

RULE NUMBER III.A.3: COMMISSIONERS AND DIRECTORS OF SECURITIES EXCHANGES

Attachment

Decision of the Chairman of Bapepam

Number : Kep-05/PM/2001

Date : March 8, 2001

1. GENERAL

- a. Securities Exchanges must have at least 3 (three) commissioners and 3 (three) directors.
- b. In the case where Securities Exchanges have more than 3 (three) commissioners and 3 (three) directors, the total number of commissioners or directors must be odd.

2. REQUIREMENTS FOR CANDIDATES FOR COMMISSIONERS OR DIRECTORS

- a. Candidates for commissioners or directors of a Securities Exchange must meet the following requirements:
 - 1) be individuals who have Indonesian citizenship and are legally competent;
 - 2) have never been declared bankrupt or been the directors or commissioners who were responsible for causing a company to go bankrupt;
 - 3) have never been found guilty of a criminal act;
 - 4) have never committed a disgraceful act in the Capital Market in particular and in the financial sector in general;
 - 5) have a good character and morals;
 - 6) have Capital Market expertise;
 - 7) have never been involved in a material violation of the Capital Market law and regulations.
 - 8) have a good understanding and good vision of the Capital Market law and regulations; and
 - 9) be committed to the development of Securities Exchange and the Indonesian Capital Market in general.
- b. In addition to the requirements in letter a above, candidates for commissioners must fulfill the following requirements:
 - 1) In the case where there are 3 (three) commissioners:

- (a) 1 (one) candidate must have experience as a director and has been in management position one level below director in a Securities Company for at least 5 (years)
 - (b) 1 (one) candidate must have experience as a director for at least 5 (years) in an Issuers or a Public Company listed in Securities Exchanges where the securities of the Issuers or the Public Company are listed; and
 - (c) 1 (one) candidate must have been in management position of a capital market institution or been a professional in the field of law, accountancy, or finance who has actively practiced in the capital market for at least 5 (five) years, or must have been in director position of an organization authorized by Capital Market Law to regulate its own activities; and
- 2) In the case where there are 5 (five) commissioners:
- (a) 2 (two) candidates must have experience as directors and have been in management position one level below director in a Securities Company for at least 5 (years);
 - (b) 1 (one) candidate must have experience as a director for at least 5 (years) in an Issuers or a Public Company listed in Securities Exchanges where the securities of the Issuers or the Public Company are listed;
 - (c) 1 (one) candidate must have been in management position of a capital market institution for at least 5 (five) years, or been in director position of an organization authorized by Capital Market Law to regulate its own activities; and
 - (d) 1 (one) candidate must have been a professional in the field of law, accountancy, or finance which has actively practiced in the capital market for at least 5 (five) years; and
- 3) In the case where there are 7 (seven) commissioners:
- (a) at least 3 (three) candidates must have experience as directors and have been in management position one level below director in a Securities Company for at least 5 (years);
 - (b) at least 1 (one) candidate must have experience as a director for at least 5 (years) in an Issuers or a Public Company listed in a Securities Exchange where the securities of the Issuers or the Public Company are listed;
 - (c) at least 1 (one) candidate must have been in management position of a capital market institution for at least 5 (five) years, or been in director position of an organization authorized by Capital Market Law to regulate its own activities; and

- (d) at least 1 (one) candidate must have been a professional in the field of law, accountancy, or finance who has actively practiced in the capital market for at least 5 (five) years; and
 - 4) Two or more candidates for commissioners must not be from the same company or from 2 (two) or more companies controlled either directly or indirectly by the same Party.
 - c. In addition to the requirements in letter a above, candidates for directors must fulfill the following requirements:
 - 1) In the case where there are 3 (three) directors:
 - (a) at least 2 (two) candidates must have experience as directors or been in management position responsible for decision making in a company conducting business in finance for at least 5 (years); and
 - (b) candidate not fulfilling requirement referred to in letter a) above must have experience in management position in a capital market institution or in management position of at least one level below director in an organization authorized by Capital Market Law to regulate its own activities for at least 5 (five) years;
 - 2) In the case where there are 5 (five) or 7 (seven) directors:
 - (a) at least 3 (three) candidates must have experience as directors or in management position responsible for decision making in a company conducting business in finance for at least 5 (years); and
 - (b) at least 1 (one) candidate must have experience in management position in a capital market institution or been in management position of at least one level below director in an organization authorized by Capital Market Law to regulate its own activities for at least 5 (five) years;
- 3. **PROCEDURES FOR PROPOSING CANDIDATES FOR COMMISSIONERS OR DIRECTOR OF SECURITIES EXCHANGES**
 - a. Candidates for commissioners or directors of a Securities Exchange must be nominated by a group of at least 10 (ten) members of the Securities Exchange that have met the following conditions:
 - 1) the ten or more members of the Securities Exchange must together have executed Securities transactions amounting to at least 10% (ten percent) of the total number of and of the total value of Securities transactions on the Securities Exchange during the last 12 (twelve) months; and
 - 2) each of the Exchange members must have executed Securities transactions amounting to at least 0.2% (zero point two percent) of the total number and of the total value of Securities transactions on the Securities Exchange during the last 12 (twelve) months; and
 - b. Candidates for commissioners of the Securities Exchange must be nominated by a group of Securities Exchange members that fulfill the same requirements referred to in letter a above and those responsible for the selection of such candidates must

examine carefully their expertise and experience to fulfill the responsibilities as a commissioner in accordance with item 5 of this rule and determine or recommend their compensation by considering the suggestion from Remuneration Committee referred to in item 6 letter c of this rule (if any).

- c. Candidates for directors of the Securities Exchange must be nominated by a group of Securities Exchange members that fulfill the same requirements referred to in letter a above and those responsible for the selection of such candidates must examine carefully their expertise and experience to fulfill each responsibility as a director in accordance with item 10 of this rule and negotiate or recommend the salaries and other benefits for each candidate for director of the Securities Exchange by considering suggestion from Remuneration Committee referred to in item 6 letter c of this rule (if any).
- d. A group of Securities Exchange members referred to in item 10 of this rule must submit to Bapepam the names of the candidates for commissioners or for directors along with their respective positions and responsibilities specified in letter a above and attach following documents:
 - 1) curriculum vitae of the candidates;
 - 2) a statement from each candidate stating that he/she has fulfilled the requirements referred to in item 2 letter a, item 2), item 3), item 4), item 7), and item 9) of this rule;
 - 3) an Identification Card from each of the candidates;
 - 4) a statement regarding the relationship or affiliation of the candidates with Securities Companies that are members of the Exchange or companies that have Securities listed on the Securities Exchange.
 - 5) a photocopy of diplomas and certificates of expertise that indicate the level of competence of the candidate (if any);
 - 6) a statement from each Person as the candidate for commissioner and director which contains, among other things,:
 - (a) willingness to be elected as a commissioner or a director responsible for each respective duties referred to in item 10 of this rule; and
 - (b) willingness to work within the structure with other commissioners or directors appointed by Shareholders General Meeting to implement Securities Exchange activities that are fair, orderly and efficient;
 - 7) a statement by each director not to have a position as a member of a board of directors or commissioners, or as an employee of another company, when elected as a director.
 - 8) a response to the questions in attachment 1 to this rule regarding the integrity of the candidate for commissioner or director using Form Number III.A.3-1;
 - 9) three (3) recent color photographs measuring 10 by 15 centimeters (post card);
 - 10) an explanation of the selection and examination process of candidates for commissioner from the group of Stock Exchange members including the

compensation package for a candidate who becomes the president commissioner or a member of the board of commissioners declaring how the process was carried out in a professional manner and not influenced by interests related to affiliations or interests other than those of the Securities Exchange in particular and the Capital Market in general;

- 11) an explanation of the selection and examination process of candidates for director from the group of Stock Exchange members including the negotiation of the salary and other benefits for candidates that become members of the board of directors declaring how the process was carried out in a professional manner and not influenced by interests related to affiliations or interests other than those of the Securities Exchange in particular and the Capital Market in general;
- 12) a statement from each candidate for director that makes clear that when the candidate for director becomes a director, he will not use Securities Exchange assets or engage in transactions and give any kind of benefits to Persons affiliated with other directors or commissioners of the Exchange.
- 13) a statement from candidates for directors declaring, among other things:
 - (a) willingness to not possess shares or to not be controller either directly or indirectly of Securities Companies during the term of office as the directors of the Securities Exchange; and
 - (b) willingness to not control either directly or indirectly Issuers or Public Companies and or not transfer shares of Issuers or Public Companies that they have 6 (six) months after their term of office expires.
- e. Submit the names of the candidates for Securities Exchange commissioners to the members of the Securities Exchange as provided in letter b or c above along with supporting documents as provided in letter d above in complete form to Bapepam no later than 24 (twenty four) days before the Shareholders General Meeting to appoint the commissioners of the Securities Exchange. In the event there are deficiencies then the proposal is considered to be resubmitted on the date the missing material is submitted.
- f. Bapepam will examine the proposed commissioners or directors by considering the requirements specified in items 2 of this rule and letter d above, and submit the list(s) of candidates who meet the requirements to the Securities Exchange, no later than 17 (seventeen) days before the Shareholders General Meeting.
- g. The board of directors of the Securities Exchange must send to the Exchange members the list(s) of candidates that is sent by Bapepam as referred to in letter f above no later than 1 (one) working day after receiving the list of candidates.
- h. The announcement of invitation for the Shareholders General Meeting of the Securities Exchange must be made 14 (fourteen) days before the date of the invitation. The announcement shall contain the plan to elect commissioners or directors.
- i. The invitation for the Shareholders General Meeting shall be announced 14 (fourteen) days before the meeting is held after director of the Securities Exchange receives the list of the candidates for directors and commissioners that have fulfilled the requirements referred to in letter f above from Bapepam and all of the

documents regarding candidates for commissioners or directors that have fulfilled the requirements must be given to all of the members of the Securities Exchange before the Shareholders General Meeting and be available to the public.

4. PROCEDURES FOR ELECTING COMMISSIONERS OR DIRECTORS OF SECURITIES EXCHANGES
 - a. Commissioners of a securities exchange shall be elected and appointed from candidates with the most votes in the Shareholders General Meeting whereby the total number of commissioners is set according to the need of the securities exchange by considering the composition of commissioners referred to in item 2 letter b of this rule.
 - b. Commissioners with the most votes among the elected candidates referred to in letter a above shall be appointed as the President Commissioner.
 - c. Directors for each position referred to in item 10 of this rule shall be elected and appointed from candidates who have fulfilled requirements referred to in item 3 letter f of this rule, depending upon the most votes.
 - d. A candidate for director who has fulfilled requirements referred to in item 3 letter f of this rule, shall be appointed for one position only as referred to in item 10 of this rule.
 - e. A candidate that has been elected as referred to in letter c above shall have right to withdraw before appointed by Shareholders General Meeting
5. Board of commissioners must meet at least once a month and the meeting shall be chaired by president commissioner.
6. In conducting its daily activities board of commissioners may establish Audit Committee and Remuneration Committee with the requirements as follows:
 - a. The chairman of Audit Committee and Remuneration Committee shall be one of the commissioners.
 - b. Audit Committee shall have duty to offer independent professional opinion to board of commissioners regarding reports or other matters submitted by directors to board of commissioners as well as to identify matters that should come under attention of board of commissioners. Audit Committee must have expertise and experience in the field of law, accountancy, and finance.
 - c. Remuneration Committee is ad hoc committee established by board of commissioners to study and suggest compensation including its scheme for commissioners of a securities exchange or salary and other benefits for directors of a securities exchange by taking into account each director's position along with its duty, responsibility, and other generally accepted standards.
7. Commissioners of the Securities Exchange are to be given compensation in amounts that are proposed by the group of the Securities Exchange members as provided in item 3 letter b of this rule and by considering the proposal from Remuneration Committee as referred to in item 6 letter c of this rule (if any), before Shareholders General Meeting appoints the commissioners of the Securities Exchange.

8. The salaries and other benefits for the candidates for directors of the Securities Exchange referred to in item 3 letter c of this rule must be determined based on generally accepted standards for each position held by each director and in accordance with the duties and responsibilities of each director based on the expertise and experience of each candidate, by taking into account proposal from Remuneration Committee referred to in item 6 letter c of this rule (if any).
9. Compensation for commissioners of the Securities Exchange referred to in item 7 of this rule or salaries and other benefits to directors of the Securities Exchange referred to in item 8 of this rule that are proposed by the group of Securities Exchange members as referred to in item 3 letter a of this rule must be approved and decided by the Shareholders General Meeting.
10. Each director of the Securities Exchange shall be responsible for 1 (one) or more of the following duties:
 - a. The president director is responsible for coordinating the Securities Exchange activities particularly those that are related with public relations;
 - b. The director of operations is responsible for carrying-out supervision and coordinating daily activities of the director of trading, the director of membership, the director of listing, and the director of administration of the Securities Exchange as well as reporting to the president director;
 - c. The director of investigations is responsible for supervising activities of the investigation unit of the Securities Exchange as specified in Article 12 of Law Number 8 of 1995 regarding the Capital Market, and reporting to the president director, the president commissioner, and Bapepam
 - d. The director of trading is responsible for producing trading, clearing, and settlement rules for Exchange Transactions, making sure that transactions are all settled, including supervising trading activities and performing Exchange research and development activities, as well as reporting to the director of operations;
 - e. The director of membership is responsible for producing rules regarding membership and regulations, requiring membership reports, supervising members as well as overseeing training and education Exchange of members, and reporting to the director of operations;
 - f. The director of listing is responsible for making rules for listing and delisting Securities, creating standards of conduct for Issuers that are listed on the Exchange and Securities Administration Agencies, coordinating and supervising corporate action, overseeing the training and education of companies that are listed and Securities Administration Agencies, and reporting to the director of operations;
 - g. The director of administration is responsible for administrating and planning financial matters, controlling annual budget, administrating human resources, procuring information technology and administrating of the Exchange's building and equipment, as well as reporting to the director of operations.
11. The position of director of operations may only be concurrently assumed by the president director only.
12. The director of investigations is prohibited from holding more than one position as referred to in item 10 of this rule.

13. In the case where the board of directors deem that the director that holds one or more positions in which he/she is not capable of handling some duties of the concurrent positions, based on the results of directors' meeting, those duties can be transferred to another director deemed capable of handling them after acquiring approval from board of commissioners, Bapepam, and decided by Shareholders General Meeting.
14. Directors of Securities Exchanges must not have affiliation among themselves.
15. Directors of Securities Exchanges must not have shares or be controller either directly or indirectly of Securities Companies.
16. Directors of Securities Exchanges must not control directly or indirectly an Issuer or a Public Company. In the case where directors of Securities Exchanges have shares of an Issuer or a Public Company, those shares cannot be traded up until 6 (six) months after the director's term of office expires.
17. The term of office of directors and commissioners of the Securities Exchange is 3 (three) years, and they may be reelected for 1 (one) more term only. When a director or a commissioner is elected to replace a director or commissioner who resigned before his/her term expires, the Person is elected only for the remainder of the term of the former director or commissioner.
18. When filling the vacancy in the office of a director or commissioner who resigns before his/her term expires, or when an additional commissioner or director is needed, the proposed candidate must agree to cooperate with the existing commissioners and directors, and there must not be objection from the existing commissioners or directors.
19. A director of the Securities Exchange that is not serving as a director because of any reason may not receive a salary and other benefits from the Exchange other than severance payment and other rewards to the extent approved by the Shareholders General Meeting that elected him/her with the conditions that the amount of such payment and rewards must not exceed the amount of salaries for the remaining term.
20. The term of office of the directors of the Securities Exchange must expire at a different time than that of the commissioners.
21. The Shareholders General Meeting to elect the directors of a Securities Exchange must be chaired by the president commissioner of that Securities Exchange, or in his absence by one of the other commissioners.
22. The Shareholders General Meeting to elect the commissioners of a Securities Exchange must be chaired by the president director of the Securities Exchange, or in his absence by one of the other directors.
23. Commissioners of Directors of Securities Exchanges may be dismissed from their positions if the commissioners or directors, among other things:
 - a. lose their Indonesian citizenship or are not legally competent;
 - b. fail or are deemed not capable of handling duties or are permanently absent;
 - c. are declared bankrupt;
 - d. are found guilty of a criminal act;

- e. commit disgraceful acts in the Capital Market or in the financial sector;
 - f. do not possess good character and morals; and or
 - g. commit material violation of capital market laws and regulations.
24. With regard to the election of Securities Exchanges commissioners based on stipulations that are in this rule, stipulations referred to in item 3 letter a rule number V.A.1 regarding licensing of Securities Companies are exempted by the stipulations of this rule.
25. Upon the effectiveness of this rule, the Rule Number III.A.3 Attachment of Bapepam's Chairman Decree Number Kep-02/PM/1999 dated March 16, 1999 concerning Commissioners and Directors of Securities Exchanges is revoked.

Promulgated in Jakarta
Secretary,
Capital Market Supervisory Agency

Authorized in Jakarta
On March 8, 2001
Chairman,
Capital Market Supervisory Agency

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