



## EXECUTIVE SUMMARY

### PRESS CONFERENCE

"26 YEARS OF INDONESIAN CAPITAL MARKET REACTIVATION"

Jakarta, 11 August 2003

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Ladies and Gentlemen,  
Fellow journalists,

First of all, I would like to thank you all for being here, in our event "Press Conference of 26 years Indonesian Capital Market Reactivated".

We – Bapepam dan SROs – have each prepared our press conference documents, and at the moment are still being copied. We will distribute them to each of you before the Q&A session. In the documents we present the detail about the Indonesian capital market progress during the last 12 months, **from August 2002 until August 2003.**

In this occasion, The President Directors of each SROs and I will briefly present some highlight of the press conference, which, we believe, is an adequate material for our discussion in the Q & A session.

I would like to start our first highlight; Industry Regulation Sector.

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#### Industry Regulation Sector

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Ladies and Gentlemen,

In regulation sector, we have issued several regulations as follows :

1. Ministry of Finance Decree No. 179 Year 2003 regarding Share Ownership and Capital in Securities Company. This Decree is issued as a support to Government's Securities Restructurisation Program as declared in the beginning of this year – especially related to the agenda of securities company restructurisation.
2. 5 (five) new Bapepam Rules and 5 revised Bapepam Rules. The issuance of these rules intended not only to enhanced investor protection but also to accomodate the need of the market participants.

For comparison, the number of the new and revised rules issued in the latest 12 months have been slightly increased compared to those in the last period. From August 2001 until August 2002, Bapepam only revised 7 (seven) rules.

From January 2003 until present, the number of Bapepam rules issued are 8 rules, which consist of 3 new rules, 5 revised rules, and 1 Bapepam Chairman's Decree.

3. Bapepam Chairman's Decree regarding Future Contract of Securities Index as Securities. This decree was issued in order to provide legal certainty to all market participants, as well as for Bapepam to take the necessary legal action in monitoring the Securities.
4. As one of our continuous effort to enhance disclosure quality, Bapepam has issued Circular Letter No. SE-02/PM/2002 regarding Guidelines for the Preparation and Disclosure of Issuers and Public Companies in 13 Industry Sectors.
5. On 4 August 2003, Chairman of Bapepam and Minister of Agriculture of the Republic of Indonesia signed mutual decree, which reflect a commitment and seriousness from both institutions to take some firm actions in handling any illegal activity to absorb public fund; an activity which has been proven to be creating loss to the investor in the last two years.

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#### Litigation and Law Enforcement Sector

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In Law Enforcement Sector, Bapepam has completed the investigations toward 27 cases out of 39 cases processed in the last 12 months.

- a. Administrative Sanction in a form of **Penalty** amounting to Rp. 17.858.000.000,- for :
  - 168 Issuers with total penalty amounting to Rp. 12.243.300.000,-
  - 42 Securities Companies with total penalty amounting to Rp. 1.911.800.00,-
  - 26 other Parties with total penalty amounting to Rp. 3.877.900.000,-
- b. Administrative Sanction in a form of **Written Admonition** for:
  - 20 Securities Companies
  - 6 Securities Companies Representatives
  - 1 Notaries
- c. Administrative Sanction in a form of **Revocation of Business Licenses**, for :
  - 1 Underwriter
  - 1 Securities Companies
  - 2 Securities Companies Licensed as Investment Manager

In addition to that, in August 2003 Bapepam has completed the investigations of 6 cases related to the following parties :

- a. 4 (four) Issuers : PT Jakarta International Hotels & Debelopmen Tbk, PT Duta Pertiwi Nusantara Tbk, PT Central Korporindo International Tbk and PT Kopitime Dot Com Tbk.

- b. 1 (one) Securities Company : PT Ciptadana Sekuritas
- c. 1 (one) trading of PT Primarindo Asia Infrastructure Tbk (BIMA) shares case, which has been upgraded into criminal investigation

The complete report regarding the above information can be seen in the Press Release documents as attached.

Just for comparison, the law enforcement activity conducted by Bapepam in the last 12 months has been increased from those in the previous periode (from August 2001 until August 2002). In the previous period Bapepam completed only 19 cases out of 35 cases processed, and imposed sanction on 231 Parties, with total penalty amounting to Rp. 15,46 billion.

From January 2003 until present, the number cases completed is 6 cases, resulting on sanction on 80 Parties, with total penalty amounting to Rp. 6,29 billion.

Additionally, Bapepam is also in the process of investing several market manipulation cases; Securities Companies and Investment Manajer without licenses; violation of Bapepam Rule regarding Conflict of interest transaction, violation of Bapepam rule regarding Guidelines for the Preparation of Financial Statements; and violation of Bapepam Rule regarding Utilization of Funds Received from a Public Offering.

At this time Bapepam is being litigated by these two plaintiffs; PT Indocopper Investama Tbk.and Mr. Herwanto. The case is being appealed in the Supreme Court.

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#### Securities Issuance Sector, Licensing, Approval, and Registration

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In securities issuance sector, we have issued 173 efective letters for registration statements submitted to Bapepam amounting to Rp. 25,862 billion and US \$ 105 million, in the last 12 months.

Compared to those in the previous year, from August 2001 until August 2002, Bapepam issued only 74 effective letters amounting to Rp. 10,193 billion.

From January 2003 until present, Bapepam has issued 118 effective letter for the registration statements submitted to Bapepam, amounting to Rp. 19,5 billion and US \$ 105 million, as follow :

- a. 5 Shares Initial Public Offering, amounting to Rp. 2,2 billion;
- b. 7 Shares Offering with Pre-emptive Right, amounting to Rp.1,876 billion ;
- c. 32 Bond Offering, amounting to Rp. 15,437 billion;
- d. 2 Bond Offering in US Dollar amounting US \$ 105 million; and
- e. 72 Mutual Funds.

In licensing, approval and registration sector, Bapepam has completed and issued the following items in the same period :

- 10 business licenses;

- 1347 individual licenses, 80% of which are Investment Fund Selling Agent Representatives; and
- 1 approval for Custodian Bank.

Ladies and Gentlemen,

In addition to the above statistical progress, we have also noted that there are other areas that need our attention. Some of them are the significant increase of corporate bond issuances, and continuing increased of mutual funds issuances.

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### Indonesian Bond Industry Rebound

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During the last 12 months, there are bonds offering by 40 parties in Rupiah amounting to Rp. 18,387 billion, and bond offering in foreign currency amounting to US\$ 105 million. Total outstanding bond in the beginning of August this year is Rp. 34,5 billion – including 2 bonds in foreign currency.

There are also two relieving things that we must nevertheless pay close attention to is the fact that:

- the majority of outstanding corporate bonds belong to the “investment grade” category, which mean the bond is a suitable investment instrument with regards to the ability of the issuers to fulfill their obligations.
- the majority of the outstanding bond, which is 80% or amounting to Rp. 28 billion, will be matured between 2004 and 2008.

To keep the momentum, Bapepam, together with the Surabaya Stock Exchange and other market participants – especially appraisal and trustee, is determined to enhanced its infrastructure quality and monitoring activities toward all parties under its supervisory authority, to stabilize the Indonesia debt securities industry in Indonesia.

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### Grand Strategy for the Stability & Sustainibility of Indonesian Mutual Fund Industry

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Ladies and Gentlemen,

Continuing its increase in 2002, Indonesia mutual fund industry – especially fixed income mutual fund – still have a significant increased in the first semester of 2003; NAV increased from Rp. 51 billion in January 2003 to Rp. 68,35 billion in the end of June 2003, or an 25,38% increase in that reletively short periode.

On one hand, this phenomena is of course a happy news for all of us, on the other hand, it also creates new challenges for the regulator as well as the market participants to keep and maintain stablility and sustainability of the industry development.

As a respond to the chalenges, Bapepam, supported by other market participants, is trying to formulate the policy frame named " Grand Strategy for Stability and Sustainability of Indonesia Mutual Fund Industry", which is a series of program intended to minimize the failure or transaction prevention possibility, which might create liquidity problem for personal investor and mutual fund industry in general.

With regards to the Grand Strategy, there are 3 (three) basic strategies that will be performed, which include :

- improving regulation and imposing ethical standard in mutual fund industry;
- improving quantity and quality in research activity as well as survaillance activity in mutual fund industry; and
- creating crisis solving mechanism as a prevention step to minimize the effect of Indonesia mutual fund failure.

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### Capital Market Support for Government Exit Strategy Plan

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In order to support restructuring and reformation program in financial sector after Letter of Intent from the IMF, Bapepam has drafted several new policies in capital market sector which is expected to contribute in creating the more independent and healthy national economy effort.

Some of these policies cover, or relate to, the securities companies restructuring, securities exchange restructuring, Law No. 15 year 2002 regarding Money Laundering Crime implementation, Mutual fund monitoring and regulation, enhancement of good corporate governance implementation quality by market participants, especially the issuers, capital market product and instrument development, and Bapepam organization restructuring.

The overall plan as written in the government *Exit Strategy Plan*, especially those related to the capital market, have a firm direction, along with the targeted result and time schedule.

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### Product Development and Electronic Registration System Modernisation

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In product development sector, Bapepam and other capital market sector are very optimistic about the coming Asset Based Securities trading by business player and investors in year 2003. With the revision of Bapepam Rule number IX.K.1 – which classify ABS into 2 categories, ABS Fixed Cash Flow and ABS Non Fixed Cash Flow – the taxation problem which had been the main constrain of the development of ABS as been solved.

Several companies have shown their interest to develop ABS in Indonesian Capital Market.

In addition to the product development, at the momment Bapepam is developing registration and approval for securities companies and its representatives online system, or e-licensing. This system will be effective due to the effective of its underlying rule. The system is also designed to simplify the registration and approval system, as well as increasing monitoring quality conducted by

Bapepam – primarily in order to be informed about compliance of the securities companies and the representatives with the capital market regulations.

In order to have a better understanding about the operation of the system, we welcome you to visit our e-license Counter on after this event.

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### Institutional Cooperation

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In international cooperation sector, Bapepam keep on cooperating with other country's capital market authority, either bilateral, regional or internationally. We also try our best to keep on increasing the technical assistance program as well as exchanges information from time to time.

In our capacity as a member of *International Organisation of Securities Commission* or IOSCO, Bapepam has also actively participated in discussing several issues such as Shariah based capital market, through our membership in IOSCO Task Force on Islamic Capital Market.

Additionally, together with Indonesian Financial Transaction Report and Analysis Centre or INTRAC, Bapepam try to gain international recognition for government commitment to tackle down money laundering activity. In order to enhance the coordination between the two organisations, Bapepam and INTRAC will sign an MoU in the near future.

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### Closing

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Ladies and Gentlemen,

As a closing remarks of this *Executive Summary*, on behalf of all Indonesian capital market participants, I would like to express our condolences for human tragedy that has just happened several days ago, in JW Marriot Hotel. Let us work hand in hand, and show the world that we will still holding our commitment to stop all terrorist activities in our beloved land.

With respect to all the victims in JW Marriot bombing, I am asking all of you who are living in this business, to show the international community, that although there are a little disturbances, we are determined to develop our capital market.

As a way to express government commitment in creating a stability in capital market industry, Coordinating Minister for Economic Affairs, Minister of Industry and Trade, and Minister of Tourism, Art and Culture's has visited the Jakarta Stock Exchange last Monday. *God's Will*, on Wednesday, 13 August 2003, Coordinating Minister For Political And Security Affairs and Chief of Indonesian National Police Department will also visit this place.

That's all I have to say, once again, I thank you all for being here.

Jakarta, 11 August 2003

**Herwidayatmo**  
*Chairman*

*The complete document of the Press Release and the Executive Summary can be accessed through {  
HYPERLINK "<http://www.bapepam.go.id>" }.*

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