

**RULE NUMBER III.C.1 : CENTRAL SECURITIES DEPOSITORY
LICENSING PROCEDURES.**

Attachment :
Decision of the Chairman of Bapepam
Number : Kep-12/PM/1996
Date : January 17, 1996

1. An application for a business license as a Central Securities Depository must be submitted to Bapepam in 4 (four) copies using Form Number III.C.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.C.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. three-year operational plan including the organizational structure, communication facilities, and training programs;
 - f. a list of the candidates for directors and commissioners in accordance with Rule Number III.C.3, and officers who answer directly to directors;
 - g. the Securities Exchanges that will control and or use the services of the Central Securities Depository;
 - h. draft rules on central Custody services and the settlement of Exchange Transactions including service charges and fees determined by the Central Securities Depository;
 - i. the opening balance sheet of the company audited by an Accountant registered with Bapepam;
 - j. evidence of paid in capital in the amount of at least Rp.15.000.000.000,00 (fifteen billion rupiahs); and
 - k. a development plan for the Central Securities Depository which refers to international central Custody practices.
3. When the shareholders of the Central Securities Depository also include Securities Companies, the list of shareholders shall contain the following information:
 - a. the name and location of the Securities Exchange(s) of which the Securities Companies are members of; and
 - b. the percentage of the volume and the value of transactions of Securities Exchange Transactions executed by such Securities Companies, at least for the last 6 (six) months.
4. When the shareholders of the Central Securities Depository also include Custodian Banks, the list of shareholders shall contain the following information:
 - a. a description of services provided by the Custodian Banks; and

- b. an estimate of the market segment of that service in Indonesia controlled by such Custodian Banks.
5. A three-year financial projection which shall contain at least:
 - a. a balance sheet;
 - b. an income statement; and
 - c. a cash flow statement.
6. A three-year operational plan for the Central Securities Depository shall contain at least:
 - a. an estimate of the number of Securities transactions that will be settled by the Central Securities Depository and the number of Securities Companies that will use the Central Securities Depository services;
 - b. the organizational structure including job descriptions, authority and responsibilities of officers who answer directly to directors and the Central Securities Depository's employment regulations;
 - c. the location, and floor lay out, and facilities of the Central Securities Depository that assure the orderly, fair, and efficient settlement of Securities Exchange Transactions;
 - d. proposed systems for settlement and deposit of Securities Exchange Transactions, the monitoring of depository and settlement services and the dissemination of information on the deposit and settlement of Securities Exchange Transactions;
 - e. proposed communication facilities such as telephone, telex, facsimile, computers; and
 - f. the feasibility of employee recruitment, education, and training programs required.
7. A list of candidates for directors and commissioners which shall be accompanied by the following documents:
 - a. curriculum vitae;
 - b. identification cards;
 - c. statements regarding affiliation with the shareholders;
 - d. statements regarding the fulfillment of requirements of candidates for directors and commissioners in accordance with Rule Number III.C.3; and
 - e. photocopies of diplomas and certificates indicating the qualifications 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 in 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 thereunder.
9. Draft rules on central Custody services and the settlement of Securities transactions shall contain at least:
- a. rules relating to Custody services which shall include:
 - 1) the requirements for the use of depository services for Securities and other assets related to Securities, and other services including the receipt of dividends, interest, and other rights;
 - 2) the suspension or termination of services; and
 - 3) service fees;
 - b. regulations regarding the settlement of transactions which shall include:
 - 1) book entry settlement procedures; and
 - 2) procedures for giving confirmations to users.
10. In processing the application for a business license as a Central Securities Depository, Bapepam will examine the completeness and correctness of the documents, and may conduct interviews as well as an on the spot inspection, if deemed necessary.
11. If the application referred to item 1 of 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.C.1-2 attachment 2 of this rule; or
 - b. the application is rejected using Form Number III.C.1-3 attachment 3 of this rule.
12. If the application referred to item 1 of this rule meets the requirements, Bapepam will grant a business license using Form Number III.C.1-4 attachment 4 of this rule.

FORM NUMBER: III.C.1-1

Attachment : 1
 Rule Number : III.C.1

Number : Jakarta,.....19..

Enclosure :

Subject : **Application for a Business License as a Central Securities Depository**

To:

Chairman of the Capital Market Supervisory Agency

At –

.....

We hereby submit our application for a business license as a Central Securities Depository. For your consideration, we submit the following data:

1. Applicant name :

2. Address :

.....
 (Street name & number)

.....- □□□□□

(City & Zip Code)

3. Name of Central Securities Depository :

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

5. Address of Central Securities Depository :

.....
 (Street name & number)

..... - □□□□□

(City & Zip Code)

6. Capital:

a. Authorized Capital :

b. Paid in Capital :

7. Phone, Telex and Facsimile Number :

8. Contact person :

(Attach authorization letter)

To complete this application, we attach the following documents:

1. the deed establishment of the company which contains the company's articles of association which conform to Rule Number III.C.5 approved by Minister of Justice;
2. a list of shareholders and the number of shares owned;

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. the list of candidates to be directors and commissioners, in accordance with rule Number III.C.3, and senior officers reporting to the directors;
7. the Securities Exchange(s) that will control or use the services of the Central Securities Depository;
8. draft of rules with regard to central Custody and settlement of Securities transactions, including the service-fees established by the Central Securities Depository;
9. the Company's opening-balance sheet audited by an Accountant registered with Bapepam;
10. proof of paid-in capital;
11. plans for the development of the Central Securities Depository which refer to International Central Custody practices;
12. answers to the questions in attachment 1 (List of Questions) of this form;
13. written statements of directors of the companies that are shareholders of the Central Securities Depository in accordance with attachments 2 and 3 of this form; and
14. other supporting documents.

Thank you for your attention.

Applicant,

stamp duty

.....
(Full Name)

FORM NUMBER : III.C.1-1

Attachment : 1

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

1. All questions (part I and part II) in this application for a license must be answered by the applicant.
2. The questions in part I related to integrity must be answered by the candidates for director, commissioner or official reporting to the directors.
3. Please put a ✓ mark in the box in front of “Yes”, if the answer is “Yes” or put a ✓ mark in the box in front of the “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 includes:

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

II. THE INTEGRITY OF THE CANDIDATES FOR DIRECTORS, COMMISSIONERS OR OFFICERS**Definitions:**

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 Managers, banks or other companies engaged in the financial sector.
2. **Officer** is an official who reports to directors.

Please answer the following questions:

1. In the past 10 (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 or misdemeanor involving Investment or an Investment related business, fraud, false statements 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"/> yes	<input type="checkbox"/> no
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- b. in the past ten years forbidden a candidate for director, commissioner and Officer from activities related to Investment?
- yes no
- c. found that a candidate for director, commissioner, or Officer was involved in a violation involving 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 a regulation promulgated by Bapepam?
- 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 suspended, revoked or restricted?
- yes no
- d. entered an order denying, suspending, or canceling the business license, approval or Registration Statement or imposing a sanction restricting the activities of a 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 official made a false, misleading, dishonest, unfair, or unethical statement?
- yes no
- b. found that a candidates 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 candidates 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 otherwise disciplined him by restricting his activities?
- 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 Central Securities Depository ever:

- a. found that a candidate for director, commissioner, or Officer made a false statement or refused to provide any required information?

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. terminated or suspended a candidate for director, commissioner, or Officer from being a member of the Central Securities Depository or canceling or suspending their relationship with other members or limiting their activities?

yes no

6. Has a candidate for director, commissioner, or Officer ever been the subject of a civil suit related to Investment or fraud?

yes no

7. Has any candidate for director, commissioner, or Officer ever been, or is now, the subject of any court proceedings with regard to a civil or criminal act?

yes no

III. WORK PLAN OF THE CENTRAL SECURITIES DEPOSITORY

The work plan of the Central Securities Depository will include a financial plan, and an operational plan for depository and settlement activities.

1. The Financial Plan will include:

- a. a list of the names of the prospective shareholders of the Central Securities Depository as well as the authorized and paid in capital, periodic charges, transaction-fees, and other costs;
- b. the financial plan for the first three years of operation of the Central Securities Depository that contains the following information:
- 1) a breakdown of income sources, and the basis for estimating the expected income;
 - 2) a breakdown of important costs relating to the operation of the Central Securities Depository;
 - 3) the proposal for guaranteeing operations of the Central Securities Depository and the estimated costs for the proposed guarantee; and

- 4) a projected balance sheet and the expected cash flow;
- c. details of the Investments of the Central Securities Depository including:
 - 1) information technology hardware;
 - 2) information technology software;
 - 3) security system;
 - 4) back-up facilities in case of disaster;
 - 5) development and implementation of an internal surveillance system;
 - 6) proposed Investment in land, buildings, and other fixed assets;
 - 7) working capital;
 - 8) reserve for guarantee; and
 - 9) other assets.
2. The operational plan shall include:
 - a. an estimate of the total Persons that will use the Central Securities Depository;
 - b. the operational plan for Securities settlement and deposit services that will be provided by the Central Securities Depository itself or by other Persons, including explanations;
 - c. the maximum number of Securities transactions that can be processed by the Central Securities Depository at the beginning of its operations; and
 - d. the operational plan of the Central Securities Depository for the first three year period will include at least the following:
 - 1) the expected volume of settlement and depository activities in the first three years;
 - 2) plans to up-grade the system at the beginning of operations to meet unexpected high volume for Securities transactions settlement and depository activities, such as:
 - a) the ability to adjust the software to handle an increase in Securities settlement and depository activities; and
 - b) the ability to adjust the hardware to handle an increase in Securities settlement and depository activities;
 - 3) proposed safeguards against the following conditions:
 - a) fire or damage to the central processing facilities;
 - b) electrical failure;
 - c) fire or other damage to supporting records;
 - d) theft of Securities or other records;
 - e) intentional or unintentional deletions in computerized files and other records;
 - f) embezzlement by employees or Officers;
 - g) computer crime, and altering 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;
- 4) the location, floor plan, lay out, and facilities structure of the Central Securities Depository 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) information center;
 - f) parking area; and
 - g) other facilities;
- 5) a flow chart of the operations of the Central Securities Depository;
- 6) the computer system used;
- 7) education programs; and
- 8) Central Securities Depository rules.

3. Plan of the Securities Settlement System

- a. will Securities be settled by delivery of physical Securities?

yes no

If the answer is “yes”, will the delivery be at the Central Securities Depository, at a Broker Dealer’s office, or at another place? Please explain.

- b. will settlement be based on the concurrent delivery of Securities and payment?

yes no

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

- c. will settlement be done by book entry?

yes no

If the answer is “yes”, please provide the level of responsibility for the book-keeping.

- d. how will the Central Depository settle a transaction if the buyer fails to make payment (defaults on payment)?
- e. how will the Central Depository settle a transaction if seller fail to deliver Securities (defaults on delivery)?
- f. is partial settlement permitted?
 - yes no

4. Depository Services (Depository or Central Custodian)

- a. which of the following Custodial services are provided by the Central Securities Depository?
 - 1) receiving and delivering Securities;

- 2) receiving and delivering funds;
 - 3) deposit of Securities;
 4. collecting of dividends and other rights;
 - 5) management of voting and proxy rights;
 - 6) exercising rights and transferring additional shares;
 - 7) allotment of issued Securities;
 - 8) processing of lost or damaged Securities certificates; and
 - 9) distributing information to shareholders.
- b. who will be the custodian for the funds of the Central Securities Depository?
 - c. who will be the custodian for the Securities of Central Securities Depository?
5. Implementation of Systems
- a. who is responsible for designing and implementing the data processing system of the Central Securities Depository?
 - b. please describe the experience and capability of the persons who are responsible for operating each of the following systems for the Central Securities Depository:
 - 1) the safekeeping and settlement of Securities transactions;
 - 2) the safekeeping location;
 - 3) preparing client reports and confirmations for Broker-Dealers;
 - 4) publishing and delivering information regarding the settlement of Securities transactions in the Central Securities Depository;
 - 5) Securities lending;
 - 6) management of pledged Securities;
 - 7) management of orders or instructions from Broker-Dealers;
 - 8) automation of book-keeping, or
 - 9) distributing information regarding the value and volume of Securities transactions.
 - c. select from the following systems the one that best describes the system to guarantee the continuity of Central Securities Depository 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 Central Depository, 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 Central Depository be stored and what kind of contract was made to obtain such place?
- f. who will be responsible for installing and using the computer system of the Central Depository and what is the experience of such persons?
- g. who will be responsible for planning and installing the physical security system of the Central Depository and what is the experience of such persons?
- h. does the Central Depository intend to open branches, and if so, when and how will they be connected with the Central Depository operations with regard to 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 persons?
- j. who will be responsible for auditing and internal controls for the Central Depository, and what is the experience of such persons?

6. Economic Rationale for establishing the Central Securities Depository

- a. have the operational and financial plans of the Central Securities Depository, including fees and other expenses been disclosed and sent in writing to Securities Companies or other related institutions using its services?

yes no

If the answer is “yes”, attach the supporting documents.

- b. have the Clearing Guarantee Institution, members of the Securities Exchanges, Issuers, Securities Administration Agencies, or other Capital Market participants that received the written notification, agreed to use the Central Securities Depository 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 Central Securities Depository and the cost of providing such services by the prospective users for themselves?

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.C.1-1

Attachment : 3

STATEMENT LETTER

(Made by Directors or Commissioners of the Central Securities Depository)

The undersigned:

1. Name :.....
2. Home Address:.....
.....
(Name of Street and Number)
..... -□□□□□
(City and Zip Code)

as a of the Central Securities Depository: Ihereby state my Affiliation with the Persons mentioned below:

Name of Affiliated Person	Type of Affiliation
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If there is a change in Affiliation between me and the Persons named above, I will report it, within 3 (three) work-days to Bapepam and the directors of the Central Securities Depository.

.....,
PT.....

stamp duty

(Full Name)
President Director/Director

FORM NUMBER: III.C.1-2

Attachment : 2
Rule Number : III.C.1

Number : S- Jakarta,.....19..
/PM/19...
Enclosure :
Subject : **Notification of Missing Data in the Application for a Business License as a
Central Securities Depository**

To:
.....
.....

At –
.....

Referring to your letter numberdated regarding
, 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 of Bapepam;
 2. Heads of Bapepam Bureaus.

FORM NUMBER: III.C.1-3

Attachment : 3
Rule Number : III.C.1

Number : S- /PM/19... Jakarta,.....19..
Enclosure :
Subject : **Rejection of the Application for a Central Securities Depository Business License.**

To:
.....
.....

At –
.....

Referring to your letter number : dated regarding, 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.C.1-4

Attachment : 4
Rule Number : III.C.1

DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET SUPERVISORY AGENCY

NUMBER: KEP /PM/199...

**CONCERNING
GRANTING A BUSINESS LICENSE AS A
CENTRAL SECURITIES DEPOSITORY**

TO

(NPWP: □.□□□.□□□.□-□□□)

CHAIRMAN OF THE CAPITAL MARKET SUPERVISORY AGENCY,

- Reading : Application for a business license as a Central Securities Depository from:
..... Number:dated
- Considering : that your application has met the requirements established for granting a
business license as a Central Securities Depository.
- 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 Central Securities Depository.

HAS DECIDED:

To Enact : **DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET
SUPERVISORY AGENCY CONCERNING GRANTING A
BUSINESS LICENSE AS A CENTRAL SECURITIES
DEPOSITORY TO**

Article 1

Granting a business license as a Central Securities Depository to with the
headquarters in

Article 2

This decision is effective as of the date stated.

Article 3

If this decision is found to be defective, it will be corrected.

Issued in : Jakarta
on :

CAPITAL MARKET
SUPERVISORY AGENCY
Chairman,

.....
NIP

cc:

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