cancel the order were received by the Securities Company 24 hours or more before the transaction was executed in a foreign country.

h. Client Account Transactions must be settled by the Securities Company and by the client on the Settlement day that was established in the Exchange or the Non-Exchange contract, whether or not the Transaction has been settled between the Securities Company and the Clearing Guarantee Institution or between the Securities Company and the other Securities Company with the following provisions:

   1) Settlement of Client Account Transations shall be be done by debiting or crediting Securities and funds to the client's Securities account on the settlement day;

   2) when the Client Account Transaction is settled, the Securities Company becomes the Custodian for of the Securities that are recorded in the client's account and debtor for Credit Balances in the account.

   3) the client is liable for Short Positions and Debit Balances in the Securities account that result from the settlement of Account Transactions; and

   4) if a buy Exchange Transaction is settled by the alternate cash method, the credit shall be distributed to Buying Account Holders in the order in which Transactions were executed.

i. As the Custodian of Securities recorded in the client's account, a Securities Company must deliver such Securities when requested by the client, unless the Securities are held as collateral for client obligations to the Securities Company.

j. As a Person that is liable for the Credit Balance in a Securities account, a Securities Company must pay the full Credit Balance upon request of the client, unless the Credit Balance is held as collateral for client obligations to the Securities Company.

k. Based on the agreement between the client and the Securities Company, Securities and funds in the Securities Account may be held as colleteral for client obligations to the Securities Company.

l. Securities Companies must record dividends, interest, bonus shares, preemptive rights and other rights of Securities in Long Positions in a Client's account, and such postings must take into consideration taxes for such clients.

m. A Securities Company must record clients' obligations to the Securities Company to pay or deliver dividends, interest, bonus shares, preemptive rights, and other rights connected with Securities recorded in a Short Position in a client's account, and such postings must not take into account taxes that apply to such clients.

n. Securities Companies may require clients to pay interest on Debit Balances or may pay interest to clients on Credit Balances in client accounts in accordance with the written agreement between the Securities Company and the client.

o. Securities Companies are responsible for the payment of dividends, interest, bonus shares, preemptive rights and other rights with respect to Securities that are recorded in client Securities accounts, on the due date of such rights without regard to whether the Securities Company has collected the dividends, interest, bonus shares, preemptive rights or other rights on such Securities.

p. Securities Companies must send a written comfirmation to clients for each Client Account Transaction on the day the transaction occurs, with the following information:

1) the name and address of the Securities Company

2) the name and address of the client;

3) the number of the Securities account;

4) the date the transaction was executed;

5) the date the transaction must be settled;

6) details regarding the transaction, such as the number, the type, the denomination, and the price of the Securities;

7) the Securities Exchange or market where the transaction was executed;

8) an explanation as to whether the Securities Company was acting as a broker or as a dealer;

9) the commission and or fee for the transaction, if any; and

10) the net value of the transaction.

q. the confirmation referred to in letter p, above may be sent by letter, facsimile, hand delivery, e-mail or other means, as agreed by the client and the Securities Company.

4. Public Client Transactions

a. Public Client Transactions must follow procedures that are disclosed in the Prospectus.

b. If a Public Offering is oversubscribed, the Securities Company must give priority to orders through a Securities account, unless the Securities account holder is an affiliated Person as provided in number 5 letter c of Rule IX.A.7.

5. Non-Exchange Transactions

a. A Securities Company that executes a Non-ExchangeTransaction must record the transaction on the day the transaction becomes binding.

b. A Securities Company that executes Non-Exchange Transactions must post late settlements to a Fails to Receive or Fails to Deliver account, on the contractual settlement date.

c. A Securities Company that executes a Non-Exchange Transaction must send a confirmation to the other Securities Company or other Person that is involved in the transaction on the day the transaction is executed.

6. Institutional Client Transactions

a. Institutional Client Transactions are executed in accordance with the terms and conditions in the agreement between the Securities Company and the Institutional client.

b. Institutional Client Transactions may be settled by delivering money and Securities at the same time (delivery vs. payment), or in any other way that is agreed by the parties.

c. Securities Companies must record Institutional Client Transactions on the day the transaction becomes binding.

d. Securities Companies must record late settlement of Institutional Client Transactions in a Fails to Receive or Fails to Deliver account on the contractual settlement date.

e. Securities Companies must send confirmations to institutional clients that are parties in transactions as provided in number 3 letter p of this rule.