

ATTACHMENT 1 :

Decision of the Chairman of Capital
Market Supervisory Agency

Number : Kep-12/PM/1991

Date : March 27th, 1991

RULE NUMBER II.E.1 : Rulemaking Procedures

1. The purpose of BAPEPAM “rules”:

All BAPEPAM “rules” shall consider the purpose of establishment and development of the efficient and effective capital market in Indonesia, a market where securities can be traded fairly dan orderly, with adequate protection of investors and the public. BAPEPAM can not, even with the purpose of protecting investors, approve, disapprove, or make a statement regarding the benefits of investing in a particular security. Similarly, the activities of BAPEPAM or any other person who has been given authority by BAPEPAM can not interfere legitimate business interests of persons under investigation or clients of those persons.

An “Effective Capital Market” is a Capital Market, according to a size of the country’s economy, that can optimally mobilize either domestic or foreign long-term savings and allocate them for economic purposes that are beneficial and productive.

BAPEPAM rules that are specific or related to certain aspects must include:

- a. requirements and procedures regarding registration of “public companies” and or securities that are offered to the public;
- b. guidance for persons who have been granted license, approval, or registration in accordance with BAPEPAM rules Year 1990 including Issuers and other persons who are required to submit a Registration Statement to BAPEPAM;
- c. accounting standards that revise, complete, perfect, or regulate any matters that have not been regulated by the Indonesian Accounting Principles;
- d. delegation of BAPEPAM functions to other persons;
- e. interpretations and regulations of all matters that are in the jurisdiction of BAPEPAM, including:
 - 1) Disclosing matters that are related to the securities transactions on an Exchange;
 - 2) Organizing of documentations and submission of reports by persons who have been granted license, approval, or registration;
 - 3) Alloting securities in the case of oversubscribed at Public Offering

- f. procedures for inspection of offices, bookkeeping, and documents of persons who have been granted license, approval, or registration in accordance with BAPEPAM rules Year 1990, or Issuers or public companies that have submitted or are required to submit a Registration Statement to BAPEPAM;
 - g. forms that must be used by persons who are regulated by BAPEPAM or that are used by BAPEPAM in accordance with its own administrative procedures
2. The purpose of "Rulemaking" procedures:
- "Rulemaking" procedures are intended to ensure that BAPEPAM "rules" are in accordance with the purposes that are stipulated in Capital Market rules Year 1990 by defining steps and actions that must be taken before "rules" are enacted.
3. The implementation of "Rulemaking" procedures:
- Responsibilities regarding the administration of the "Rulemaking" procedures described in this Rule are delegated by the Chairman of BAPEPAM to the Vice Chairman of BAPEPAM which include the following functions:
- a. Supervising of the monthly publication of the "regulation agenda";
 - b. Organizing of central archive for rulemaking process;
The Vice Chairman must ensure that a master archive is organized for each title or "rule" that is in "regulation agenda". The archive must include copies of the drafts, working papers, opinions, analysis results and other documents related to rule making process, either those within BAPEPAM or those which are received from other sources outside of BAPEPAM.
 - c. Assigning of "rule" number and "rule sponsor";
"Rule sponsor" must still be given responsibility for the contents, materials and forms of "rule" in every step of the "rulemaking" process until the rule is enacted by the Chairman of BAPEPAM.
 - d. Recording the status of "rulemaking" that is still in progress:
The Vice Chairman must ensure that the start date and end date of each step of the process of "rule making" are recorded. The status of each "rulemaking" that is listed in the "regulation agenda" must be reported to the Chairman of BAPEPAM, with copies to the Heads of each Bureau and the Secretary, on the first working day of every month.
 - e. "Distributing" of "rule" that has been enacted;
 - f. Determining the schedule of periodic analysis on the existing rules.

4. The steps in "Rulemaking" procedures:

Rulemaking must consists of eight steps:

- a. Preliminary analysis: the Regional Head, the Vice Chairman, the Heads of Bureau, and the Secretary may request to conduct a preliminary analysis on each key issue which is in their respective area of responsibility. The preliminary analysis may be in the forms of a research conducted by staff of BAPEPAM, the works of consultants and advisors of BAPEPAM, research and suggestions that have been prepared and submitted by Stock Exchanges, Securities Companies, Capital Market Supporting Institutions and Professionals, or associations of those persons.
 - 1) The preliminary analysis that has been approved by the officials of BAPEPAM and is currently in progress must be recorded in "regulation agenda," except when related to administrative matters of BAPEPAM, or confidential matters related to inspection, audit, testing, or examination of the persons that have been granted license, approval, or registration in accordance with Capital Market rules Year 1990.
 - 2) The contents and scope of the preliminary analysis must be fully given to the the person who has proposed the research. The purpose of the preliminary analysis must be a collecting of information on main issues that may be beneficial in determining the policy and drafting a "rule" in accordance with the purposes of BAPEPAM.
 - 3) The preliminary analysis may provide guidance on whether the proposed rule can or can not be listed in "regulation agenda" or whether drafting a rule can be commenced. Rule making is not always started by a preliminary analysis.
- b. Drafting: The decision to list a rule in "regulation agenda" must be made by the Chairman of BAPEPAM. The Chairman or the Vice Chairman of BAPEPAM appoints a Head of the Bureau to be the corresponding "rule sponsor", based on his/her scope of responsibility on the main issues considered. "Rule sponsor" must be responsible for drafting the rule; however he/she can delegate the responsibility to other persons. The purpose of preliminary drafting a rule is to provide a basis for further analysis. When it is deemed necessary to ensure the achievement of purpose of the BAPEPAM rule, the "rule sponsor" can arrange, or ask for arrangement of a "comparative analysis" prior to drafting the rule.
 - 1) "Rule sponsor" must inform the Vice Chairman at the time of drafting the rule is started and ended.

- 2) The Vice Chairman must assign a number to the rule that is being drafted and record the number and the abbreviation of its title in "regulation agenda"
- c. Technical analysis: "Rule sponsor" is responsible for the implementation of "technical analysis", after a draft of the "rule" is completed. "Technical analysis" may be conducted either officially or unofficially, involving several or many persons, depending on the policy of "sponsor". In some particular circumstances, "technical analysis" may be conducted. In determining the scope and nature of the "technical analysis", "rule sponsor" must consider whether the proposed "rule" includes significant revisions of applicable practices or may have significant impacts on the efficiency and effectiveness of the capital market. Generally, the more important of proposed revisions in the rule, the broader the scope of the "technical analysis". In any case, "technical analysis" should be sufficient to ensure that BAPEPAM rules can achieve their objectives.
- 1) Considering that the "technical analysis" is only related to the proposed rule, in order to avoid surprises and rumors in the market, "rule sponsor" must make sure that consultation is only held with the persons who are willing to keep confidentiality of the corresponding materials, and when it has been consulted with them at the past time, the persons can still keep the confidentiality of material consulted.
 - 2) "Rule sponsor" must intend to request comments of the persons who have different views, especially if the views are based on practical or technical knowledge on the main issues and can provide constructive contribution on the efficiency and effectiveness of the "rule". If there are several main alternatives on the issues, "rule sponsor" is required to ask for comments of the persons who can provide useful information about the relevant alternatives.
 - 3) "Rule sponsor" is responsible for recording and delivering all important and relevant comments which are the result of "technical analysis" for the purpose of the archives organized by the Vice Chairman, and for informing the Vice Chairman at the time the technical analysis is started and ended.
 - 4) "Rule sponsor" may request a legal opinion in the making of the rule in order to achieve certain objectives, but must always be responsible for the rule referred in conjunction with the objectives of BAPEPAM.

- d. Legal analysis: If "technical analysis" has been completed and the preliminary draft of the rule has been modified, the rule must be submitted by the "rule sponsor" to the Head of Legal Bureau to "legal analysis".
 - 1) "Rule sponsor" must inform the Vice Chairman at the time the rule is submitted to the Head of Legal Bureau and returned to the "rule sponsor".
 - 2) "Legal analysis" can not exceed the scope of analysis that has been determined and the comments of the Bureau of Legal must be returned to "rule sponsor"
 - 3) "Rule sponsor" may modify the draft of the proposed rule in accordance with the comments of the Bureau of Legal, prior to the rule submission to all Bureaus and Secretary of BAPEPAM in the framework of "general analysis"

- e. General analysis: "rule sponsor" must submit the proposed rule, after the rule is returned by the Bureau of Legal and modified, to all the Head of Bureau and Secretary of BAPEPAM to be commented in the framework of "general review".
 - 1) The Heads of the Bureau and the Secretary are not required to give comments to the rule that is not relevant to their corresponding activities.
 - 2) "General analysis" does not require holding a meeting that is attended by all the Heads of Bureau and Secretary of BABEPAM; therefore each Head of Bureau must straightly conduct an analysis on the proposed rule and immediately return it, with or without a comment, to "rule sponsor".
 - 3) "Rule sponsor" must set a time limit, not less than five working days, to send the responses of the proposed rule in the framework of "general analysis". If the Bureaus or the Secretariat does not give comments in the time limit set, the corresponding unit is considered not to giving comments, unless the Secretary or the Head of Bureau has requested time extension.
 - 4) "Rule sponsor" modifies the draft of the proposes rule with respect to the comments received. If the "rule sponsor" decides to not include important and relevant comments, the materials of the comments must be noted on the side of the rule that is presented in the framework of "Chairman analysis".
 - 5) "Rule sponsor " must inform the Vice Chairman at the time of "general analysis" is started and ended.

- f. The Chairman analysis: "rule sponsor" is required to prepare a draft after the final changes of the proposed rule, together with a report that includes results from the preliminary analysis and the following analyses, and request to hold a hearing on the proposed rule with the Chairman of BAPEPAM.
- 1) Prior to the "Chairman analysis", "rule sponsor" must hold a meeting with the Vice Chairman and the Head of Legal Bureau to ensure that all procedures have been followed and that the proposed rule is ready for submission to the Chairman
 - 2) The "Chairman analysis" should be held in an official meeting. The meeting participants must consist of: the Chairman of BAPEPAM, the Vice Chairman of BAPEPAM, "rule sponsor" and the Head of Legal Bureau. The Secretary and other Heads of Bureau of BAPEPAM may attend, for comments they have given in the "general analysis".
 - 3) "Rule sponsor" is obliged to declare that the proposed rule is eligible to be enacted, including the reason of urgency of the proposed rule in order to meet the purposes of BAPEPAM. "Rule sponsor" must report any change that has been suggested for the proposed rule but not considered, and the reason for the rejection. If the changes are recommended by the Secretary or the Head of Bureau, then he/she must be given an opportunity to explain his/her position to the Chairman of BAPEPAM.
 - 4) As the result of the meeting, the Chairman of BAPEPAM may decide to:
 - 1) not enacting the rule;
 - 2) enact the rule as proposed by the "rule sponsor" without further analysis;
 - 3) enact the rule with some modifications without further analysis;
 - 4) send the rule to be "analyzed by other government agencies" or in the framework of " public review" or both, with or without changes.
 - 5) The Vice Chairman is responsible for the registration of the decision of the Chairman and recording all matter discussed in the meeting (minutes).
- g. Review from the outsiders: If the Chairman of BAPEPAM has decided that a rule must be "reviewed by other government agencies" or "public review", the Vice Chairman must be responsible to arrange, coordinate and supervise the review, assisted by the "rule

sponsor." All comments that are obtained in the review must be recorded and organized in the form of archives. After the review has been completed, "rule sponsor" may make further modification on the rule, in accordance with the comments. The Vice Chairman must submit the modified rule along with the comments that are not included in the draft of the modified rule to the Chairman of BAPEPAM. Based on the review of the outsiders of BAPEPAM and after considering advice from the Vice Chairman and "rule sponsor", the Chairman will determine whether the rule may be enacted with or without changes.

h. Enactment: BAPEPAM rule must be enacted in the form of attachment of the Decision of the Chairman of BAPEPAM. The rule must be given a sequence number. The rules that are attached must be given numbers with a specific system that is related to the order of the archives in the "rule book" of BAPEPAM. The Vice Chairman must have the rule available immediately to be copied or fotocopied by any party needing the rule.

1) Form of the Rule: All BAPEPAM rule must meet the following formal requirements:

1) Defined terms: The terms or important concepts must be defined in Chapter I of the "rule book" of BAPEPAM. If used in BAPEPAM rules, the terms must be underlined or bold. The terms that are defined in the Capital Market rule Year 1990, should be given the same definitions as in the "rule book" of BAPEPAM. When the defined terms are only used in a rule, the definitions can be included in the first paragraph of the rule. However, the same terms must not have different definition in other rules.

Numbering system of the "rule book" BAPEPAM must be under the supervision of the Vice Chairman of BAPEPAM.

2) The number of rules: BAPEPAM "Rules" must be given a number in three parts: A roman number indicating a chapter in the "rule book" of BAPEPAM where the rule is placed; a capital letter indicating the most appropriate general topic in the chapter to include the scope of the rule and a number indicating the rule itself. Finally, each rule is assigned a date at the time of the announcement. If the rule is changed, the number must remain the same while a new date is assigned.

3) Structure of Rule Content: BAPEPAM rules must have following structure of contents:

1> Head (on the top), consisted of the number and the short title;

- 2> Introductory paragraphs that are not given numbers, describe the purposes and scope of the rule;
 - 3> Paragraphs are numbered in sequence with sub-paragraph which is arranged as follows: 1.; 1>; a>.ol style="list-style-type: none;"> - a] A date when the rule will apply must be always be set at the last paragraph of each rule.
- 4> Reference on the upper right side on the legal basis of the rule, followed by a list of:
 - a] reference to the rule on behalf of the rule is attached;
 - b] previous rules that are replaced by the rule;
 - c] important rules that are related to the regulated issues.
- 5> attachments, such as form, which must be given a sequence number and given a reference to the rule;
- 4) If a BAPEPAM rule is revoked, the amended rule must be issued without a number to replace it in the "rule book" of BAPEPAM, with the explanation that previous rule had been revoked
 - 2) Review: Each BAPEPAM rule must be assigned a date for revision by the Vice Chairman of BAPEPAM
 - 3) Rules that are confidential in nature: Rules related to internal administrative procedures of BAPEPAM regarding the examination, inspection, testing or similar things that are sensitive in nature can not be distributed and must be kept confidential within BAPEPAM.

THE OUTLINE OF THE RULE BOOK OF BAPEPAM

- I. DEFINITION AND INTERPRETATION
 - A. DEFINITION
 - B. INTERPRETATION
- II. BAPEPAM FUNCTIONS AND PROCEDURES
 - A. RULEMAKING PROCEDURES
 - B. FINANCIAL INSPECTION AND EXAMINATION PROCEDURES
 - C. APPEAL PROCEDURES
 - D. FORMS
 - E. SANCTIONS
 - F. DOCUMENTS THAT ARE OPEN TO THE PUBLIC
- III. STOCK EXCHANGES AND CLEARING, SETTLEMENT AND DEPOSITORY INSTITUTIONS
 - A. STOCK EXCHANGES
 - B. CLEARING, SETTLEMENT AND DEPOSITORY INSTITUTIONS
- IV. INVESTMENT FUNDS
 - A. REQUIREMENTS AND LICENSING PROCEDURES
 - B. MANAGEMENT
- V. SECURITIES COMPANIES AND INDIVIDUALS WHO PARTICIPATE IN SECURITIES TRADING ACTIVITIES
 - A. REQUIREMENTS AND LICENSING PROCEDURES - SECURITIES COMPANIES
 - B. REQUIREMENTS AND LICENSING PROCEDURES - INDIVIDUALS WHO PARTICIPATE IN SECURITIES TRADING ACTIVITIES
 - C. GENERAL REQUIREMENTS FOR SECURITIES COMPANIES
 - D. GENERAL REQUIREMENTS FOR INDIVIDUALS WHO PARTICIPATE IN SECURITIES TRADING ACTIVITIES

- VI. CAPITAL MARKET SUPPORTING INSTITUTIONS
 - A. CUSTODIANS
 - B. SECURITIES ADMINISTRATION AGENCIES
 - C. TRUST AGENTS
 - D. GUARANTORS
- VII. CAPITAL MARKET SUPPORTING PROFESSIONALS
 - A. REGISTRATION OF CAPITAL MARKET SUPPORTING PROFESSIONALS
 - B. GENERAL REQUIREMENTS FOR ACCOUNTANTS
 - C. GENERAL REQUIREMENTS FOR NOTARIES
 - D. GENERAL REQUIREMENTS FOR APPRAISERS
 - E. GENERAL REQUIREMENTS FOR LEGAL CONSULTANTS
- VIII. CODE OF CONDUCT FOR SECURITIES COMPANIES AND INVESTMENT ADVISORS IN DOING BUSINESS
 - A. BASIC PRINCIPLES OF CODE OF CONDUCT
 - B. CODE OF CONDUCT FOR UNDERWRITERS
 - C. CODE OF CONDUCT FOR BROKER-DEALERS
 - D. INVESTMENT MANAGERS
 - E. INVESTMENT ADVISORS
- IX. SECURITIES REGISTRATIONS
 - A. REGISTRATION OF PUBLIC OFFERING
 - B. REGISTRATION OF PUBLIC COMPANIES
 - C. REGISTRATION OF INVESTMENT FUNDS
 - D. REGISTRATION STATEMENTS AND PROSPECTUS
- X. PROHIBITED SECURITIES TRANSACTIONS
 - A. FRAUD AND CHEATING
 - B. MARKET MANIPULATION

- C. FAKE, MISLEADING OR MANIPULATION STATEMENTS
- D. INSIDER TRADING
- E. PROHIBITED TRANSACTIONS FOR INVESTMENT FUNDS