



# PRESS RELEASE

INVESTIGATION RESULT ON  
SHARE DIVESTMENT OF  
PT. INDONESIAN SATELLITE CORPORATION Tbk.  
BY  
STATE MINISTRY OF STATE-OWNED ENTERPRISE  
*(Investigation period: 23 May - 24 June 2002)*

**CAPITAL MARKET SUPERVISORY AGENCY  
MINISTRY OF FINANCE OF REPUBLIC OF INDONESIA  
2002**

Today on Tuesday, 2 July 2002, upon the accomplishment of investigation process by Bapepam Investigation Team, herewith Bapepam announces the investigation result

## **I. INTRODUCTION**

In order to follow up the result of share divestment of PT. Indonesian Satellite Corporation Tbk. (ISAT) which is owned by the Government of Republic of Indonesia and managed by the State Ministry of State-Owned Enterprise (Kementerian BUMN), Capital Market Supervisory Agency (Bapepam), on 23 May 2002, has released Formal Investigation Order No. SPRIN-22/PM/2002.

## **II. METHOD OF INVESTIGATION**

The investigation was executed using the following method:

1. On the Spot Investigation;
2. Interview Investigation; and
3. Documents review.

## **III. PERSONS INVOLVED**

In order to obtain accurate facts in connection to the alleged violation by Persons involved, Bapepam has performed a series of investigation to the following Persons:

1. On the Spot Investigation to:
  - a. PT. Danareksa Sekuritas;
  - b. Credit Suisse First Boston;
  - c. PT. Merrill Lynch Indonesia;
  - d. PT. Nusantara Capital; and
  - e. PT. ABN AMRO Asia Securities Indonesia.
2. Interview Investigation to:
  - a. PT. Danareksa Sekuritas;
  - b. Credit Suisse First Boston;
  - c. PT. Merrill Lynch;
  - d. PT. Nusantara Capital;
  - e. PT. ABN AMRO Asia Securities Indonesia;
  - f. PT. Indonesian Satellite Corporation Tbk;
  - g. Kementerian BUMN;
  - h. Directors of Jakarta Stock Exchange;
  - i. PT. Trimegah Securities Tbk;

- j. PT. Trimegah Asset Management;
  - k. PT. Jamsostek;
  - l. PT. Net Securities;
  - m. PT. Namalatu Ronesina;
  - n. PT. Semesta Indovest;
  - o. Makes & Partner Law Firm;
  - p. Milbank, Tweed, Hadley & McCloy LLP, Hong Kong;
  - q. Merrill Lynch Singapore; and
  - r. Reuters.
3. Confrontation Investigation between:
    - a. Mr. Agus Prodjosasmito and Mr. Helman Sitohang;
    - b. Mr. Jimmy Ganda, Mr. James, and Ms. Atty A. Abidin;
    - c. Mr. Jimmy Ganda and Ms. Atty A. Abidin.
  4. Documents review on 68 Securities Companies executing ISAT share transaction on 15 May 2002 with their business partner, PT Danpac Securities for the interest of PT. Jamsostek. Review was also performed on other necessary documents.

#### **IV. INVESTIGATION SCOPE AND BACKGROUND**

In order to give clear direction in the investigation process, Bapepam limited the investigation scope to as the following:

1. The investigation was performed independently in order to find out any evidence of capital market violation in the process of ISAT share divestment by Indonesian government. The independent investigation performed by Bapepam was based on Bapepam authority as stipulated in the provision of Article 100 item (1) of Capital Market Law.

Article 100 (1) Capital Market Law.

*“Bapepam may initiate a formal investigation of any Person suspected of violating or being involved in a violation of Capital Market Law and/or its implementing regulations.”*

2. A complete conclusion and the type of violation suspected in the investigation was taken merely based on investigation result performed by Bapepam Investigation Team. This is in line with elucidation of Article 100 (2) Capital Market Law.

Elucidation of Article 100(2) Capital Market Law.

*”When making an investigation, Bapepam may request information and corroboration from any Person suspected of violating or*

*participating in a violation of Capital Market Law and its implementing regulations....”.*

3. In relation to the authority of imposing sanction, Bapepam has prioritized constructive aspect as far as it is still based on rules and regulations of capital market law.

Except for the decision to execute criminal investigation, Bapepam imposed administrative sanctions by considering constructive aspect on Persons suspected violating rules and regulations in accordance to the elucidation of Article 102 (1) of Capital Market Law.

Elucidation of Article 102 (1) of Capital Market Law.

*“In applying administrative sanctions as mentioned in Article 102 (1) Bapepam needs to consider the constructive aspects of sanctions with respect to the Person concerned.”*

## **V. FACTS**

Based on the accomplished investigation result, Bapepam attained findings and facts, which can be chronologically presented as follow:

1. On 14 December 1998, ISAT has performed Extraordinary Shareholder Meeting (ESM) which approved to issue authorized shares and/or published converted bonds and/or warrant and/or other securities without performing Limited Public Offering to its shareholders;
2. Until now, the ESM approval as mentioned in item 1 has not been realized by ISAT management;
3. ISAT share divestment by Indonesian Government has been executed on 16 May 2002, in which Kementerian BUMN had executed ISAT share selling as many as 83.5 million shares with the price of Rp 12,000 per share, lower than the planned target, which was 117.2 million shares;
4. In the divestment process executed by Kementerian BUMN, PT. Danareksa Sekuritas (OD) acted as the financial advisor. The letter concerning the matter was issued by the Minister of Finance on 17 May 2001 with its reference no. S-297/MK.05/2001 concerning the appointment of PT. Danareksa Sekuritas and PT. Bahana Securities. Credit Suisse First Boston International (CSFB) was appointed as the International Financial Advisor following the beauty contest phase by OD;
5. Prior to the ISAT share selling execution by the Indonesian Government on 16 May 2002, there was public uncertainty regarding the matter, which then caused very significant ISAT share price fluctuation in Jakarta Stock Exchange (JSX). JSX had attempted to prevent ISAT share to fall down through suspension, as requested by Kementerian BUMN and OD to Bapepam, JSX and Surabaya Stock Exchange (SSX);

6. ISAT had planned to do a corporate action in a form of capital increase as approved by the ESM. Beside that, ISAT had also and would do several other corporate actions as follow:
  - a. To buy 25% of PT. Satelindo shares owned by De Te Asia Holding GMBH (DT);
  - b. To issue bonds;
  - c. To do cross transaction between ISAT and PT. Telkom; and
  - d. To do corporate action on PT Satelindo which is the subsidiary of ISAT.
7. In connection with the purchase of PT Satelindo shares owned by DT, Bapepam Investigation Team found that there had been an attempt of misleading information delivering with regard to the purchasing fund source. The fact analysis of the matter is as follow:
  - a. ISAT public announcement or press conference on 15 May 2002 evening, informed that the purchasing payment of PT Satelindo shares owned by DT was derived from the combination of:
    - (i) Issuance of new shares;
    - (ii) Debt instrument issuance; and
    - (iii) Company internal funds or company cash.
  - b. Based on ISAT meeting minutes, it was revealed that the purchasing payment of PT Satelindo shares owned by DT was derived from several sources, i.e.:
    - (i) Issuance of new shares;
    - (ii) Debt instrument issuance; and
    - (iii) Company internal funds or company cash.
  - c. Based on ISAT management statement to Bapepam Investigation Team, the ISAT public announcement through mass media was based on meeting between ISAT and Kementerian BUMN on 15 May 2002 morning which confirmed that Indonesian Government agreed on the issuance of new shares, on the condition, it would be executed after the ISAT share divestment by the government;
  - d. Based on Mr. Habimono Koesoebjono's (Financial and Administrative Director of ISAT) statement it was revealed that actually the first phase of the purchasing of PT Satelindo shares owned by DT with the value of US \$65 million were sufficiently covered by ISAT internal funds without necessarily issuing any new share;
  - e. Mr. Hari Kartana, as the president director of ISAT, informed Bapepam that the term *combination* should be corrected to *alternatives* because there were no definite confirmation of corporate action execution in ISAT. On the other hand, the purchase of PT Satelindo shares was an obligatory.

- f. Based on the above facts, it can be analyzed that:
- (a) There was inconsistency of term between “combination” and “alternatives” used in ISAT announcement and meeting minutes of ISAT management. The two terms created different meanings, which further will influence the investment decision of investors;
  - (b) ISAT announcement on 15 May 2002 implicitly stated that ISAT would immediately issue new shares as many as 54.5 million shares to finance the purchasing of PT Satelindo shares owned by DT. according to ISAT management statement, ISAT did the action since Indonesian Government has requested ISAT to execute the purchasing of PT Satelindo shares owned by DT. The government also asked that the purchasing process should be accomplished before the end of June 2002;
  - (c) The result of ISAT announcement, which was published nearly at the same time as the government announcement regarding the government divestment over ISAT shares, caused the domestic investors to retrieve their intention to buy ISAT shares through government divestment. They preferred to wait for the issuance of 54.5 million new shares by ISAT. This fact was supported by the following evidences:
    - (i) ISAT shares price declined during the divestment period,
    - (ii) The selling target of ISAT shares owned by the government, which was 11.32%, was not achieved as planned,
    - (iii) Domestic investors, except PT Jamsostek and OD, had low interest to buy ISAT shares offered by Indonesian Government through divestment process.
  - (d) Until the press release is published, ISAT management has not yet issued the 54.5 million new shares as announced on 15 May 2002;
  - (e) Beside information mentioned in item (c) above, announcement published by ISAT was proven had influenced public investment decision over ISAT shares. The influences may be described as follow:
    - (i) On 15 May 2002, Kementerian BUMN announced a plan of selling 11.32% or 117.2 million of ISAT shares;
    - (ii) On 15 May 2002, ISAT published an announcement related to the purchasing funding of PT Satelindo shares owned by DT;
    - (iii) On 16 May 2002, *Reuters* published the buying target of ISAT shares by Kementerian BUMN in the amount of Rp. 1.4 trillion;
    - (iv) Announcement which stated that the funding was derived from the combination of corporate actions had a meaning that the

purchasing of PT Satelindo shares owned by DT would be executed by ISAT after it has executed some corporate actions, one them was the ISAT new shares issuance;

(v) The announcement regarding the purchasing of PT Satelindo shares owned by DT implicitly indicated that there would be an immediate ISAT new shares issuance;

(vi) There were relationship between such events as follow:

- The releasing of news by Reuters concerning the target selling income of 11.32 % ISAT shares in the amount of Rp. 1.4 trillion. It can be analyzed that ISAT share price was predicted to be Rp. 11,950 for each share. Meanwhile, on the same day, the ISAT share price in JSX was around Rp. 12,600 to Rp. 13,200;
- ISAT announcement was in connection with the purchasing of PT Satelindo shares owned by DT. It can be analyzed that there would be new shares issuance by ISAT. It means that the share owned by public prior to the ISAT new shares issuance would be diluted after the new share issuance;

(vii) Both the announcement and the news regarding the income target released by Kementerian BUMN and Reuters concerning the ISAT share divestment execution as well as the announcement released by ISAT concerning the purchase of PT Satelindo shares owned by DT had significant relation and effect. The analysis of such effect is as follow:

- Announcement by Kementerian BUMN and Reuters release effected investor analysis on ISAT share price;
- ISAT announcement concerning the purchase of PT Satelindo shares owned by DT influenced the public prediction that there would be new shares issuance by ISAT;
- Kementerian BUMN announcement, Reuters release, and the announcement regarding the purchasing of PT Satelindo shares owned by DT then caused the selling of ISAT shares by investors;
- There were price declining, price stabilization by OD, as well as suspension by JSX; and
- Public then preferred waiting for the execution of ISAT new share issuance which was predicted to be done shortly after the ISAT share divestment by the government.

8. In connection with the execution of some ISAT corporate actions as mentioned above, there were misunderstandings with regard to the

appointment of ISAT financial advisor. It was reflected by the following evidences:

- a. There were statements from ISAT management to Bapepam that PT Mandiri Sekuritas (CC) was never been appointed as financial advisor of several ISAT corporate actions;
  - b. There was a statement from CC to Bapepam that CC was the authorized financial advisor of ISAT;
  - c. From legal point of view, the legitimacy of agreement document was questionable, with regard to:
    - (i) The Persons signatures;
    - (ii) Mandate scope;
    - (iii) Dates; and
    - (iv) The physical difference of documentation possessed by each Person.
  - d. The submission of agreement document concerning the appointment of CC as ISAT financial advisor was without prior review concerning the legitimacy of the document;
  - e. There were different statements between the directors of ISAT concerning the procedure and the authority of ISAT financial advisor appointment;
  - f. There was a strong indication of power abuse by some directors of ISAT in connection with the execution of corporate actions, especially the purchasing of PT Satelindo shares owned by DT;
  - g. There were no proper coordination among members of ISAT management in connection with corporate actions, especially the purchasing of PT Satelindo shares owned by DT;
  - h. The joining of PT Merrill Lynch Indonesia (ML) in several discussions between ISAT and CC. ML stated that it was requested by CC to assist in the execution of ISAT corporate actions. There was no certain agreement between CC and ML, which states that ML is a Person, involved in the ISAT corporate action process.
9. In connection with the ISAT corporate action process, there had been several meetings among the above-mentioned Persons, including a meeting held in Singapore on 8 May 2002. Based on ML statement with regard to the meeting on 7-8 May in Ritz Carlton Hotel Singapore, several facts were obtained:
- a. Merrill Lynch in Singapore (MLS), which was in the same group with ML, had advised that the ISAT share divestment by Indonesian Government and the ISAT new share issuance be conducted at the same time. MLS analysis is as follow:
    - (i) If they were not conducted at the same time, it would produce unfavorable result; and

- (ii) If the two events were not conducted at the same time, it would influence ISAT share price.
  - b. There was a contradiction of analysis between Merrill Lynch and government financial advisor regarding the divestment process, especially whether the ISAT share divestment by Indonesian government and ISAT new share issuance should be conducted concurrently or at different time;
  - c. Merrill Lynch's above suggestion was not approved by the meeting on 15 May 2002 and Merrill Lynch had informed the matter to Merrill Lynch of Hong Kong and Singapore.
10. In connection with ISAT share divestment process owned by Indonesian Government, it was proven right that a representative from CSFB (Mr. Helman Sihotang/HS) and a representative from PT Nusantara Capital (Mr. Agus Prodjosasmito/AP) held a discussion regarding the ISAT share divestment conducted by Kementerian BUMN. AP is the advisor of PT Nusantara Capital (NC);
11. In connection with ISAT share divestment process, it was agreed by Persons involved that OD would act as Person offering ISAT shares to domestic investors and CSFB would act as Person offering ISAT shares to international investors;
12. There were facts that;
- a. AP and AH had ever met to discuss the ISAT share divestment by Indonesian Government;
  - b. AP and HS had engaged in telephone conversations several times discussing the ISAT share divestment by the Indonesian Government; and
  - c. AP and HS had consciously understood each Person's position, in term that:
    - (i) NC and CSFB had not been registered with Bapepam to engage in Indonesian Capital Market activities; and
    - (ii) Based on agreement between OD, CSFB, and Kementerian BUMN, CSFB was appointed as international financial advisor conducting ISAT share selling to foreign investors.
13. Mr. Robby Christian Winarta (RCW) from CSFB, who was a staff of HS, on 16 May 2002 purposely sent the tentative timetable of ISAT share divestment execution to Ms. Atty A. Abidin (AA) who was a staff of NC. The document was sent right after AA and RCW made a telephone conversation;
14. The above-mentioned document, which was sent by fax, was a confidential document that was sent to a third Person, NC, because (based on RCW confession) he has been informed by AA that AP had directly asked HS (there had been a conspiracy);
15. Based on several discussions and the copy of timetable that had been sent, NC assumed that CSFB has given authority to NC to do the offering in order to

gather data on investor intention in buying ISAT shares. It was then followed up by producing order forms. The NC name and names of contact persons, i.e. AA and Mr. Jimmy Ganda were put on the order forms;

16. Mr. Jimmy Ganda (JG) was the salesman of PT Namalatu Ronesina (LH). The JG assignment letter as employee was signed by Director LH on 3 June 2002. NC was recorded as an institutional client of LH;
17. Based on confrontation investigation, both JG and AA were proven aware of and consciously putting their names on the order forms;
18. On 15 May 2002 there was a meeting in Kementerian BUMN Office, which discussed the ISAT share divestment and ISAT new share issuance program. The meeting were attended by Financial Advisor of Kementerian BUMN, CC, and ML;
19. The meeting was divided in three phases, morning, afternoon and evening. The evening meeting were attended by ISAT representatives, CC, and ML. ML was introduced by CC as its financial advisor. There was a statement from ISAT management saying that ISAT was not welcoming ML attendance in the meeting;
20. On 16 May 2002, ML conducted ISAT share selling as many as 4,135,500 sheets from 2 (two) of its clients namely Merrill Lynch Pierce, Fenner and Smith Inc. (MLPFNS) (3,535,500 sheets) and Merril Lynch International (MLI) (600,000 sheets) with the total trading volume 39.48% from the entire ISAT share transaction on 16 May 2002;
21. In connection with possibility of insider trading in ISAT share trading, Bapepam Investigation Team has found some relevant facts as follow:
  - a. ML was involved in several meetings and discussions concerning ISAT corporate actions;
  - b. There was an affiliation between CC and ML since CC was confirming itself as ISAT financial advisor and held information regarding ISAT corporate actions;
  - c. CC stated that it was true that CC had asked ML's assistance orally to seek for a position as ISAT financial advisor in ISAT corporate actions;
  - d. There was ML analysis stating that ISAT share divestment and corporate actions that were conducted concurrently or at different time might influence ISAT share price;
  - e. There was a decision to separate the time of ISAT share divestment and corporate actions on ML's knowledge on 15 May 2002; and
  - f. There was ISAT share selling transaction by ML on 16 May 2002.
22. Until now, Bapepam is still conducting investigation with regard to beneficial owners in connection with ML's transaction conducted by ML on 16 May 2002. This action is necessary since according to the law, in order to prove

that there is an insider trading violation, the case must fulfill the following factors:

- a. There is inside person;
  - b. There is inside information; and
  - c. There is a transaction executed based on inside information.
23. In connection with a suspicion of misleading information regarding ISAT share divestment by Indonesian Government and ISAT corporate actions, Bapepam investigation Team has found some relevant facts, as follow:
- a. A Person from Kementerian BUMN, because of his carelessness, had informed a material information misleadingly. The information published was related to:
    - (i) The target fulfillment of divestment income, and
    - (ii) A suspicion that there was an insider trading conducted by a certain Person.
  - b. Reuters released news regarding the ISAT privatization by the government in the amount of Rp. 1.4 Trillion from 11.32% of ISAT shares owned by the Government;
  - c. There was no effort confirming ISAT new share issuance. This in fact caused public uncertainty with regard to ISAT corporate actions and ISAT share divestment process by Kementerian BUMN, which later resulted in ISAT share suspension by JSX on 16 May 2002 (around 3.32 PM local time) when the share price reached Rp. 12,600.

## **VI. SANCTIONS IMPOSED BY BAPEPAM**

Based on facts and legal analysis mentioned above, and subject to provisions of Article 100, Article 101, and Article 102 of Capital Market Law, Bapepam decided to take legal actions on the involved Persons as follow:

1. Because of ISAT violation against Article 93 Capital Market Law, and considering the evidences collected with regard to the violation conducted by ISAT mentioned above, the case was upgraded to criminal investigation;
2. Based on elucidation of Article 100 Item (2) stating that:

*“Whenever Bapepam believes that a violation of Capital Market Law or its implementing regulations has damaged Capital Market interests and/or has placed property of investors or the public in jeopardy, Bapepam may initiate a criminal investigation.”*

And considering facts in relation with NC and CSFB mentioned above, although there was no harm endangering the capital market system, or investor and public interests caused by actions taken by Persons working together with NC and CSFB, Bapepam, based on its authority, decided to impose sanctions to the Persons involved, with explanation as follow:

- a. Sanctions imposed were administrative sanctions as stipulated in Article 102 item (1) and (2) of Capital Market Law;
  - b. Bapepam considered that action conducted by CSFB was merely in connection with civil case (beyond capital market jurisdiction) between Persons involved in the agreement as financial advisor with regard to the ISAT share divestment execution. Therefore, Bapepam does not have any authority to impose any sanction to CSFB.
  - c. Nevertheless, if Bapepam later on finds there is any indication of breach by CSFB in Capital Market Law and its implementing regulations, Bapepam will proceed further investigation against CSFB;
  - d. Based on constitutional facts upon the involvement of several Persons working for NC in a case which was initiated since the beginning of ISAT share divestment process by Indonesian government, Bapepam considers facts that either burden or abate NC's case as follow:
    - (i) There was a strong indication that NC and its coalition's act of offering ISAT share in ISAT share divestment process was because of strong persuasion of CSFB which did not have adequate ability to conduct selling transaction to foreign investors in expected amount;
    - (ii) Actions conducted by several Persons working for NC were not proven influencing the execution of ISAT's government-owned share divestment;
    - (iii) Actions conducted by several Persons working for NC were not proven influencing either ISAT share trading price in JSX or ISAT share offering price by Indonesian Government;
    - (iv) Actions conducted by several Persons working for NC, based on facts found in investigation process were caused by their unprofessional attitude in executing their business activities;
    - (v) NC had not been registered with Bapepam; and
    - (vi) Those who have registered with Bapepam should understand that their activities should only be executed by Securities Companies that have registered with Bapepam.
3. Considering the elucidation of provision of Article 102 item (1) of Capital Market Law, Bapepam herewith imposed sanctions to:
- a. AP;
  - b. AA;
  - c. RR; and
  - d. RS;

With administrative sanctions in the form of:

- a. Fines to AP in the amount of Rp. 100,000,000,000 (one hundred million rupiah);

- b. Fines to AA, RR, and RS in the amount of Rp. 50,000,000 (fifty million rupiah) each; and
- c. Ordered every Person that if within 60 (sixty) working days since the enactment of Bapepam sanctions they did not fulfill their obligation to pay fines, Bapepam would impose additional sanctions, with the following provisions:
  - (i) Prohibition to conduct any activity in Indonesian Capital Market; and
  - (ii) Prohibition to conduct any business relation in any form with Persons as mentioned in elucidation of Article 102 item (1) of Capital Market Law to conduct activity in relation with Indonesian Capital Market. Those prohibitions were imposed to AP for 2 (two) years and AA, RR, and RS for 1 (one) year since Bapepam statement that the Persons do not fulfill their obligation in connection with the sanctions enforcement by Bapepam.
- 4. Bapepam prohibited JG to conduct any activity in capital market for 5 (five) working days since he was proven having participated in an attempt of offering ISAT shares in ISAT's government-owned shares divestment;
- 5. Based on provision of Article 31, Bapepam imposed warning to LH as a form of Securities Companies responsibility upon its employees' misbehavior;
- 6. Bapepam opened the case of other Persons for further legal actions by authorized Persons for the civil case since it is beyond Bapepam's authority.

## **VII. OTHERS**

- 1. In connection with suspicion of insider trading, until now Bapepam still considers it necessary to execute investigation in relation with the possibility of ISAT share transaction based on inside information;
- 2. Until now, Bapepam still makes effort to obtain complete transaction data especially of foreign Persons or legal bodies that were proven executing ISAT share transaction;
- 3. In connection with above matter, Bapepam is making cooperation with overseas regulators based on IOSCO resolutions;
- 4. By publishing the investigation result to the public, it is hoped that anyone could give any information, facts, and evidences to Bapepam with regard to violation of ISAT share transaction.

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