

**RULE NUMBER III.B.7 : GUARANTEE FUND**

**Attachment**

Decision of the Chairman of Bapepam

Number : Kep-26/PM/2000

Date : June 30, 2000

1. Definitions
  - a. Exchange Transaction Settlement Guarantee is the obligation of Clearing Guarantee Institution to immediately and directly take over the responsibility of any clearing member, which fails to fulfill its obligation with regard to Exchange Transaction Settlement and to settle the transaction in the same time and terms required for the respective clearing member.
  - b. Guarantee Fund is a pool of fund and or Securities administrated and managed by Clearing Guarantee Institution, which can be used to pay for Exchange Transaction Settlement Guarantee by Clearing Guarantee Institution.
2. Guarantee fund may only be used by Clearing Guarantee Institution to fulfill the Exchange Transaction Settlement Guarantee if the source of funds referred to in item 6 letter a, letter b, letter c, and letter d Rule Number III.B.6 concerning Exchange Transaction Settlement Guarantee, have been utilized but is not adequate to settle the obligation of any default clearing member.
3. Clearing members must deposit fund in the amount of 0.01% (zero point zero one per cent) from every value of exchange transaction for Guarantee Fund contribution that can not be withdrawn in order to guarantee the smoothness and safety of the exchange transaction settlement, with the provisions as follow :
  - a. The contribution must be deposited no later than the exchange transaction settlement day through Clearing Guarantee Institution.
  - b. In case the exchange transaction is conducted for the interest of clearing member's client, the respective clearing member must collect the contribution from the client.
  - c. In case the exchange transaction is conducted for clearing members' portfolio, the contribution must be paid by the clearing members.
4. Guarantee Fund does not belong to any certain Person and is not distributed to anyone for any interest except for the objectives stated in this rule.
5. Guarantee Fund Management
  - a. Clearing Guarantee Institution must manage the Guarantee Fund.
  - b. If Bapepam considers that the Clearing Guarantee Institution does not have the competence to manage the guarantee fund and cannot continue its function or there is no other Person who is able to take over the function and responsibility of the Clearing Guarantee Institution, the guarantee fund will be submitted to the Indonesian Government.

6. Any utilization of Guarantee Fund is intended for settling the obligation of Clearing Guarantee Institution and the guarantee must be repaid within 1 (one) year by the credit network members, as referred to in item 6 letter g Rule Number III.B.6 concerning Exchange Transaction Settlement Guarantee in case the guarantee fund cannot be realized from the outcome of asset sales of the default clearing member.
7. Guarantee Fund may only be invested in the Indonesian Government Bond, bank time deposit, or Indonesian Government loan letter whose composition is subject to the approval of Credit Policy and risk management Committee. Income derived from Guarantee Fund investment must be added to the guarantee fund.
8. The directors of Clearing Guarantee Institution must report monthly to Bapepam regarding the guarantee fund financial position, using the same accounting principles and method used by Investment Fund no later than the 15<sup>th</sup> (fifteenth) day of the next month with carbon copy to Credit Policy and Risk Management Committee and The Commissioners of Clearing Guarantee Institution.
9. Fund Guarantee is not included to the Financial Report of Clearing Guarantee Institution and must be reported separately.
10. Annual financial report of Fund Guarantee must be arranged by Clearing Guarantee Institution and audited by Accountant registered with Bapepam and reported by Clearing Guarantee Institution to Bapepam no later than 60 (sixty) days after the end date of year book.
11. Fund Guarantee must be deposited in the Securities Account at the Custodian Bank that has been approved by credit policy and risk management committee of Clearing Guarantee Institution.
12. Clearing Guarantee Institution may impose cost of investment management services amounting 0.5% (zero point five per cent) from the gross income of Guarantee Fund investment. Income from the management services must be added to the Clearing Guarantee Institution guarantee reserve referred to in Rule Number III.B.6 concerning Exchange Transaction Settlement Guarantee.
13. The cost of accounting service and financial report audit of Guarantee Fund is charged to the Guarantee Fund and Clearing Guarantee Institution must seek for approval from Guarantee Fund Credit Policy and Risk Management Committee regarding the amount of cost.
14. Violations of the provisions of this rule are subject to the sanctions provided in the Capital Market Law and rules and regulations thereunder.