

**RULE NUMBER V.G.3 : RECORD KEEPING FOR DECISION MAKING  
BY INVESTMENT MANAGERS**

Attachment :  
Decision of the Chairman of Bapepam  
Number : Kep-32/PM/1996  
Date : January 17, 1996

1. An Investment Manager shall have a reasonable basis for making investment decisions and such decisions must be suitable for the portfolio managed.
2. The decisions of an Investment Manager are considered to be reasonable if such decisions are in compliance with the following:
  - a. the investment method or methods are contained in books or various articles regarding Securities analyses and portfolio management;
  - b. a method that has been developed by the Investment Manager and explained in personal documents; or
  - c. the investment method or methods are commonly used by Professional Investment Managers or contained in formal courses on Securities analysis and portfolio management.
3. Investment decisions or their implementation shall be deemed to be in the interests of clients, if:
  - a. the Investment Manager has asked the client regarding the clients financial condition and has made records signed by the client; and
  - b. investment decisions or their implementation are in accordance with a written investment policy which is understood and approved by the client, and which clearly and fully discloses the nature, method and investment risks.
4. An Investment Manager is prohibited from making investment decisions for the portfolio which can cause permanent losses or financial difficulties to the client even though the risk had been stipulated in the written policy and had been approved by the client.
5. In addition to the written policy regarding investments in each portfolio, an Investment Manager must keep in the same files the following documents:
  - a. a list that describes the types of Securities that can be purchased for the portfolio;
  - b. a list that contains prohibited activities for the portfolio;
  - c. the maximum percentage of the portfolio that can be invested in certain Securities; and
  - d. a schedule of periodic reviews of the portfolio.
6. Whenever an Investment Manager has discretionary authority with regard to a client's account, the Investment Manager must record the reasons relating to discretionary decisions

in accordance with the following provisions:

- a. records may be made in the form of memoranda which indicate the types of transactions for the portfolio in accordance with the investment policy referred to item 3 letter b and item 5; and
  - b. the Investment Manager must keep all records prescribed in this rule.
7. Item 3 letter a and item 4 do not apply to Investment Funds.