

ATTACHMENT

Decision of the Chairman of
Capital Market Supervisory Agency
Number : Kep-39/PM/2003
Date : October 31st, 2003

**RULE NUMBER III.E.1 : FUTURES CONTRACT AND OPTION ON
SECURITIES OR ON SECURITIES INDEX**

1. In this Rule, what is meant by:
 - a. Collateral is fund and or securities which can be used by Clearing and Guarantee Institution to settle a transaction determined on a contract or to settle an obligation of clearing members to Clearing and Gurantee Institution.
 - b. Futures Contract is an agreement which obligates a Party to buy or sell certain amount of Underlying at a certain price and in a certain time in the future.
 - c. Contract is Futures Contract or Option
 - d. Contract liquidation is the closing of Open Position of clearing member by Clearing and Guarantee Institution.
 - e. Option is a right that is owned by a Party to buy or sell certain amount of Securities at a certain price and in certain time.
 - f. Open Position is a Contract position for both selling and buying which has not been settled.
 - g. Offsetting transaction is a transaction conducted by a Stock Exchange Member to settle Contract which has opposite position, both selling as well as buying on the same contract.
 - h. Underlying is Securities, Securities Index, and a group of Securities or index of a group of Securities which is used as a base for Contract transaction.
2. Every Underlying that will be used as a base for Contract transaction shall meet the following requirements:
 - a. has obtained written approval from Bapepam;
 - b. has been selected based on a special research conducted jointly by Stock Exchange and Clearing and Guarantee Institution;
 - c. has obtained written recommendation from at least 10 (ten) Stock Exchange Members.
 - d. has a certain daily average price volatility for the last 1 (one) year; and
 - e. for Underlying in the form of a group of Securities or index of a group of Securities :

- 1) the Underlying comprises of at least 10 (ten) Securities;
 - 2) in the last 3 (three) years, the Underlying has an average contribution point or daily price for each Securities not exceeding 30 (thirty) percent of the total point or the price of related a group of Securities or index of a group of Securities
 - 3) for a group of Securities or index of a group of foreign Securities, the group of Securities or index of a group of foreign Securies has been traded in other country.
3. In the case where the Underlying to be used as a base for a Contract transaction is securities and the Contract will be settled by delivering the securities, the total amount of Securities in the Contract shall be equal with that of the Underlying.
 4. In order to obtain written approval from Bapepam referred to in article 2 point a above, Stock Exchange must submit a proposal to Bapepam which at least contain the following:
 - a. background and purpose of the Contract;
 - b. result of research on Underlying which support the fulfillment of the requirement in article 2 point d and e above;
 - c. system for trading, clearing, guaranteeing, settlement and risk management;
 - d. written approval from Clearing and Guarantee Institution; and
 - e. written approval from Stock Exchange Member referred to in article 2 point c above.
 5. In the case where Stock Exchange puts in more Securities or Securities Index to the Underlying, the Stock Exchange shall report the addition to Bapepam along with data which support the fulfillment of the requirements referred to in article 2 point d above and the fulfillment of Underlying qualification of related Stock Exchange.
 6. Stock Exchange and Clearing and Guarantee Institution shall determine certain parameter and conduct feasibility study on Underlying being traded at least once every 6 (six) months.
 7. Organization of Contract trading may only be conducted by a Stock Exchange which has obtained a business license from Bapepam.
 8. The Stock Exchange which organizes the Contract trading shall regulate the following matters:
 - a. specifications of Contract which include, among other things:
 - 1) type and period of the contract;
 - 2) required collateral;
 - 3) method of determing contract amount and multiplier number; and
 - 4) method of determing settlement price
 - b. qualifications of Underlying Securities;
 - c. requirements for Stock Exchange Member in conducting Contract transaction;
 - d. transaction mechanism;
 - e. general requirements for clearing and settlement of the Contract;

- f. surveillance on Contract trading shall follow the information concerning Underlying;
 - g. action taken with regard to Contract trading in the case where trading of its Underlying is suspended;
 - h. action taken with regard to Open Position in the case where Stock Exchange and the Clearing and Guarantee Institution fail to perform their functions;
 - i. obligation of Stock Exchange Member to conduct Offsetting Transaction or to transfer all Open Position to other Stock Exchange Member in the same Exchange day in the case where the former Stock Exchange Member is unable or considered to be unable to perform its function in the certain period; and
 - j. sanction imposed on Stock Exchange Member for rule violation.
9. Every formulation and or changes in Contract specifications by Stock Exchange shall consider the best interest of and obtain written approval from Clearing and Guarantee Institution.
10. The Stock Exchange that will conduct Contract trading shall release written information on the type of the Contract and announce it at least on 1 (one) daily newspaper in Bahasa and with national circulation at least 7 (seven) days before the transaction is started. The written information shall at least contain:
- a. specifications of Contract to be traded;
 - b. anticipated risks;
 - c. general description of Underlying, including Underlying price; and
 - d. method of determining the Underlying
11. Clearing, guarantee, and settlement of the Contract transaction can only be conducted by Clearing Guarantee Corporation which has obtained a business licence from Bapepam. In the case where the Contract settlement is done by delivering the Securities, the settlement of the Contract must involve Central Securities Depository which has obtained a business licence from Bapepam.
12. With regard to conducting clearing, guarantee, and the settlement of the Contract transaction, Clearing and Guarantee Institution must at least regulated the following matters:
- a. mechanism for clearing, guarantee, and the settlement of Contract transaction;
 - b. required Collateral and Collateral fund;
 - c. provision that Collateral submitted by Stock Exchange Member must be kept by Clearing and Guarantee Institution;
 - d. provision that Clearing and Guarantee Institution shall inform clearing member and Stock Exchange if the clearing member has suffered a loss from a Contract to an amount of 50% (fifty percent) of total Collateral that is kept in Clearing and Guarantee Institution, or if the loss reaches certain percentage based on analysis of guarantee risk; and
 - e. obligation of Clearing and Guarantee Institution to liquidate a clearing member's Contract if the clearing member has suffered a loss of more than 75% (seventy

- percent) of total Collateral that is kept in Clearing and Guarantee Institution, or if the loss reaches certain percentage based on analysis of guarantee risk.
13. In the case where Contract settlement is done by delivering Securities, the settlement procedure must follow the applicable rules of Clearing and Guarantee Institution and Central Securities Depository with respect to Exchange Transaction settlement on Underlying Securities.
 14. Apart from provisions in all applicable rules, Securities Company acting as Broker Dealer for the Contract must meet the following requirements:
 - a. prohibited from providing financing for client for the purpose of transaction settlement, as stipulated in Rule Number V.D.6 regarding Financing for Securities Transaction Settlement by Securities Companies for Clients;
 - b. inform clients if the client's Contract administered by the Security Company has suffered a loss to an amount of 50% (fifty percent) of the total fund administered by the Securities Company;
 - c. possess the authority to conduct offsetting transaction if the client's Contract administered by the Securities Company has suffered a loss of more than 75% (seventy five percent) of the total value of client's fund administered by the Securities Company;
 - d. must deliver every client's order via trading system which is provided by the Stock Exchange;
 - e. provide special account for Contract trading; and
 - f. obtain written approval from investor stated that the investor has understood every potential risks that might be encountered.
 15. By no means undermining criminal stipulation in capital market, Bapepam may impose sanctions on any violations of this rule, as well as on any Person that causes the violation to occur.

Enacted in : Jakarta
Date : October 31st, 2003
Chairman of Capital Market Supervisory Agency

Signed

Herwidayatmo
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Based on the original document
Executive Secretary

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