

Press Release

<p style="text-align: center;">Indonesian Capital Market 23rd Anniversary August 10, 2000 Jakarta</p>

On August 10, 2000 Capital Market of Indonesia celebrates its 23rd anniversary of its reactivation since 1997. Capital market has also achieved a lot of improvement during those periods, nevertheless it is not such an easy way to achieve an orderly, fair, and efficient capital market, there are so many obstacles and formidable tasks to get through.

Indonesian capital market's ups and downs are reflected upon composite index (IHSG) fluctuation. We still remember when composite index dropped to 398,03 on December 1998 and bounced back to 600 at closing on December 1999. The composite index, again, experienced turmoil in line with the changes of our economic, social, and political condition in year 2000.

There are some note worthy points regarding Indonesian capital market development in the last twelve months, such as:

1. Law Enforcement

Law enforcement already become a main priority for Bapepam to generate conducive investment environment in Indonesian capital market. Bapepam has undertaken sustainable actions in order to create such environment, started with sanction imposed on violated market participants, up to, quality improvement of Bapepam's investigators. During the year 2000, Bapepam already has imposed fines of Rp 10,284 billions on 131 parties. Other sanction imposed by Bapepam on market participants is administrative sanction in forms of official warning, suspension, and license revocation.

2. Good Corporate Governance Principles Implementation

In order to implement good corporate governance principles, a public company is recommended to have an Audit Committee obliged to assist Board of Commissioners by way of providing independent professional opinions to promote management quality and to minimize mismanagement in a company. Furthermore, in respect to independent investors protection, public company is also recommended to have an independent Boards of Commissioners.

The importance of good corporate governance principles is also implemented with revision of Exchange Listing Rules. Moreover, issuers are bound to improve quality of transparency with respect to ensure public interest.

3. Scripless Trading

In achieving an efficient capital market, Indonesian capital market has reached a new chapter, with the implementation of Scripless Trading with clearing and exchange transactions guarantee settlement, and also Depository and Book-Entry Settlement System. Preliminary stage on scripless trading has already been performed on 4 (four) companies which are PT Multipolar, PT Dankos Laboratories, PT Suparma, and PT Sari Husada. Scripless trading and settlement is gradually implemented because it involves multitude parties and changes the cultural scrip trading to scripless trading.

In line with scripless trading, Bapepam issued rule No III.B.6 regarding Guarantee of Stock Settlement Exchange Transactions which is meant to ensure and to secure settlement exchange transactions. And also rule No III.B.7 regarding Guarantee Funds which regulate the necessity of market participants which performed securities trading to establish guarantee funds. It is expected that Guarantee Funds will nullify settlement failure of exchange transactions.

4. Enhancing Domestic Investor

Foreign investors predominated trading activity, lately, comes to its downturn in line with economic downfall and their declining trust. Consequently, domestic investors are expected to enhance their participation. However, Indonesian people's inadequate understanding of capital market becomes an obstacle to establish domestic investor as a backbone to our capital market.

Realizing the importance of the domestic investors participation, Bapepam with rule No V.D.8 concerning Securities Company Operation with Multiple Locations, which regulates Securities Company undertaking their business in other locations, encourages the dispersal of domestic investors. The rule is meant to provide a better protection for investors.

Jakarta Stock Exchange alongside with PT Danareksa issued Syari'ah Index to accommodate investors interest in investment which is based on Islamic syari'ah. It is expected that Syari'ah Index will arouse Islamic investor interest investing in our capital market investment.

Likewise, in relation with investor education program, Bapepam alongside with SROs, consistently, illuminate remote areas with Capital Market information.

5. Improving Securities Company Quality

To ensure investor protection, Indonesian capital market has successfully implemented rule No V.D.5 concerning Net Adjusted Working Capital (NAWC). Based on the rule, Clearing Member Securities Company, margin facility, or administer client's securities account should maintain a minimum requirement of NAWC in the amount of Rp 5 billion, and digitally reported on daily basis to Bapepam no later than 09:00 A.M. Bapepam has also issued rule No V.D.9

concerning Guidelines for Exchange Member Agency Agreements. The rule is meant to give legal certainty for investors, thus creating securities ownership dispersion. Besides, it is also meant to enhance the utmost capability of securities companies, which are not an exchange members, still involved to undertake its business in capital market by way of creating an agency agreement with Exchange Member to perform services for investors.

6. Developing Regional Economy

Optimizing capital market as an alternative source of funding, capital market anniversary could not be a better time for market participants to enhance regional economy. It is in line with the statement of Minister of Finance that authorized Regional Government to issue Municipal Bond in order to establish public source of funding to finance their regional development. More stipulations, which, especially, ensured investor protection needed to attract investment in Municipal Bond. A win-win solution is expected to benefit government, society, investors, and market participants.

7. Revision of Capital Market Regulation

In accordance to Guidelines of State Policy of 2000 and Law No 23 regarding Indonesian Central Bank, Bapepam, currently, conducts a study regarding the revision of capital market regulation. Revision of regulation on its essential matters includes Bapepam's organization modification and securities exchange demutualization. Based on Guidelines of State Policy, capital market is under the supervision of an independent institution. While financial services sector, based on Law No 23, is under the supervision of an institution which also supervised capital market. Regarding demutualization, securities exchange will not be owned only by its member but also owned by other parties.

Regardless of all the matters mentioned above, Bapepam, still, expects to embrace new ideas from all sides for the sake of this new Law completion that will, extensively, accommodate public interest.

Despite declining confidence on capital market condition, Bapepam and SROs and also other market participants take the advantage on such condition to reorganize activity mechanism of capital market as a whole.

The commitment from all sides, actively, to develop capital market is expected to encourage the achievement of a strengthened market infrastructure and to attain international quality standard that would meet the global challenge. Furthermore, market participants commitment is expected to create a capital market that would transform to an industry which benefited National Economy.