

ATTACHMENT

Decision of the Chairman of
Capital Market Supervisory Agency
Number : Kep-38/PM/2003
Date : October 31, 2003

RULE NUMBER IL.F.14 : GUIDELINES OF INVESTMENT FUND COMPLIANCE AUDIT

1. Definitions in regard with this rule:
 - a. Investment Fund compliance audit is a series of activities carried out periodically by Technical Bureau in order to examine compliance of Investment Fund with existing rules and application of prudential principles and risk management as well as to examine Investment Fund's performance.
 - b. Custodian Bank is a Commercial Bank that has obtained approval from Bapepam as Custody.
 - c. Investment Committee is a team that has a function to direct and supervise Investment Management Team in conducting day to day investment policy and strategy.
 - d. Investment Management Team is a team formed in order to manage Investment Fund portfolio.
 - e. Investment Fund Risk Management is a series of procedures and methodologies used to identify, measure, monitor, and control risks resulting from Investment Fund managing activities.
 - f. Compliance Audit Officers are Bapepam officers who receive duties from a Director of Technical Bureau for conducting Investment Fund Compliance Audit.
2. Compliance Audit Officers must take into account Bapepam rules related to Investment Fund in conducting Investment Fund Compliance Audit.
3. In conducting compliance audit, Compliance Audit Officers must:
 - a. collect data, information, and or other needed explanations;
 - b. identify application of prudential principles and risk management in managing Investment Fund;
 - c. be familiar before hand with Article of Association, Collective Investment Contract, Investment Composition, Portfolio, Net Asset Value of Investment Fund, Custodian Bank, Prospectus and the most recent reports received by Bapepam as well as with Parties affiliated with Investment Manager; and

- d. learn and understand standard operating procedures of Investment Fund transactions.
4. In conducting Compliance Audit with regard to portfolio management aspects of Investment Fund, Compliance Audit Officers must:
- a. ensure conformity between Investment Fund managing activities and Investment Fund contract which is written according to Rule Number IV.A.4 concerning Guidelines for Management Contract of Corporate Investment Fund or Rule Number IV.B.2 concerning Guidelines for Contract of Investment Fund in the Form Collective Investment Contract;
 - b. ensure that Investment Manager in managing portfolio has already applied prudential principles and risk management such as:
 - 1) existence of Investment Committee and Investment Management Team;
 - 2) Investment Committee has already directed and supervised Investment Management Team in accordance with investment policy and strategy stated in Prospectus taking into account a number of factors including micro and macro economy;
 - 3) Investment Management Team in conducting day by day transactions has already applied investment policy and strategy assessed by Investment Committee;
 - 4) ensure availability of paper work which is the foundation for investing in a portfolio;
 - 5) Investment Management Team has already paid attention to investment risk that may happen and prepared anticipated action if that investment risk happens; and
 - 6) existence of clear authority segregation in determining transaction amount.
 - c. ensure that Investment Manager has already complied Rule Number IV.A.3 concerning Guidelines for Management of a Corporate Investment Fund, Rule number IV.A.4 concerning Management Contracts of a Corporate Investment Fund, Rule Number IV.B.1 concerning Guidelines for the Management of Investment Fund in the Form of Collective Investment Contracts and Rule Number IV.B.2 concerning Guidelines for Contract of Investment Fund in the Form Collective Investment Contracts;
 - d. ensure that Investment Manager has already fulfilled investment policy without exceeding maximum and minimum limits stated in the Contract;
 - e. ensure costs that must be paid by Investment Fund, Investment Manager, and Participation Unit holders have been in conformity with contract;
 - f. ensure the Investment Manager does not conduct activities causing Investment Fund to be involved in any kind of loan, or buying stocks or other Investment Fund Participation Unit; and

- g. ensure that establishment of Fair Market Values of Securities Portfolio has been already done in conformity with Rule Number IV.C.2 concerning Fair Market Value of Securities in Investment Fund Portfolio consistently every day.
5. Compliance Audit Officers must ensure that transactions done by the Investment Manager with affiliated Securities Broker Dealer, Investment Fund promoter, major shareholders of Investment Manager, Investment Manager controller, and holder of discretionary fund contract from Investment Manager have been done with a fair manner and with normal terms and conditions.
 6. For ensuring whether or not there is an indication of market manipulation, Compliance Audit Officers must examine, among other things:
 - a. purchasing or selling of equity securities in substantial amounts and or in high frequency; and
 - b. purchasing or selling of Government or corporate fixed income securities in substantial amounts and or in high frequency.
 7. In conducting Compliance Audit to a Custodian Bank, Compliance Audit Officers must:
 - a. ensure the Custodian Bank has a business license and is not affiliated with the Investment manager;
 - b. verify notes and proofs on funds and on Securities belong to Investment Management which are kept in the Custodian Bank;
 - c. ensure issuance of Investment Fund Participation Unit by the Custodian Bank is carried out in good fund;
 - d. ensure that Participation Units submitted to Participation Unit holders are in accordance with their Net Asset Value;
 - e. ensure that redemptions of Participation Units are carried out based on orders from Participation Unit holders and funds from redemption of Participation Unit are calculated based on their Net Asset Value on the date when the orders are received from the Participation Unit holders.
 - f. ensure that Custodian Bank has submitted confirmation to Participation Unit holders containing information referred to in item 3 Rule Number X.D.1 concerning Investment Fund Report;
 - g. ensure that proceeds from redemption of Participation Unit have been paid by Custodian Bank according to existing regulation;
 - h. ensure that transactions of Securities in portfolio are done based on instructions from the Investment Manager;
 - i. ensure that Custodian Bank has calculated Net Asset Value every day correctly in conformity with Rule Number VIII.G.8 concerning Guidelines for Investment Fund Accounting;

- j. ensure that Custodian Bank has at least recorded all changes in portfolio, total number of Participation Unit, management fee, dividend, tax expense, interest income or other incomes;
 - k. ensure that Custodian Bank has safely kept Securities which are its responsibility;
 - l. ensure that Custodian Bank has maintained separate records showing all changes in total number of Participation Unit, number of Participation Unit owned by every Unit Participation holder, and name, citizenship, address as well as other identities from the Unit Participation holder;
 - m. ensure that Custodian Bank has already created an account for Investment Fund assets separated from those of Custodian Bank;
 - n. ensure that Custodian Bank has already sent a written admonition to Manager Investment no later than 2 (two) working days following violation to item 13 Rule Number IV.B.1 concerning Guidelines for the Management of Investment Fund in the Form of Collective Investment Contract;
 - o. ensure that Custodian Bank has already sent both daily and weekly report to Investment Manager;
 - p. ensure that Custodian Bank has already sent report to Bapepam referred to in item 1 Rule Number X.D.1 concerning Investment Fund Report; and
 - q. ensure that Custodian Bank has already sent report to Participation Unit holders referred to in item 4 Rule Number X.D.1 concerning Investment Fund Report.
8. In conducting Compliance Audit to subscription and redemption of Investment Fund, Compliance Audit Officers must:
- a. ensure that marketing staff of Participation Unit or Investment Fund Shares has already had a license from Bapepam as Investment Fund Marketing Agent Representatives;
 - b. ensure that Investment Manager has already applied “know your clients” principles as regulated in Rule Number V.D.10 concerning “Know Your Clients” Principles in the case where subscription and redemption of Participation Unit or Investment Fund Shares are carried out through direct marketing; and
 - c. ensure that marketing staff presents Investment Fund Prospectuses to potential Participation Unit holders they make orders.
9. If in marketing Investment Fund, Investment manager using an selling agent, Compliance Audit Officers must:
- a. ensure that Investment Manager has made a contract with the selling agent containing “Know Your Clients” Principles;
 - b. ensure that selling agent staff of Participation Unit or Investment Fund Stock has already had a license from Bapepam as Investment Fund Marketing Agent Representatives;
 - c. ensure that selling agent has applied know your clients principles as regulated in Rule Number V.D.10 concerning “Know Your Clients” Principles; and

- d. ensure that marketing staff of selling agent presents Investment Fund Prospectuses to potential Participation Unit holders they make orders.
10. Results of compliance audit are employed to form recommendation in order to make future improvements or actions.
 11. After conducting Compliance Audit to Investment Fund, Compliance Audit Officers must give the Compliance Audit results to Investment Fund no later than 15 (fifteen) working days after the end of Compliance Audit.
 12. The Investment Fund must respond to Compliance Audit result no later than 10 (ten) working days after the Compliance Audit results by sending comments directly to Head of Compliance Audit Team.
 13. Compliance Audit Officers must submit Compliance Audit results to Bapepam Chairman no later than 15 (fifteen) working days after receiving responds from Investment Fund.

Enacted in : Jakarta
Date : October 31, 2003

Chairman of Capital Market Supervisory Agency

signed

Herwidayatmo
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Based on the original document
Executive Secretary

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