

**RULE NUMBER III.C.4 : PROCEDURES FOR MAKING AND PROPOSING AN ANNUAL BUDGET AND PROFIT UTILIZATION PLAN OF A CENTRAL SECURITIES DEPOSITORY.**

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Attachment :  
Decision of the Chairman of Bapepam  
Number : Kep-15/PM/1996  
Date : January 17, 1996

1. An annual budget and profit utilization plan of a Central Securities Depository shall be made based on considerations that:
  - a. the purpose of establishing the Central Securities Depository is to provide orderly, fair, and efficient central Custodial and settlement services for Exchange Transactions;
  - b. the amount of the fees and dues charged by the Central Securities Depository must be determined based on the funds needed to carry out the functions of the Central Securities Depository; and
  - c. in the event that the funds needed to carry out the functions of the Central Securities Depository are sufficient, the fees and dues may be reduced.
2. The annual budget and profit utilization plan of the Central Securities Depository must endeavor to achieve Capital Market efficiency with the goal:
  - a. to implement fair, orderly, and efficient central Custodial and settlement services for Exchange Transactions;
  - b. to improve the safety of book-entry settlement of Exchange Transactions; and
  - c. to develop a safe Securities depository system.
3. The budget and profit utilization plan of the Central Securities Depository shall be submitted in the form of a work plan and annual budget.
4. The work plan and the annual budget of the Central Securities Depository must be organized in an accurate, timely, and systematic manner and shall contain the following:
  - a. the goals;
  - b. performance with respect to the current budget;
  - c. restrictions faced; and
  - d. assumptions and measurements used in the budget.

5. The work plan and annual budget of the Central Securities Depository shall include at least:
  - a. a work plan of the Central Securities Depository which describes its activities to provide:
    - 1) central Custodial services;
    - 2) improvement in the settlement of Exchange Transactions;
    - 3) development of book-entry settlement of Exchange Transactions;
    - 4) development of systems for providing investor services including services related to investors' rights; and
    - 5) improvement of human resources;
  - b. the revenues of the Central Securities Depository which are received from:
    - 1) Securities depository service fees;
    - 2) Exchange Transaction settlement fees; and
    - 3) central Custodian service fees;
  - c. the budget expenditures of the Central Securities Depository categorized by functions in accordance with the organizational structure of the Central Securities Depository which among other things include:
    - 1) settlements;
    - 2) Custodian services;
    - 3) financial management;
    - 4) internal inspections;
    - 5) information technology; and
    - 6) human resources;
  - d. the investment budget;
  - e. budget expenditures for wages and salaries and other benefits for both directors and commissioners of the Central Securities Depository; and
  - f. notes on contracts with material value including contracts between the Central Securities Depository and or its subsidiaries and:
    - 1) Persons Affiliated with directors and commissioners of the Central Securities Depository; and

- 2) Persons Affiliated with the Central Securities Depository or its subsidiaries.
6. The work plan and annual budget of the Central Securities Depository shall be made up of at least one year's books for the period of January 1 up to December 31 of the same year.
7. The annual budget of the Central Securities Depository must be presented in a comparative form between the proposed budget and the performance under the current budget.
8. By October 31, the Central Securities Depository must hold a General Meeting of Shareholders to obtain approval of the work plan and annual budget which have been proposed by the board of directors with the approval of the board of commissioners for the following year.
9. By November 5 the Central Securities Depository must submit to Bapepam an annual work plan and budget for the coming year which have been approved in the General Meeting of Shareholders.
10. By November 15, Bapepam shall inform the board of directors of the Central Securities Depository regarding changes, if any, in the proposed work plan and annual budget.
11. By November 25, the directors of the Central Securities Depository must resubmit any changed work plan and annual budget which have been approved by the board of commissioners.
12. By December 5, Bapepam will approve or disapprove the work plan and annual budget of the Central Securities Depository.
13. In the event that a majority of the shares of the Central Securities Depository are owned by the Securities Exchange(s), the work plan and annual budget of the Central Securities Depository must be submitted to Bapepam as a part of work plan and annual budget of the Securities Exchange(s) referred to Rule Number III.A.4 concerning the procedures for making and proposing the annual budget and profit utilization plan of a Securities Exchange.
14. The Central Securities Depository must submit quarterly, cumulative reports on its performance with respect to the work plan and the annual budget to Bapepam through its board of commissioners. Such reports must be received by Bapepam within 12 (twelve) days after the end of the period.
15. The notes to financial statements of the Central Securities Depository shall contain at least:
  - a. expenses related to Persons affiliated with the directors and commissioners of the Central Securities Depository or its subsidiaries;
  - b. expenses related to Persons affiliated with the Central Securities Depository, or its subsidiaries; and
  - c. expenses such as wages and salaries, other benefits, and facilities given to directors and commissioners of the Central Securities Depository or its subsidiaries.
16. This rule must be included in the articles of association of the Central Securities Depository.