

**RULE NUMBER III.B.1 : CLEARING GUARANTEE INSTITUTIONS
LICENSING PROCEDURES.**

Attachment :
Decision of the Chairman of Bapepam
Number : Kep-07/PM/1996
Date : January 17, 1996

1. An application for a business license as a Clearing Guarantee Institution must be submitted to Bapepam in 4 (four) copies using Form Number III.B.1-1 attachment 1 of this rule.
2. The application for a business license referred to item 1 in this rule shall be accompanied by the following documents:
 - a. the company's deed of establishment that contains the articles of association approved by the Minister of Justice, in accordance with Form Number III.B.5;
 - b. a list of shareholders and the number of their shares;
 - c. the Tax Registration Number of the Company ;
 - d. a three year financial projection;
 - e. a three year operations plan including the organizational structure, communication facilities, and training programs;
 - f. a list of the candidates for directors and commissioners in accordance with Form Number III.B.3, and officers who answer directly to directors;
 - g. the Securities Exchanges that will control and or use the service of the Clearing Guarantee Institution;
 - h. draft rules on clearing and settlement of Exchange Transactions including service charges and fees determined by the Clearing Guarantee Institution;
 - i. ownership of more than 50% (fifty percent) of the Clearing Guarantee Institution's shares by Securities Exchanges;
 - j. the opening balance sheet of the Company audited by an Accountant registered with Bapepam; and
 - k. evidence of paid in capital in the amount of at least Rp.15 billion (fifteen billion rupiahs).
3. When the shareholders of the Clearing Guarantee Institution also include Securities Companies, the list of the shareholders shall contain the following information:
 - a. the name and the location of the Securities Exchange in which the Securities Company is a member; and
 - b. the percentage of the volume and the value of transactions executed by such Securities Company as compared to the total volume and value of the Securities Exchange Transactions for at least the last 6 (six) months.
4. When the shareholders of the Clearing Guarantee Institution also include Custodian Banks, the list of the shareholders shall contain the following information:

All rules published are translated from the original documents. If there is any hesitation regarding the rules, please refer to the original documents.

- a. details of the services provided by such Custodian Banks; and
 - b. an estimate of the Custodial service market in Indonesia controlled by such Custodian Banks.
5. The three-year financial projection shall contain at least:
- a. a balance sheet;
 - b. an income statement; and
 - c. a cash flow statement.
6. The three year operations plan of the Clearing Guarantee Institution shall contain at least :
- a. the estimate of the number of Securities Companies that will use the services of the Clearing Guarantee Institution;
 - b. the organizational structure including job descriptions, the authority and responsibilities of officers who answer directly to directors, and the Clearing Guarantee Institution employment regulations;
 - c. location and floor lay out, and facilities of the Clearing Guarantee Institution which assure that the clearing and settlement of Exchange Transactions will be orderly, fair, and efficient;
 - d. proposed systems for clearing and settlement of Exchange Transactions, monitoring of clearing and settlement of Exchange Transactions, and dissemination of information regarding clearing and settlement of Exchange Transactions;
 - e. proposed communication facilities such as telephone, telex, facsimile, and computers; and
 - f. feasibility of employee recruitment and training programs required.
7. A list of the candidates for directors and commissioners which shall be accompanied by the following documents:
- a. curriculum vitae;
 - b. Identification Cards;
 - c. statements regarding Affiliation with Securities Companies and substantial shareholders;
 - d. statements of the fulfillment of requirements of candidates for directors and commissioners in accordance with Rule Number III.B.3; and
 - e. photocopies of diplomas which indicate the level of qualification of the persons concerned.
8. Officers who report directly to directors must fulfill at least the following criteria:
- a. be individuals who are legally competent;
 - b. have never been declared bankrupt or been a director or commissioner that caused a company to go bankrupt;
 - c. have never been found guilty of a criminal act;
 - d. have never committed a disgraceful act in the Capital Market in particular and the financial sector in general;
 - e. have a good character and morals;
 - f. have Capital Market expertise; and
 - g. have never committed a material violation against the Capital Market law and regulations.
9. Draft rules of the Clearing Guarantee Institution shall contain at least:

- a. rules regarding membership requirements which include:
 - 1) the requirements for admission of users of the Clearing Guarantee Institution's services; and
 - 2) the suspension or termination of services;
 - b. rules regarding clearing which include:
 - 1) clearing procedures; and
 - 2) service fees;
 - c. rules regarding collateral for settlement of Exchange Transactions, which include:
 - 1) the minimum amount of collateral that must be provided by users; and
 - 2) the use of collateral.
10. In processing applications for a business license as a Clearing Guarantee Institution, Bapepam will examine the completeness and correctness of the documents, and if deemed necessary, may conduct interviews and an on the spot inspection.
11. If the application referred to item 1 in this rule does not meet the requirements, Bapepam will inform the applicant by a letter stating that:
- a. the application is incomplete, using Form Number III.B.1-2 attachment 2 of this rule; or
 - b. the application is rejected, using Form Number III.B.1-3 attachment 3 of this rule.
12. If the application referred to item 1 in this rule meets the requirements, Bapepam will grant a business license using Form Number III.B.1-4 attachment 4 of this rule.

FORM NUMBER :III.B.1-1

Attachment : 1

Rule number : III.B.1

Number : ,19....

Enclosure :

Subject : Application for a Clearing Guarantee Institution
Business License.

To:

Chairman of Bapepam

in-

.....

We hereby submit our application for a business license as a Clearing Guarantee Institution. For your consideration, we submit the following data:

1. Name of applicant :.....

2. Address of applicant :.....

.....

(Street Name & Number)

..... - □□□□

(City & Zip Code)

3. Name of Clearing Guarantee Institution :.....

4. Tax Registration Number :□.□□□□□□.□-□□□

5. Address of Clearing Guarantee Institution :.....

.....

(Street Name & Number)

..... □□□□

City and Zip Code)

6. Capital :.....

a. Authorized Capital :.....

b. Paid in Capital :.....

7. Phone, Telex, and Fax No :.....

8. Contact Person (Please enclose authorization letter) :.....

To complete this application, we attach the following documents:

1. the deed of establishment of the company which contains the articles of association in accordance with Rule Number III.B.5 which has been approved by the Minister of Justice;
2. a list of shareholders;
3. the Company's Tax Registration Number;
4. a three-year financial projection;
5. a three-year operational plan including organizational structure, communication facilities, and training programs to be held;
6. a list of candidates to be the directors and commissioners which conforms to Rule Number III.B.3, and senior officers reporting to directors ;
7. the Securities Exchange(s) that will control and/or use services of the Clearing Guarantee Institution;
8. drafts of rules with regard to clearing and guarantee activities of Exchange Transactions including service-fees stipulated by the Clearing Guarantee Institution;
9. the opening balance-sheet which has been audited by an Accountant registered with Bapepam;
10. proof of paid-in capital;
11. answers to the questions in attachment 1 (List of Questions) of this form;
12. written statements of directors of companies that are Clearing Guarantee Institution shareholders, which are in accordance with attachments 2 and 3 of this form; and
13. other supporting documents.

This application is submitted for your approval. Thank you for your attention.

Applicant,
stamp duty

.....

(Full Name)

FORM NUMBER : III.B.1-1

Attachment : 1

Rule Number : III.B.1

LIST OF QUESTIONS**I. INSTRUCTIONS FOR ANSWERING THE QUESTIONS:**

1. All questions (Part I and Part II) in this license application must be answered by the Applicant.
2. The questions in Part I are related to the integrity of prospective commissioners, directors, or Officers who report directly to the directors.
3. Put a ✓ mark in the box, in front of the word “yes”, if your answer is “yes”, or put a ✓ mark in the box in front of the word “no” if the answer is “no”.

For each “yes” answer, the Applicant must provide a clear and detailed explanation on a separate piece of paper, which shall include:

- a. related institutions and individuals;
- b. cases and the dates of action taken;
- c. the court or institution taking the action; and
- d. the action taken or sanction imposed.

II. INTREGITY OF DIRECTORS, COMMISSIONERS, OR OFFICERS.**Definition:**

1. **Investment** is any activity pertaining to Securities, banking, insurance or mortgages or real estate and includes activities either directly or indirectly related to Securities Companies, Investment Advisors, banks or other companies engaged in the financial sector.
2. Officer is an official who reports directly to directors.

Please Answer the following questions.

1. In the past ten years, has a candidate for director, commissioner, or Officer been convicted of or pleaded guilty or nolo contendere (no contest) to:
 - a. a felony of misdemeanor involving Investment or an Investment-related business, fraud, false statement, or embezzlement or bribery, counterfeiting or extortion?

<input type="checkbox"/> yes	<input type="checkbox"/> no
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 - b. or any other crime?

<input type="checkbox"/> yes	<input type="checkbox"/> no
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2. Has any court:
 - a. ever declared a candidate for director, commissioner, or Officer bankrupt ?

<input type="checkbox"/> ya	<input type="checkbox"/> tidak	<input type="checkbox"/> yes	<input type="checkbox"/> no
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- b. in the past ten years, prohibited a candidate for director, commissioner, or Officer from activities related to Investment?.
- yes no
- c. ever found that a candidate for director, commissioner, or Officer was involved in a violation of law relating to Investment, or existing regulations, decrees or statutes?
- yes no
3. Has Bapepam ever:
- a. found that a candidate for director, commissioner, or Officer, made a false or negligent statement?
- yes no
- b. found that a candidate for director, commissioner, or Officer was involved in a violation of law, decree, or rule promulgated by Bapepam?
- yes no
- c. found that a candidate for director, commissioner, or Officer caused an Investment related company to have its business license, approval or Registration Statement, suspended, revoked, or restricted?
- yes no
- d. entered an order denying, suspending or canceling a business license, approval or Registration Statement, or imposing a sanction restricting the activities of a candidate for director, commissioner, or Officer?
- yes no
4. Has any other authorized organization or institution in Indonesia or abroad, ever:
- a. found that a candidate for director, commissioner, or Officer made a false, misleading, dishonest, unfair or unethical statement?
- yes no
- b. found that a candidate for director, commissioner, or Officer in conducting the activities of a company caused its business license, approval or Registration Statement to be denied, suspended, revoked or restricted?
- yes no
- c. entered an order against a candidate for director, commissioner, or Officer in connection with an Investment related business?
- yes no
- d. denied, suspended, or revoked a business license, approval, or Registration Statement of a candidate for director, commissioner, or Officer, or prevented him from associating with an Investment-related business, or restricted his activities in such a business?
- yes no

- e. revoked or suspended the registration of a candidate for director, commissioner, or Officer as a Capital Market Supporting Professional such as an Accountant, Notary, Legal Consultant, or Appraiser?
- yes no
5. Has another Clearing Guarantee Institution ever:
- a. found that a candidate for director, commissioner, or Officer made a false statement or did not provide required facts?
- yes no
- b. found that a candidate for director, commissioner, or Officer was involved in a violation of law or regulation?
- yes no
- c. found that a candidate for director, commissioner, or Officer, caused an Investment related business to have its business license, approval or Registration Statement denied, suspended, revoked, or restricted?
- yes no
- d. taken disciplinary action against a candidate for director, commissioner, or Officer by terminating or suspending his or her membership in the Clearing Guarantee Institution, or by prohibiting or suspending his or her relationship with other members or limiting his or her activities?
- yes no
6. Has a candidate for director, commissioner, or Officer ever been, or is now, the subject of a civil suit regarding Investment activities or fraud?
- yes no
7. Has a candidate for director, commissioner, or Officer ever been, or is now, the subject of court proceedings with regard to a civil or criminal act?
- yes no

III. WORK PLAN OF THE CLEARING GUARANTEE INSTITUTION

The following questions must be answered on separate sheets.

Work plan of the Clearing Guarantee Institution will include financial and activity plans.

1. The financial Plan will include:
- a. a list of the proposed members of the Clearing Guarantee Institution, issued and paid in capital, periodic charges, transaction fees, and other fees;
- b. the financial plan for the first three years of operation of Clearing Guarantee Institution that contains the following:
- 1) a breakdown of income sources and the basis for estimating expected income;
 - 2) a breakdown of important operating expenses of the Clearing Guarantee Institution;
 - 3) the proposal for guaranteeing clearing activities and estimated costs of the guarantee; and
 - 4) a projected balance sheet and the expected cash flow;

- c. details of the Clearing and Guarantee Institution's Investments, including:
 - 1) development and implementation of the clearing guarantee system;
 - 2) the hardware system to be used;
 - 3) development and implementation of the physical security system;
 - 4) backup facilities to protect from failures;
 - 5) development and implementation of internal controls;
 - 6) Investments in land, buildings, and other fixed assets;
 - 7) working capital;
 - 8) allowance for guarantees; and
 - 9) other assets;
 - d. the responsibilities of the Clearing Guarantee Institution to users of its services as provided in the clearing guarantee services contract; and
 - e. the balance that must be maintained in the guarantee fund.
2. Planned Activities (operations) including:
- a. an estimate of the number of Securities Companies that will be users of the Clearing Guarantee Institution;
 - b. operational plan for clearing and settlement of transactions;
 - c. maximum number of transactions that can be processed daily by the Clearing Guarantee Institution at the beginning of its operations; and
 - d. the proposed operational plan of the Clearing Guarantee Institution for the first three years consisting of at least the following:
 - 1) Exchange Transaction volume expected in the first three years;
 - 2) the capacity of the clearing system to handle the expected Exchange Transaction volume at the beginning of operations; and
 - 3) a plan to improve the clearing system at the beginning of operations to handle unexpected high Exchange Transaction volume, such as:
 - a) the ability to up-grade the software to increase its capacity to handle increasing Exchange Transactions; and
 - b) the ability to up-grade the hardware to increase its capacity to handle increasing Exchange Transactions;
 - 4) planned safeguards against the following conditions:
 - a) fire or damage to the central processing facilities;
 - b) electricity failure;
 - c) fire or other damage to supporting records;
 - d) theft of Securities, money, or records;
 - e) intentional or unintentional deletions in computer files and other records;
 - f) embezzlement by employees or Officers;

- g) computer crime and changing of information contained in computers or other records;
 - h) a plan for maintaining and obtaining spare parts for computers and other equipment; and
 - i) damage or interruption of the communication system;
- 5) location, floor plan, and lay out of facilities of the Clearing Guarantee Institution showing the following:
- a) areas accessible to the public;
 - b) restricted area(s) for handling Securities;
 - c) restricted area(s) for data processing and accounting;
 - d) communication facilities;
 - e) market information center;
 - f) parking-lots; and
 - g) other facilities;
- 6) a flow-chart of the operations of the Clearing Guarantee Institution;
- 7) the computer system used;
- 8) education programs; and
- 9) Clearing Guarantee Institution rules.
3. Plans for rules regarding membership in the Clearing Guarantee Institution.
- a. are there any candidates for membership in the Clearing Guarantee Institution that are members of another Clearing Guarantee Institution?
- yes no
- If the answer is “yes” please provide the name(s) of the member(s).
- b. are Clearing Guarantee Institution members required to submit guarantee funds, and authorize the Clearing Guarantee Institution to use such funds for the protection of investors’ interests?
- yes no
- If the answer is “yes”, please explain.
4. Settlement liabilities for Exchange Transactions.
- a. Is the Clearing Guarantee Institution responsible for completing the settlement of confirmed transactions if Securities Exchange Members do not fulfill their settlement obligations?
- yes no

- b. Please estimate the clearing risk using the following formula:

$$R = a \times b \times c$$

R= estimated risk

a= average value of daily clearing

b= averaged weighted percentage price change

c= transaction settlement day

- c. please provide the detail of clearing guarantee funds

5. Plan of Clearing Procedures

- a. will trading confirmations be delivered by both Parties to be matched and compared by the Clearing Guarantee Institution?

yes no

If the answer is “yes” when will the Exchange Transactions be matched ?

- b. by what method will information related with clearing and guarantee position be transmitted to the clearing and guarantee clients (Please describe in the three-year-plan):

- 1) Direct communication from one computer to another;
- 2) Magnetic tape or diskette;
- 3) on line terminals; or
- 4) papers.

- c. what kind of information will be compared in matching Exchange Transactions?

- d. after an Exchange Transaction has been matched and confirmed, is any other information needed prior to transaction settlement?

yes no

If the answer is “yes”, state what kind of information, and by whom, as well as when must it be submitted.

- e. what kind of procedures will be used when there is unmatched trading, and what is the maximum number of days before trading will be completed?

6. Plan of Exchange Transaction settlement

- a. will transaction settlement be performed by physical Securities delivery?

yes no

If the answer is “yes”, explain whether the delivery will take place at the Clearing Guarantee Institution, at a Broker-dealer, or at another location.

- b. will settlement be by concurrent delivery of Securities and payment?

yes no

If the answer is “no”, please describe the settlement system used.

- c. will transaction settlement be by Securities delivery and payment based on book –entry?
 yes no

If the answer is” yes” who will be responsible for the book-keeping?

- 1) the Clearing Guarantee Institution; or
- 2) others (Please explain).

- d. how will the Clearing Guarantee Institution settle a transaction if the buyer does not make payment (defaults)?
- e. how will Clearing Guarantee Institution settle a transaction if the seller does not deliver Securities (defaults)?

7. Implementation of the systems

- a. who is responsible for designing and implementing the data processing system of the Clearing Guarantee Institution?
- b. please describe the experience and capability of the persons who are responsible for operating each of the following systems for providing Clearing Guarantee Institution services:
- 1) clearing of Exchange Transactions;
 - 2) publishing and delivering information concerning Exchange Transactions at the Clearing Guarantee Institution;
 - 3) distributing information regarding the value and volume of cleared Exchange Transactions.
- c. select from the following systems the one that best describes the system to guarantee continuity of Clearing Guarantee Institution activities:
- 1) a self-developed system with guarantees provided by other Persons;
 - 2) a system with contractual guarantees;
 - 3) a contractual system including a performance guarantee;
 - 4) a system, received as a gift or as a donation, with no guarantee; or
 - 5) others (please describe).
- d. describe the location of the Clearing Guarantee Institution, the area needed (in square meters), and any contract made to obtain the location.
- e. where will back-up records and supporting documents of the Clearing Guarantee Institution be stored, and what kind of contract was made to obtain such place?.
- f. who will be responsible for installing and utilizing the computer system of Clearing Guarantee Institution, and what is the experience of such person(s)?
- g. who will be responsible for planning and installing the physical security system of the Clearing Guarantee Institution and what is the experience of such person(s)?
- h. does the Clearing Guarantee Institution intend to open branches, and if so, when and how they will be connected with the Clearing Guarantee Institution operations with regard to procedures for providing services?.

- i. who will be responsible for planning and installing the supporting programs including the back-up system. And what is the experience of such person(s)?
 - j. who will be responsible for auditing and internal controls of the Clearing Guarantee Institution, and what is the experience of such person(s)?
8. Economic Rationale for Establishing the Clearing Guarantee Institution
- a. have the operational and financial plans of the Clearing Guarantee Institution, including fees and other expenses been disclosed and sent in writing to Securities Companies or other Capital Market institutions that will use its services?
 yes no
If the answer is “yes”, attach the supporting documents.
 - b. have the Securities Exchanges, their members, Custodian Banks, or other Capital Market participants that received the written notification regarding the Clearing Guarantee Institution services, agreed in writing to use the services at the stated fees, if and when they are available?
 yes no
If the answer is “yes”, attach a list of such Persons.
 - c. has a study been made comparing the fees to be charged by the Clearing Guarantee Institution?
 yes no
If the answer is “yes”, attach a copy of the study.

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Applicant,
Stamp duty

.....

(Full Name)

FORM NUMBER : III.B.1-1

Attachment : 2

STATEMENT LETTER

(Made by Director on behalf of a Clearing Guarantee Institution Shareholder)

The undersigned:

1. Name :.....

2. Home Address :.....

:.....

(Name of Street and Number)

..... -□□□□□

(City & Zip Code)

as President Director/Director of I certify that the company, as a potential shareholder of the Clearing Guarantee Institution, has no relationship in ownership, management, and control with another company holding Clearing Guarantee Institution shares.

Whenever a change in management or ownership of the Clearing Guarantee Institution occurs which might result in ownership, management, or control of another company which holds Clearing Guarantee Institution shares, I agree to report it to Bapepam and the Clearing Guarantee Institution within 3 (three) work days after the event occurs.

.....,

Applicant,

stamp duty

.....

(Full Name)

FORM NUMBER : III.B.1-1

Attachment : 3

LETTER OF STATEMENT

(Made by Directors or Commissioners of the Clearing Guarantee Institution)

The undersigned:

1. Name :

2. Home address :

.....

(Name of Street and Number)

..... -□□□□□

(City and Zip Code)

as of Clearing Guarantee Institution:state our Affiliation with the Persons mentioned below:

Name of Affiliated Persons	Type of Affiliation

If there is a change in the Affiliation between me and the Persons mentioned above, I will report it within 3 (three) work-days to Bapepam and the directors of the Clearing Guarantee Institution.

.....,

Applicant,

stamp duty

.....

(Full Name)

FORM NUMBER : III.B.1-2

Attachment : 2

Rule Number : III.B.1

Number : S- /PM/19...

Jakarta, 19..

Enclosur:

Subject : Notification of Missing Data in the Application for Business License as a Clearing Guarantee Institution.

To:

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in-

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Referring to your letter numberdated subject, we hereby notify you that your application is incomplete because it does not contain the following:

- 1.
- 2.
- 3.

With respect to the matters above, we hereby inform you that your application for a business license cannot be granted. Your application will not be further considered until you supply the information referred to above.

Please be advised accordingly.

CAPITAL MARKET SUPERVISORY AGENCY

Chairman,

.....

NIP.....

cc:

- 1. Secretary Bapepam;
- 2. Heads of Bapepam Bureaus.

FORM NUMBER : III.B.1-3

Attachment : 3

Rule Number : III.B.1

Number : Jakarta , ..19...

Enclosure :

Subject : Rejection of an Application for a Clearing Guarantee Institution Business License.

To:

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in-

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Referring to your letter number: dated regarding, after examining your application, we hereby inform you that your application is rejected for the following reasons:

1.
2.
3.

Please be advised accordingly.

CAPITAL MARKET SUPERVISORY
AGENCY

Chairman,

.....
NIP.....

cc:

1. Secretary of Bapepam;
2. Heads of Bapepam Bureaus.

FORM NUMBER : III.B.1-4

Attachment : 4

Rule Number : III.B.1

DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET SUPERVISORY AGENCY

NUMBER: KEP /PM/199...

CONCERNING

**GRANTING BUSINESS LICENSE AS A
CLEARING GUARANTEE INSTITUTION**

TO

(Tax Registration Number: □.□□□.□□□.□-□□□)

CHAIRMAN OF THE CAPITAL MARKET SUPERVISORY AGENCY,

- Regarding : Application letter for a business license as a Clearing Guarantee Institution from: Number:date
- Considering : that your application has met the requirements established for granting a business license as a Clearing Guarantee Institution
- In View Of :
 1. Law No. 8 of 1995 on The Capital Market (Statute Book Year 1995 Number 64, Supplement to Statute Book Number 3608);
 2. Government Regulation No 45 Year 1995 on The Capital Market Organization (Statute Book Year 1995 Number 86, Supplement to Statute Book Number 3617);
 3. Decision of the Chairman of the Capital Market Supervisory Agency, No. KEP- .../PM/1996 concerning License of Clearing Guarantee Institution.

HAS DECIDED:

To Enact : **DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET SUPERVISORY AGENCY CONCERNING GRANTING A BUSINESS LICENSE AS A CLEARING GUARANTEE INSTITUTION TO**

Article 1

Granting a business license as a Clearing Guarantee Institution to

Article 2

This decision is effective as of the date of stipulation.

Article 3

If this decision is found to be defective, correction will be made properly.

Issued in : Jakarta

on : January 17, 1996

CAPITAL MARKET SUPERVISORY
AGENCY

Chairman,

.....

NIP

cc:

1. Secretary of Bapepam;
2. Heads of Bapepam Bureaus.