



PRESS RELEASE

"25 Years of Indonesian Capital Market Reactivation"

I. A SERIES OF EVENTS TO COMMEMORATE 25 YEARS OF INDONESIAN CAPITAL MARKET REACTIVATION

The commemoration of a quarter decade of Indonesian capital market reactivation is celebrated in a modest manner for which the event takes on "sowing to harvest" as a theme. In line with the theme, in organizing the celebration, a committee is formed comprising of various participants in Indonesian capital market society - namely Bapepam, SROs, securities companies, capital market association, and capital market supporting institutions and professionals, not to mention a number of independent organizations that have great concern to capital market development - that always uphold the spirit of "Togetherness, Trustworthiness, and Transparency," in every single event of this year celebration. These events are:

1. Social services which are:
 - a. Blood donation of 160 donors comprising of Bapepam's employee, SROs' employee, and other participants was arranged at Bapindo Plaza, 6th floor on August 8, 2002;
 - b. Scholarship for 96 children of Indonesian Capital Market families was symbolically given on August 4th, 2002.
2. Public education and socialization of Capital market, which are:
 - a. Capital market competition for high school students in Jakarta region was participated by 200 high schools. This event took place on June 14th 2002
The winners of this competition are:
 - Bramasta Nugraha of SMU 8 took the first place
 - Pratomo Aji of SMU 39 took the second place;
 - Mutiara Laksmningrum Sidharta of SMU Al Azhar took the third place;
 - b. Writing contest on Capital market for journalist and college students commenced on June 25th up to July 25th, 2002.
Came off as the winners in student category are:
 - Sandi Maruto of Civil Engineering Faculty of ITB gained the first place.
 - Ika Ardianto of Economics Faculty of Brawijaya University – Malang gained the second place; and
 - Adi Wicaksana of Economics Faculty of Indonesia Islamic University gained the third place.

Meanwhile, the winners in journalist category are:

- Dhandy Dwilaksono from Ramako Radio Station won the first place;
 - Johannes Mbalng from Stock Watch won the second place; and
 - Taufik from SCom Magazine won the third place.
- c. A two-day workshop for capital market journalist took place at Cisarua Hotel, Puncak, on 27 to 28 July 2002 and attended by more than 75 journalists from 50 mass media.
- And for the occasion, the chairman of Bapepam and President Director of Jakarta Stock Exchange become the speaker on the workshop.

3. Family events such as:

- a. Sports games: football, badminton, tennis, swimming, and group-march.
- The results for these sports games are: Indonesian Securities Firm Association (APEI) won the football and badminton tournament, Bapepam won the swimming race, Indonesian Broker-Dealer Association (IPEI) won the tennis tournament, and JSX won group-march competition.
- c. Family gathering took place at Pertamina sports facility, Simprug - South Jakarta on August 4th 2002.
- d. A friendship evening commemorating 25 years of Indonesian capital market reactivation that took place on August 11th 2002, not only was attended by Bapepam officials, board directors of SROs, and capital market participants, but also by a number of distinguished guests such as the Governor of Jogjakarta, several members of Commission IX of People Consultative Assembly, Vice-Governor of Jakarta, former chairmen of Bapepam, and several government executive officers and advisor staffs in Ministry of Finance of the Republik of Indonesia. The Minister of Finance of the Republic of Indonesia gave a welcoming speech for the occasion followed by a well delivered symphony by Cisyra Kencana Orchestra.

Other important events, still in commemorating the 25 years of Indonesian capital market reactivation, are:

1. Annual Report Awards 2002, a collaboration of Bapepam, Ministry Office for State Owned Enterprises, Directorate General of Taxes, Indonesian Accountants Association, National Committee on Good Corporate Governance, and Jakarta Stock Exchange, participated by 83 issuers/public companies.

The peak event for commemorating 25 years of Indonesian capital market reactivation was an Annual Report Award 2002 presented by the Minister of Finance of the Republic of Indonesia to these following top-three corporations that meet with conditions set in the award:

- PT Asuransi Bintang Tbk.;
 - PT Aneka Tambang Tbk.; dan
 - PT Astra Graphia Tbk.
2. The signing of the Certificate of Establishment and the Certificate of Agreement of Indonesian Capital Market Arbitrate Establishment took place at Ruang Graha Sawala of Ministry of Finance on August 9th 2002.

This event is considered to be a landmark for it gave birth to a new alternative way to settle capital market dispute, as well as an encouragement for spirit of law reform in this country.

Hopefully, BAPMI will be able to give significant contribution to enhance investor protection and eventually able to encourage confidence of domestic and foreign investor in Indonesian capital market.

Up to this day, there is still one event left to be carried out. The event is capital market road show to 5 (five) cities which are: Kediri on August 29th 2002, Malang on August 30th 2002, Lampung on September 11th 2002, Palembang September 25th 2002, and Balikpapan on October 2nd 2002. In addition to Bapepam and SROs officials, other market players will also take part in the road show.

II. DEVELOPMENT IN CAPITAL MARKET REGULATION AND ENFORCEMENT ACTIONS

1. Regulation

In the period of September 2001 up to August 2002, Bapepam has amended 7 rules which are: 2 rules that concern with public company takeovers and tender offer, 4 rules relate to Investment Fund, and 1 rule concerning obligation for an Issuer to submit periodic financial statement.

a. Rule Amendment of Public Company Takeovers and Tender Offer.

In line with the effort to stimulate capital market in Indonesia, and in order to correspond with common practices in other countries, Bapepam, on April 2002, has amended rule no IX.H.1 concerning Public Company Take Over and rule no. IX.F.1 concerning Take Over. The followings are the main amendments:

- to change a 20% share-holding to 25% share-holding to be considered as a public company controller;
- to endorse the utilization of tender offer execution price for a either direct or indirect take over;
- to add an obligation for an aimed corporation to keep information concerning plan for tender offer a secret before it is launched to public through mass media; and
- to amend tender offer execution time-span to a maximum of 30 (thirty days) since the announcement of Tender Offering Statement with regard to a tender offer resulted from a take over.

b. Amendment of Rules concerning Investment Fund

The purpose of this amendment is to increase flexibility in managing investment fund by giving relaxed rule for the Investment Manager to make investment decision. This relaxed rule includes an open chance for Investment Fund to buy or sell: securities that are traded at offshore exchange, asset-backed securities, obligations guaranteed by the Government of Republic of Indonesia, and securities issued by a person affiliated with Investment Manager or unit holder as long as it do not exceed a certain percentage, also commercial papers whose maturity are less than 3 (three) years.

This new policy is made to encourage the development in Investment Fund industry thus able to play a significant role in improving portfolio performance in this country.

c. Amendment of Rules concerning the Reporting.

The main idea for amending Bapepam's rule no X.K.2 concerning Obligation to Submit Periodic Financial Statement is to shorten the time-span, which is formerly 120 (a hundred

and twenty) days at the latest, revised to at the end of the third month after annual financial statement's date for Issuer or Public Company to submit its annual financial statement.

By amending this rule, it is a hope to provide better protection for investor to be able to access financial information of issuer or public company timely, therefore, investor will have good basis on investment decision. This amendment is also to correspond with common practices in international capital market.

Other amendment that still connected to implementation of this new provision is issuer / public company that has already submitted its annual report before the time limit of annual financial statement submission is not required to separately submit its annual financial statement.

Up to this moment, Bapepam is still intensively discussing the draft-rule design on accountant's independence and guidance of composing financial statement for issuer in accordance to 13 (thirteen) differentiated industries.

2. Enforcement

For the period of August 23rd 2001 – August 2002, Bapepam has finished its investigations on 19 of 35 cases.

Most of the cases relate to violation against disclosure principles. The result for of these investigations are sanctions to 231 parties of which 172 issuers are fined in a total of Rp15.461 billion, 32 securities companies are fined in amount of Rp 2.490 billion, and the rest is fined in a total of 2.423 billion.

For the same period, Bapepam has also imposed other type of administrative sanctions in particular:

- admonitions to 33 Securities Companies;
- admonitions to 12 Securities Companies Representatives;
- business license suspensions to 72 (seventy-two) Broker-Dealers;
- business license suspensions to 9 (nine) Investment Managers;
- individual license suspension to 1 (one) Investment Manager Representative and 2 (two) Broker-Dealer Representatives
- order for 1 (one) securities company to gradually withdraw mutual fund placed in a form of promissory notes at 9 affiliated companies within the predetermined period.
- revocation of 5 (five) Investment Managers business licenses.

Especially for the latest, aside from the revocation of 5 Investment Managers' business license due to the involvement of these companies in the violation against capital market regulation, Bapepam, in consideration of economic and business efficiency reasons, granted a second-chance opportunity for the punished 4 (four) securities companies by restoring their business licenses.

Currently, Bapepam is investigating alleged misleading information on case of the trading of Indosat shares at JSX on mid of this year.

3. Litigation

At this time, Bapepam is being litigated by these following 3 (three) plaintiffs:

- Sdr. Herwanto, in the case No.55/PDT.G/2001/PN.JAK.SEL, Bapepam become a Defendant no VIII;

- PT Indocopper Investama Tbk., in the case No.99/G.TUN/2001/PTUN.JKT, of which Bapepam act as a Defendant; and
- Sdr. Ali Susanto in the case No.10/PDT.G/2002/PN.JKT.PST, of which Bapepam become Defendant no II.

III. THE GROWTH IN ISSUANCE, LICENSING, APPROVAL, AND REGISTRATION.

1. Shares Issuance

In the period of September 2001 to August 2002, Bapepam has declared effective to 74 Registration Statement for which the Issuance amounted Rp 10.193 trillion.

- 28 initial offerings of shares for the total issuance of Rp 1.253 trillion;
- 13 right issuance for the total issuance of Rp 6,602.82 trillion;
- 8 bonds offerings for the total value of 3.5 trillion; and
- 28 Investment Funds issuance

2. Licensing, Approvals, and Registration

For the same period, Bapepam has processed and issued these followings:

- 16 business licenses to Securities Firms engage in Investment Manager activities;
- 159 individual licenses to Investment Manager Representatives;
- 766 individual licenses to Investment Fund Sales-Agent Representatives
- 4 business licenses to Securities Firms engage in broker-dealer activities;
- 1 approval to a Custody Bank; and
- 287 individual licenses to Broker-Dealer Representatives.

In addition, Bapepam has also given an approval on JSX's rules concerning Scripless Trading at Regular Market and Cash Market, also on the concept of SSX's rule concerning Index Future.

IV. BUSINESS MODEL DEVELOPMENT ON SECURITIES INDUSTRY AND EFFORT IN IMPROVING TRADING INFRASTRUCTURE

As an effort to increase the competitive value of securities industry in our country, as well as, to improve trading infrastructure quality in order to adjust to common practices in other developed countries, for the period of September 2001 to August 2002, Bapepam along with other market participants, in particular SROs, has undertake these following proceedings:

1. The Development of Business Model in Securities Industry

Two teams have been established on fourth quarter of previous year – Study Team on Securities Firms Development, and Study Team on Demutualization of Market Institution and they have finished their tasks on April 2002.

Recommendations from these teams backed with positive responds and attitude of market participants will very much determine the journey of national securities industry for year to come, especially in order to improve service quality of market participants thus add competitive value to national securities industry to compete in global market.

2. Modernization of Trading System and Measures to Improve Market Liquidity.

For the period of time, implementation of scripless trading and book-entry settlement system that was delayed for a couple of year, is fully functioned this year and it also gave birth to a securities lendings and borrowings facility and commencement of LQ45 Index Futures trading at Surabaya Stock Exchange last year.

3 *Electronic Reporting System (e-report)*

For the same period, Bapepam and SROs has successfully developed an electronic reporting system (E-reporting system) enable for improving efficiency, accuracy, and actuality of information and for the interest of institution and investor in capital market of Indonesia. Further development of e-reporting system will focus on office otomation of working system and mechanism in every unit in Bapepam and SROs which their line of work connected to monitoring task and disseminating information to public

To date, market participant – particularly SROs and securities firms – has conduct a serious evaluation to try another modernization in securities trading such as remote trading and T+3 securities trading settlement mechanism for the future.

V. INSTRUMENT DEVELOPMENT AND INVESTMENT MANAGER'S ROLE ENHANCEMENT

Bapepam along with market participants – SSX in particular – supported with other correlated institution and governmental body such as General Directorate of Taxes, Management Center of Government Bonds, and Bank of Indonesia always put its energy to develop debt instrument such as asset-backed securities and secondary market for government bonds or other corporate bonds in the future.

In line with such effort, Bapepam along with other market participants also give a full support for Investment Manager in the future to be able to play a full part in inter-dealer market in order to develop a secondary market for government bonds, in the end, it will give a significant contribution to the same measure which is being developed by Bank of Indonesia, National Banking, and SSX.

Looking on to the increasing amount of public fund manage by Investment Manager for the past two and half year (2001 to July 2002), a 480% of increment in Investment Fund and a 200% incline in discretionary fund, Bapepam, to date, always support the enhancement of Investment Manager's business which is lead to product development and investment which add contribution to the national economy recovery such as to securitize asset and to participate in a program of taking over productive asset managed by Indonesian Bank Restructuring Agency (IBRA) then it is restructurized through such program.

In order to create better understanding and commitment of Investment Manager to develop national securities industry, Bapepam is composing a new policy for Investment Manager

Representatives which is required to always improve their professionalism and knowledge in the business.

VI. MEASURE TO DEVELOP SECONDARY MARKET FOR GOVERNMENT PROMISSORY NOTES

At the moment, Bapepam collaborated with Bank of Indonesia, Government Bonds Management Center, Ministry of Finance, and Surabaya Stock Exchange is preparing measures to develop secondary market for Government Promissory Notes.

On August 21st , 2002, 15 (fifteen) banks have agreed to evaluate the establishment of Interdealer Market Association by signing a MoU witnessed by Deputy Governor of Bank of Indonesian and Chairman of Bapepam.

VII. MEASURES TO IMPROVE COMPLIANCE IN GOOD CORPORATE GOVERNANCE PRINCIPLES

As a measure to improve compliance in good corporate governance principles, Bapepam along with market participants and correlated independent organization always encourage parties in business community in Indonesia – issuers and public companies particularly – to implement the principles in order to bring back and increase foreign and domestic investor confidence in Indonesian securities industry.

This measure is carry out through education process and socialization on how important is the implementation of the principles for market participants, a persuasive way like arranging Annual Report Awards, award given to the company which compose its annual report base on good quality of information and implement the principles. This event will be put as a routine activity in order to encourage business players in Indonesia to implement the principles or by putting the principles into capital market regulation – starts from rules in SROs level to the revision draft of Capital Market Law which is finished since last July.

VIII. INTERNATIONAL RELATIOSHIPS AND CO-OPERATION

1. ***IOSCO APRC & Enforcement Directors' Meeting.***

On early February 2002, Bapepam was honored to host IOSCO Asia Pacific Regional Committee (APRC) & Enforcement Directors' Meeting 2002.

The meeting which took place in Nusa Dua – Bali was attended by more than 14 chairpersons and 12 enforcement directors of capital market regulator in Asia Pacific countries. Secretary General of International Organization of Securities Commissions or IOSCO, 2 officials of Organisation for Economic Co-operation and Development (OECD), and one senior officer from Taiwan Securities Exchange as an observer to this meeting were also present.

A day before the meeting, a number of representatives of Indonesian market participants has a golden opportunity to discuss with 4 (four) chairpersons of regulator member of APRC, namely, Datuk Ali Abdul Kadir (*Chairman SEC Malaysia*), Andrew Sheng

(*Chairman SFC Hong Kong*), Dr. Prasarn Trairatvorakul (*Secretary General SEC Thailand*), dan Mr. Wu Tang Chieh (*SFC Taiwan*).

2. MoU with Foreign Capital Market Regulator

Along with the IOSCO APRC & Enforcement Directors' Meetings in Nusa Dua – Bali, Bapepam was also signed Memorandum of Understanding with Srilanka Securities Commission, and also at the same time acted as a facilitator of an MoU between Srilanka Securities Commission and Malaysia Securities Commission.

On June 5th 2002, Bapepam signed an MoU with Philippines Securities and Exchange Commission at Philippines SEC office at Metro Manila – Philippines.

In line with the commitment to increase coordination and cooperation among capital market supervisory body from other countries in a form of information exchange, or even for the purpose of enforcement, to date, Bapepam is in the process of making MoU with Securities and Exchange Board of India with which are planned to be implemented in this year.

IX. PROGRESS ON FINANCIAL SERVICES AGENCY PREPARATION

On July 2002, the Team of Establishment of Financial Services Agency already has finished its preliminary outline on Draft Note of Law concerning Financial Services Agency (RUU OJK) which had been submitted to Ministry of Justice and Human Rights for opinion before it is presented to the President of the Republic of Indonesia through Ministry Secretarial at the end of this August.

The establishment of a sole independent supervisory agency in financial sector is expected not only to increase effectivity in regulation and supervision of financial sector, which is still performed by separate bodies, in the country, but also to provide more assurance in establishing consistent policy-making, synchronized regulation, and also an objective and impartial attitude while dealing with each case of violation in future supervision of financial sector.

X. CLOSING

By the spirit of "Togetherness, Trustworthiness, and Transparency" as a motto for this celebration, and considering recent development on domestic political condition, we have enough reason to be optimistic, for now and for the the future, while we are advancing to a quarter decade in Indonesian capital market reactivation.

Jakarta, August 27th 2002

Herwidayatmo
Chairman of Bapepam