

PRESS RELEASE

Role and Contribution of Market Participants to Combat Money Laundering Crime in Indonesian Capital Market

Jakarta, June 23rd 2003

I. Socialization of Know Your Client Principles

As an act of concern and show of support of all market participants to succeed the implementation of Law No.15 year 1992 concerning Money Laundering (Anti Money Laundering Law), on June 23rd 2003 Socialization of Know Your Client Principles held in Assembly Hall – Graha Niaga is attended by approximately 200 market participants mostly come from securities firms. The speakers for this event are Herwidayatmo – Chairman of Indonesian Capital Market Supervisory Agency (ICMSA); Yunus Husein - Chief of Indonesian Financial Transaction Reports and Analysis Centre (INTRAC); Jacob S Frenkel - business-law practitioner and former official and senior investigator of US Securities and Exchange Commission (US SEC); and Arys Ilyas - Director of Transaction and Market Institutions Bureau of ICMSA.

In his opening speech, Chairman of Bapepam, expresses that Indonesia as part of International Finance Society has responsibility to maintain the stability of a sound, dynamic, and integrated global financial system. One of efforts to make this happened is by combating money-laundering practices in financial industry in each country. As regards, Herwidayatmo stresses the crucial matter of having Anti Money Laundering Law supported by all market participants particularly Securities Firms through good understanding of the law and earnestly and consistently implement all the regulations concerns with the Know Your Client Principles, in particular Bapepam Rule No. V.D.10 concerning Know Your Client Principles, a perfected rule of prevailing Bapepam Rule No. V.D.3 concerning Internal Control and Book Keeping of a Securities Firm.

Herwidayatmo also warns that the Anti Money Laundering (AML) Law jurisdiction covers all individuals and business entities participated in Indonesian Capital market. Therefore, in order to successfully rid of money laundering crime, within certain conditions, the AML Law will supersede confidential principles regulated in all prevailing Laws, including confidential principle of banks in national banking regulation system, and client confidentiality principle in Indonesian capital market regulation system.

The law also states new range of responsibilities for Financial Service Provider including Securities Firms and several other market participants. These responsibilities extend from administrative errands like data administration and

client identification, to reporting of suspicious transaction. With respect to maintain Indonesian Capital Market credibility and serious warning against those who neglect their responsibilities, Mr Herwidayatmo requests all market player to really understand and whole-heartedly implement all rules and its implementing regulation stated in AML Law.

Yunus Husein, Chief of INTRAC, in this event, explains all important point of AML Law for market participants need to know. He also gives several examples of typical modus operandi (M.O.) of money laundering such as placement, layering, and integration, and then he describes counter measures necessary for regulator and market participants to combat this crime. Some tehcnical matters concerning the role, function, and authority of INTRAC and other law enforcer like investigators, public prosecutors, and judges involved in court process of prosecution, investigation, and examination is also described clearly to participants. Towards the end, he mentions the neccessity to amend AML Law in order to combat effectively this white-collar crime.

Jacob Frenkel, acknowledged for his expertise in white-collar crime investigation in particular money laundering in US, shares his experience concerning strategy and indicator for a successful money laundering counter measure in capital market industry to the participants. He is now being stationed in Bapepam to assist Bapepam improving its employee with his knowledge of method and tehniue to detect and combat money-laundering crime in Indonesian capital market.

Arys Ilyas, Director of Transaction and Market institutions Bureau of Bapepam, give in-depth presentation of technical matters regulated in Bapepam Rule No. V.D.10 concerning Know Your Client Principle. He said the Know Your Client Principle is not a new thing in Indonesian capital market because it has already been covered in Bapepam Rule No. V.D.3 concerning Internal Control and Book Keeping of a Securities Firm. Nevertheless, he also reminds that with the enactment of AML Law, implementation of those principles has to be more consistent, and should conform to all provisions regulated in AML Law and its implementing rule, especially matters that are related with the requirement to report any suspicious transaction to INTRAC. In the end of his presentation, Arys Ilyas asks all market participants for their idea and input to support the enactment of the new rule No. V.D.10, which will begin effective on July 15th 2003.

II. SURVEY ON SECURITIES FIRM COMPLIANCE TOWARD BAPEPAM RULE NO V.D.10

Prior to socialization mentioned previously, on June 19th 2003, Bapepam team comprising 50 officials/employees conducted simultaneously survey to 183 Securities Firms located in Jakarta to find out compliance level of Securities

Firms toward the enactment of Bapepam Rule No. V.D.10 concerning Know Your Customer Principles on July 15th 2003.

The survey was carried out on the spot at offices of Securities Firm and the team asked Directors of Securities Firms to answer 20 questions, and these are the results:

- a. 78% of all the Securities Firms has already knew about the Law No. 15 year 2002 concerning Money Laundering Crime
- b. From those Securities Firms, this following information is collected:
 - 1) 90% of the Securities Firms has already made organizational and infrastructural preparation to comply with stipulations stated in AML Law;
 - 2) 90% of the Securities Firms have already established written policies and procedures for accepting client;
 - 3) 88% of the Securities Firms have already established written policies and procedures for client identification;
 - 4) 86% of the Securities Firms have already established written policies and procedures for monitoring client's account and transaction;
 - 5) 84% of the Securities Firms have already established written policies and procedures for risks management;
 - 6) 84% of the Securities Firms have already made verification and identification of documents submitted by potential client;
- c. 90% out of all the Securities Firms*) surveyed states their readiness to administrate all documents related to Bapepam Rule No. V.D.10.
- d. 80% out of total Securities Firms surveyed assert they have already owned information system capable of indetifying, analyzing, monitoring, and providing effectively report on characterized transaction.
- e. 60% out of total Securities Firms surveyed assert that they has already appointed certain personel incharged to handle client who exercises suspicious transaction;
- f. All Securities Firms surveyed assert their willingness to report any suspicious transactions to ICMSA and INTRAC;

*) The total of Securities Firms surveyed is 183 Securities Firms. After all answers verified, 21 is indetified to be doubtful therefore not included in tabulating process of survey result.

III. CLOSING

Base on survey result and enthusiasm of market players in the event of Socialization of Know Your Client Principle, we feel optimist in the readiness of market players toward the enactment of Bapepam Rule No. V.D.10 concerning Know Your Client Principle on July 15th 2003. Furthermore, it is expected that there is consistency from Securities Firms and market players to implement the rule, therefore it is hoped to give significant contribution to achieve ideal purposes of Law No 15 year 2002 concerning Money laundering Crime, including a bigger scale purposes, a collective effort to bail out Indonesia from the list of Non-Cooperative Countries or Territories in money laundering which is evaluated routinely by Financial Action Task Force on Money Laundering.

With no intention to diminish our faith in Securities Firms effort and honesty in answering the questionnaire, and also with no intention to lessen the authority and responsibility of Stock Exchange to supervise its members, Bapepam supervision on Securities Firms compliance with Bapepam Rule No. V.D.10, in particular, and other related Bapepam Rules will continue and be improved its quality time after time, in order to maintain integrity and credibility of Indonesian capital market in international perception.

Jakarta, June 23rd 2003

Herwidayatmo
Chairman of Bapepam