



- Fellow officials from Indonesia's Ministry of Finance,
- Fellow officials from Bank Indonesia – the Central Bank,
- Fellow officials from Indonesia Financial Intelligence Unit – PPATK,
- CEOs and Directors of the Jakarta Stock Exchange, Surabaya Stock Exchange, Indonesia Clearing and Guarantee Corporation, and Indonesia Central Securities Depository,
- My colleagues from Industry Association,

Distinguished Guests,
Ladies and Gentlemen,

First of all, allow me to express my warmest welcome and thankfulness to you all for coming here today, to witness the Signing Ceremony of Letter of Intent between the Indonesian Capital Market Supervisory Agency or BAPEPAM and Hong Kong Securities and Futures Commission – the SFC. Through a series of formal and informal discussions, the two authorities today have agreed to engage in a mutual cooperation, to promote a better and more conducive investment climate for further developments of the mutual fund industry in two respective jurisdictions.

This arrangement is significantly important for both authorities, as we have seen recently a tremendous growth in the number of global-oriented investment managers, operating and offering their services outside their home markets, across jurisdictions. Those cross border investment managers – whose existence are understandably

imperative to advance the industry of the host countries – desire the harmonization of regulations to secure their operations. On the other hand, the securities regulators are coming under increased pressure from the investors and society, to be more active in protecting their interests and to maintain stability of their financial systems.

This signing marks the start, not the finish. There are mountains of tasks awaiting us. There are a lot of works to do. We have to find ways to harmonize our rules and regulations to create a platform to work together. In order to be able to harmonize, we have to understand each other regulation and its philosophy. There will be a lot of studies, analysis, and discussions that will follow.

However, working together hand in hand, I am sure we will get the job done. We will open unlimited possibility for each respective market players and investors to benefit from each other while at the same time we protect their rights and interests.

As a growing market we fully understand that a stable flow of foreign investment, without undermining the role of domestic investors, is one of the most important keys to building a solid and sound investment fund industry and capital market in general. Our success to bring our market to international exposure could easily translate to a more rapid development of our investment fund industry.

On the other hand, we are also aware that one of the important pre-requisites to attract investment flow is strong

regulatory framework and enforcement program. Therefore, as regulator, we have done our homework to make sure that regulation, code of conduct, market practice, and enforcement activities in our regime are compatible with those of international standards. From this perspective, working together with Hong Kong capital market authorities within the spirit of IOSCO to harmonize the two regulations is an important building block as well as needed evaluation for us to see how well we have done so far in this regard.

Considering a daunting task of harmonizing regulations in both jurisdiction, both BAPEPAM and the SFC have gained benefits from their membership at IOSCO. In the fund area, IOSCO has worked to address issues of significant interest among its members including:

- Performance Presentation Standards;
- Delegation of Functions;
- Conflict of Interests of Fund Managers;
- Fund Pricing; and
- Role of Investor Education in the Effective Regulation of Fund.

These kinds of initiatives for sure can assist signatories authorities – BAPEPAM and the SFC – in analyzing key issues in the fund area, and establish general principles and approaches that can lead toward convergence of regulation on significant issues of common concern.

Further similar attempt to perfecting our regulatory framework and monitoring system was done through our visit to Canada late last year, to learn and compare both countries' regulation and

monitoring program. We are now currently working with a team from IMF in a technical assistance program to increase the quality of our investment fund monitoring and surveillance program. In short, we in Bapepam have, still, and always look for ways and available resources to advance our market. This Letter of Intent that we will shortly sign is surely intended to be one of those ways.

Ladies and Gentlemen,

As we state in the Letter of Intent, the scope of the agreement may be varied by mutual consent. It is our hope that this agreement can be put to work so that other agreements of the same dimension to promote other capital market products may follow as well.

Before closing my remarks, I would like you to know more about my fellow, Andrew.

He has been appointed as the Chairman of the SFC since October 1998. Apart from his works at the SFC, he chairs and used to chair a various strategic position both at regional and international level such as:

- member of the G-10 Working Party on Financial Stability in Emerging Market Economies;
- co-chairman of the Working Party on Transparency and Accountability, formed under the G-22 Finance Ministers and Central Bank Governors;
- chairman of the Financial Stability Forum's Task Force on Implementation of Standards;

- co-chairman of the Working Party 2 of the Group of Thirty – Clearing and Settlement Project Steering Committee;
- member of G-30 Accounting Project; and
- Interim Chairman of the IOSCO Technical Committee.

He used to work with some reputable financial institutions such as Central Bank of Malaysia, the World Bank, and the Hong Kong Monetary Authority.

For sure, he is a very productive and widely respected person. Then it will be an honour for us to invite him after the signing, to share with us his views and experiences in dealing with challenges during his works at those various reputable organizations – during his chairmanship at the SFC in particular.

In closing, on behalf of BAPEPAM, I thank my fellow Andrew for bringing in his agency into this agreement. I believe this mutual cooperation will benefit both countries' agencies and markets. And to my belief, this mutual works will not stop here but will continue in other aspects and other time frame in the future.

Once again, thank you for coming.
Thank you.

Jakarta, May 25th 2004

Herwidayatmo
Chairman of BAPEPAM