

**MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
THE CAPITAL MARKET AND FINANCIAL SERVICES SUPERVISORY
AGENCY**

DUPLICATE OF

**DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET AND
FINANCIAL INSTITUTIONS SUPERVISORY AGENCY
NUMBER: KEP - 65/BL/2007**

CONCERNING

**GUIDELINES FOR PREPARING REPRESENTATION LETTER BY
GOVERNOR/HEAD OF DISTRICT/MAYOR (HEAD OF REGIONAL
GOVERNMENT) IN A PUBLIC OFFERING OF MUNICIPAL BOND**

**CHAIRMAN OF CAPITAL MARKET AND FINANCIAL INSTITUTIONS
SUPERVISORY AGENCY,**

- Considering : a. that Head of Regional Government, as a Person who represents Regional Government in issuing financial statements, must be responsible of the accuracy and relevancy of information stated in the financial statements;
- b. that the Head of Regional Government needs to have guidelines for preparing representation letter concerning financial statements for period presented in Prospectus and also any significant event occurring after the date of the Accountant's report;
- c. that in relation to the letters "a" and "b" above, it is deemed necessary to enact the Capital Market and Financial Institutions Supervisory Agency Rule concerning Guidelines for Preparing Representation Letter by Governor/Head of District/Mayor (Head of Regional Government) in a Public Offering of Municipal Bond;
- In view of : 1. Law Number 8 year 1995 concerning the Capital Market (Statute Book year 1995 number 64, Supplement to the Statute Book Number 3608);
2. Law Number 32 year 2004 concerning Local Government (Statute Book year 2004 Number 125, Supplement to Statute Book Number 4437);
3. Law Number 33 year 2004 concerning Balanced Financing between Central Government and the Local Governments (Statute Book year 2004 Number 126, Supplement to Statute Book Number 4438);
4. Government Regulation Number 45 year 1995 concerning Capital Market Organization (Statute Book Year 1995 Number 86, Supplement to Statute Book Number 3617) as revised by Government Regulation Number 12 year 2004 (Statute Book Year 2004 Number 27, Supplement to Statute Book Number 4372);
5. Government Regulation Number 46 year 1995 concerning Capital Market Formal Investigative Procedures (Statute Book year 1995 Number 87, Supplement to Statute Book Number 3618);
6. Government Regulation Number 54 year 2005 concerning Regional Government Loan (Statute Book year 2005 Number 136, Supplement to Statute Book Number 4574);
7. Decree of the President of the Republic of Indonesia Number 45/M year 2006;
8. Decision of the Minister of Finance of the Republic of

**MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
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AGENCY**

Indonesia Number 147/KMK.07/2006 concerning
Procedure of Issuance, Accountability and Publication of
Information of Municipal Bond;

HAS DECIDED:

To enact : **DECISION OF THE CHAIRMAN OF THE CAPITAL MARKET
AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY
CONCERNING GUIDELINES FOR PREPARING
REPRESENTATION LETTER BY GOVERNOR/HEAD OF
DISTRICT/MAYOR (HEAD OF REGIONAL GOVERNMENT)
IN A PUBLIC OFFERING OF MUNICIPAL BOND.**

Article 1

Provision concerning Guidelines for Preparing Representation Letter by Governor/Head of District/Mayor (Head of Regional Government) in a Public Offering of Municipal Bond is regulated in Rule Number VIII.G.16 as stipulated in the Attachment of this Decision.

Article 2

Provision of Rule Number VIII.G.16 as stated in the Attachment of this Decision is applied for preparing Governor's /Head of District's/Mayor's (Head of Regional Government) Representation Letter in accounting, which is used as part of the Registration Statement documents in a Public Offering of Municipal Bond submitted to the Capital Market and Financial Institutions Supervisory Agency on or after the enactment date of this Decision.

Article 3

This decision shall become effective since the date of its promulgation.

In order that all will be informed, this Regulation will be promulgated by publication in the State Gazette of the Republic of Indonesia.

Enacted in : Jakarta
Date : April 13, 2007

Chairman of Capital Market and Financial
Institutions Supervisory Agency

Signed

A. Fuad Rahmany
NIP. 060063058

Based on the original documents
Executive Secretary

Signed

Ngalim Sawega
NIP 060047834

ATTACHMENT :

Decision of the Chairman of Capital
Market and Financial Institutions
Supervisory Agency (CMFISA)

Number : Kep-65/BL/2007

Date : April 13, 2007

**RULE NUMBER VIII.G.16 : GUIDELINES FOR PREPARING
REPRESENTATIVE LETTER BY
GOVERNOR/HEAD OF DISTRICT/MAYOR
(HEAD OF REGIONAL GOVERNMENT) IN A
PUBLIC OFFERING OF MUNICIPAL BOND**

1. All definitions stated in the Rule Number IX.C.12 concerning Guidelines of Form and Content of Registration Statements for Public Offering of Municipal Bond are applicable for this rule.
2. Province/District/City (Regional Government) must submit to the Capital Market and Financial Institutions Supervisory Agency (CMFISA) a Regional Government Representation Letter on accounting, later called by Representation Letter, regarding financial statements for the period presented in Prospectus and any important event occurring after the date of the Accountant's report.
3. This Representation Letter is a part of the Registration Statement.
4. The form and content of the Representation Letter shall consist of the following items:
 - a. The Representation Letter date
The date of the Representation Letter shall be in accordance with the date of the Comfort Letter signed by the Accountant, no later than 14 (fourteen) days before the effectiveness of the Registration Statements in a Public Offering of Municipal Bond.
 - b. The Representation Letter address
The Representation Letter shall be addressed to the CMFISA with a copy to the Accountant who conducted the audit of the financial statements presented in the Prospectus.
 - c. The Representation Letter contents
The Representation Letter contents should cover the following:
 - 1) a statement that the Regional Government accounting standards are in conformity with the Governmental Accounting Standards and other capital market practices. It is also necessary to give a brief explanation regarding the specific characteristics of the region;
 - 2) a statement that all "Assets" of the Regional Government on the financial statement date in Prospectus have been recorded and reported in the financial statements, with an additional note and explanation for each asset that is important, either with respect to a relatively material amount or a specific feature;
 - 3) a statement that all "Liabilities" of the Regional Government on the financial statement date in Prospectus have been recorded and reported in the financial statements, with an additional note and

- explanation for each liability that is important, either with respect to a relatively material amount or a specific feature;
- 4) a statement that all “Equities” of the Regional Government on the financial statement date in Prospectus have been recorded and reported in the financial statements, with an additional note and explanation for each equity that is important, either with respect to a relatively material amount or a specific feature;
 - 5) a statement that all “Revenues, Expenses, Transfer, Surplus/Deficit, Net Financing, and Surplus/Deficit after Budget Financing” on the financial statement date presented in Prospectus have been recorded and reported in the financial statements, with an additional note and explanation for each important Revenues, Expenses, Transfer, Surplus/Deficit, Net Financing, and Surplus/Deficit after Budget Financing, either with respect to a relatively material amount or a specific feature;
 - 6) a statement that all “Commitments and Contingencies” on the financial statement date in Prospectus have been reported and disclosed in the financial statements. If there are no commitments and contingencies, that must be stated clearly;
 - 7) a statement that all “important events occurring after the Statement of Financial Position date until the date of the Accountant’s report, which affect the financial statements have been reported or disclosed on the financial statements”, and that all “important events after the date of the Accountant’s report until the date of this Representation Letter, which affected the Regional Government financial condition and operational results have been disclosed in the Representation Letter”, and “the important events after the date of this Representation Letter until the date of the effective date shall be submitted to the CMFISA and the Accountant, soon after the important events have occurred”.
 - 8) a statement that all financial information of Project which will be funded by funds obtained from the Public Offering of this Municipal Bond, such as the value of the project and the amount of spending costs, have been reported or disclosed in the financial statements; and
 - 9) a statement of “other important matters”, such as:
 - a) all results or minutes of meetings between the Regional Government and Local House of Representatives until the date of the Accountant’s report have been presented or submitted to the Accountant;
 - b) that there is no dispute related to a Regional Government activities or loan agreement etc. up until “the Date of the Accountant’s Report”;
 - c) that there is no legal claim or charge because of a violation of a law or regulation which would affect either the financial condition or operating results of the Regional Government within the period between the date of the financial statements and the Accountant’s report;
 - d) that all transactions between the Regional Government and Outsiders within the period between the financial statement date and the Accountant’s report date have been

conducted fairly, and that no Regional Government officials have had a direct self interest in such transactions;

- e) that all accounting and financial records have been shown to the Accountant and there is no concealed matter;
- f) that there are no transactions with affiliated Persons, except those that have been disclosed in the financial statements;
- g) that there has been no fraud or unfairness found within the period between the date of the financial statements and Accountant's report; and
- h) that all of the matters mentioned above in letters a) to g) that occurred within the period between the Accountant's report and the effective date have been explained in the representation letter or submitted directly to the CMFISA and the Accountant.

d. The signing of the Representation Letter

This Representation Letter is signed by the Head of Regional Government and a Regional Government official who is responsible for accounting or finance.

- 5. By no means of undermining criminal stipulation in capital market, the CMFISA may impose sanction on any violations of this rule, as well as on any Person that causes the violation to occur.

Enacted in : Jakarta

Date : April 13, 2007

Chairman of Indonesian Capital Market
and Financial Institutions Supervisory
Agency

Signed

A. Fuad Rahmany

NIP. 060063058

Based on original documents

Executive Secretary

Signed

Ngalim Sawega

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