

LEGAL BRIEF

Rules and Regulations



Legal Brief

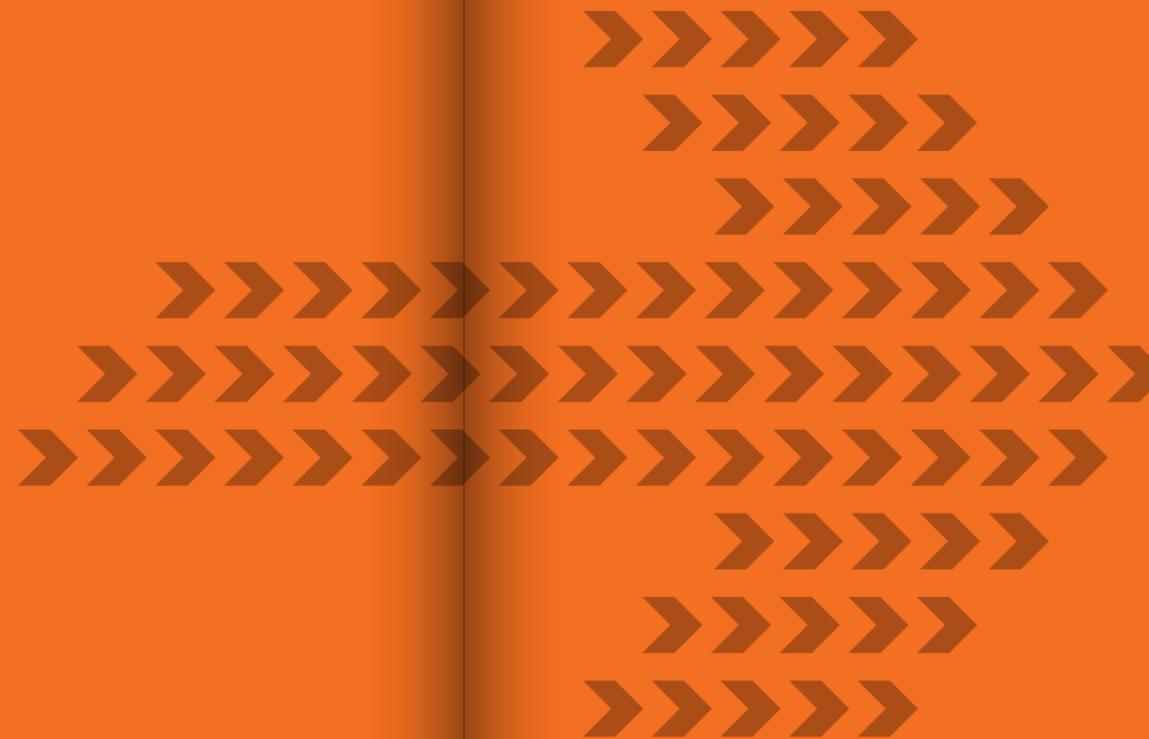
Rules and Regulations

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PART I

Derivatives Trading

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CHAPTER I

Definition and General Terms

Definitions for the key terminologies under the subject ICDX Rules and Regulation is provided in this Chapter. Some of the definition provided in Part I – Derivatives Trading is applicable for other part of ICDX Rules and Regulations.

The general terms explains on interpretation in ICDX Rules and Regulations, Exchange authority, limitation of liabilities, immunity rights, ICDX Rules and Regulations as the binding agreement between the Exchange and Exchange member also between the Exchange member and other Exchange member, amendment to ICDX Rules and Regulations, confidentiality, language and severability.

One of the provision that should be highlighted is the ICDX Rules and Regulations are interpreted in accordance to the law of Republic of Indonesia. Dispute between Exchange and Exchange Member will be resolved using dispute settlement forum provided by Coftra.

CHAPTER II

Membership

ICDX classified its members into: (a) Futures Broker; (b) Futures Trader and (c) Remote Future Trader. This chapter also regulates on provisions of application to become an Exchange Member, among others: requirements to become an Exchange Member, procedures to apply as Exchange Member, acceptance of Exchange Member, assessment of the membership application and the decision of the Exchange.

The administrative requirements to be fulfilled by Exchange membership applicant includes among others (i) no record of conviction for criminal offence in financial sector, (ii) never been blacklisted by bank and (iii) other special administrative requirement for each classification as decided by the Exchange. Additional financial requirement may also be requested from time to time by the Exchange by considering its volume, risk exposure and concentration as well as business type.

The Exchange also has full authority in accepting or rejecting the membership application of member candidate in which such decision is final and uncontestable. Upon received the decision of the Exchange, the Exchange Member who has not received permit from Coftra is obliged to report and provide copy of the permit to the Exchange. If the Exchange Member is unable to secure the permit from Coftra then the Futures Broker has the right to ask for a refund for its Compensation Fund. The Exchange Member is eligible to utilize its membership rights, trade and promote its operation after the Exchange Member has secured permit from Coftra.

Several rights of the Exchange Member are laid out in Chapter 2 of Part I Derivatives Trading, among others: transfer of membership, act as market maker, announced in the ICDX website as member and request for membership suspension and resignation.

CHAPTER III

Management

Selection and appointment, composition, duties and authorities of the Directors and Board of Commissioners are laid out in this Chapter 3 – Management.

A separate unit named Supervisory Unit is also established by the Directors for the purpose of conducting supervision and auditing of the Exchange and Exchange Member to ensure compliance with the applicable law and the rules of the Exchange. The Directors also have the rights to appoint Exchange Committee to provide professional advice and consideration on the implementation and enforcement of Directors policy.

Moreover, this chapter also stipulates prohibition for its Exchange employee and their limit of liability whereby employee in performing their duty for the Exchange is released from any financial responsibility arising from legal claim filed by Member, unless a court decision has been issued. Confidentiality obligation not only binds the Exchange managements and employees but also the affiliated party of the Exchange.

CHAPTER IV

Compensation Fund

Compensation Fund is a fund deposited by Futures Broker and under the Indonesia Commodity Derivatives law, the fund will be used to pay compensation to the Customer due to default and/or negligence of the Futures Broker.

The Exchange regulates further on the source of Compensation Fund, amount and application of the Compensation Fund, formation of special unit to manage the Compensation Fund, book.

The Special Unit is responsible for collection, management, book-keeping, use and reporting the position of Compensation Fund to the Exchange and also Coftra.

Highlight of this Chapter would be the procedures of Compensation Fund claim by the Customer which should be informed by the Exchange Member (Futures Broker) to its Customer. Aside from the administrative documents, the Customer shall also meet the following requirements prior to submitting Compensation Fund claim:

- Customer has already use its maximum effort to claim for compensation to the Futures Broker;
- A binding court decision or arbitral award;
- The Customer's transaction fund is deposited by the Futures Broker into a segregated account; and
- The Exchange still has the authority to manage the relevant Futures Broker's Compensation Fund.

Claims that met the requirements set out by the Exchange shall be paid within 14 calendar days, however if the claims are substantial then the Exchange will pay within a reasonable time.

The relevant Exchange Member has the obligation to recover any amount of Compensation Fund use by the Exchange in event of Customers' claim. The Exchange will impose sanctions and take further legal action towards any Exchange Member who does not comply with this provisions. Liability of the Exchange to pay out the Customer's claim is limited to the Compensation Fund deposited by the Futures Broker.

CHAPTER V

Trading Mechanism

Trading mechanism consist of three stages which are pre-transaction mechanism, transaction mechanism and post-transaction mechanism.

In pre-transaction mechanism, any Exchange Member which is also a Clearing Member shall always meet the margin and guarantee requirement in forms and amounts as determined both by the Exchange and Clearing House.

As for the transaction mechanism, all trading activities must be conducted via the Exchange's Automated Trading System (ATS). Exchange Member is also required to comply with the requirements regarding technical aspect, security, risk management, operational, IT and other restriction as decided by the Exchange. Future Broker is responsible to collect Margin from their Customer and they are prohibited to open a new position if the current Margin is no longer meet the Margin requirements provisions; unless such new position can reduce the Margin requirements up to a certain level. In addition, in case future broker fails to keep a minimum margin set by the Exchange, the Clearing House is authorized to close any or all of the open position.

Any transaction done on the Exchange will be registered to the Clearing House's system. Settlement of the transactions are in accordance to the Contract, either cash settlement, exchange for physical, alternative delivery settlement or physical delivery. In regards to physical delivery, the Exchange will not be held responsible for any error, falsification or deviation to the documents required for delivery. In order to ensure the delivery and settlement of a transaction, an Exchange Member is also recommended to understand Clearing House rules and procedures.

CHAPTER VI

Rights and Obligations

The Exchange address the Exchange Member's right and obligation in this Chapter VI Part I Exchange Rules. Rights of the Exchange Member are, including but not limited to: (i) using facilities provided, (ii) to receive assistance from the Exchange in settling any dispute with Customers or between Exchange Members, and (iii) to receive any updates concerning amendment of the Exchange's rules and decree.

As for its obligation, Exchange Member are obliged, among others, (i) to conduct with integrity and competence, (ii) to comply with the applicable law and the Exchange rules and policy as well as (ii) to be financially responsible, for instance, by paying membership fee, transaction fee and Compensation Fund, (iv) to ensure the documents of Exchange Member including but not limited to article of association are in compliance with the Exchange rules, and (v) Exchange Member shall duly satisfy any Margin and guarantee requirements.

CHAPTER VII

Default and Regulatory Enforcement

Events of default are, including but not limited to:

- Non-payment, non-delivery, refusal to receive delivery;
- Non-performance of contractual obligation or non-fulfillment of margin requirement;
- Bankruptcy/ petition to declare bankrupt, dissolution, insolvency;
- Exchange Member is subject to judicial order, court verdict, and arbitration award having its jurisdiction over such member.

In the case of violation or default conducted by Exchange Member, the Exchange may enforce sanction to the relevant Exchange Member based on the rules enforcement provision as recommended by Regulatory Enforcement Committee. Furthermore, in order to execute the said enforcement, the Exchange may also conduct investigation, inspection, audit and retrieving copy of account, contract or any other records.

CHAPTER VIII

Complaint Handling Management

This chapter provides the procedure for complain handling where the settlement process for this complain is handled in stages starting from Future Broker followed by the Exchange and finally by Coftra. In addition, any complain that has not been resolved in Future Broker level must be mediate through a mediation provided by the Exchange.

The mediation shall be conducted by mediator to facilitate Customer and Future Broker to enable them to reach amicable settlement, but the Exchange is prohibited from giving any decision for such settlement.

If mediation fails to reach amicable settlement, Customer may choose to continue the complain process in accordance to the dispute settlement in the Customer Agreement either by filling to BAKTI or through the court of law.

CHAPTER IX

Violation and Sanction

Actions that are qualified as violation is regulated under this Chapter IX Part I Exchange Rule, which may include but not limited to unethical conduct, refusal to follow the court decision/arbitration award, willful misconduct, and giving misleading information.

In enforcing its rules, the Exchange may impose sanction consisting of sending warning, suspension of activities, financial penalty and membership revocation.

CHAPTER X

Dispute Settlement

If dispute concerning derivatives contract transaction occurs, a sequence of stages must be taken by the parties to the dispute, starting from (i) amicable settlement by the said parties, and (ii) in case of failure to reach amicable settlement, will be followed by mediation facilitated by the Exchange. Finally, (iii) if further failure happens, the Parties may file the dispute in BAKTI.

CHAPTER XI

Emergency and Force Majeure

This chapter provides the provisions in respect of the occurrence of circumstances that cause disruptions, interruptions, and restraints in Derivatives Trading affecting Exchange Members and/or Exchange which divided into Emergency and Force Majeure events.

The party affected by the events that disrupt Derivatives Trading shall inform the Exchange, and based on such information, the Exchange shall enforce its power in order to mitigate the events. Any actions taken by the Exchange shall be duly notified to Coftra and other relevant parties.

PART II PALN

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CHAPTER I

Definition and General Terms

Definitions covered in this Part II – PALN are PALN, PALN Contract and PALN Committee. Other definitions use in PALN are referring to the definition provided in Part I – Derivatives Trading.

The duty of Exchange for PALN complements the general terms as set out in Part I – Derivatives Trading,

CHAPTER II

Membership

In addition to the membership provisions laid out in Chapter 2 Part I – Derivatives Trading, following are the additional requirements for PALN member: (i) PALN transaction may only be conducted by Exchange Member who is a Futures Broker; (ii) the Futures Broker has cooperation agreement with the foreign futures broker that is registered as a member in overseas clearing house; (iii) has obtained approval from Coftra; (iv) deposit an additional security fund of IDR 500,000,000 (five hundred million Rupiah) to the Clearing House; (v) use PALN system that is provided by the Exchange with online connection to the Clearing House.

CHAPTER III

Management

The management who supervise and operate the Exchange are the management as set out in the Chapter III Part I – Derivatives Trading. PALN Committee is part of the Exchange Committee therefore it subject to the provisions of Exchange Committee.

CHAPTER IV

Contract and List of Exchange

The implementation and execution of PALN transaction may only be conducted to the closed selection of overseas futures exchanges and contracts as set out in the Prevailing Laws.

CHAPTER V

Trading Mechanism

This chapter provides guidelines for PALN system and the mechanism for the distribution of the Customer's Order to the overseas future exchange. Regarding PALN system, the Exchange Member must ensure that all Customer Order under PALN is to be distributed via system provided by the Exchange. Several guidelines on PALN transaction must be followed, among others (i) the Exchange shall record any PALN activities and maintain the said record; (ii) the settlement price will be based on the overseas contract and (iii) the overseas future broker will transfer the margin into a segregated account of the Clearing House and afterwards such margin will be transferred by the Clearing House into a segregated account of Futures Broker.

CHAPTER VI

Rights and Obligations

This chapter provides the rights and obligation of the Exchange Member with respect to PALN activities, which, firstly, consisting the obligation of the Exchange Member to enter a cooperation agreement with future broker of overseas clearing house. Such cooperation agreement shall at least contains the following terms and conditions:

- The rights and obligations of the Parties;
- Mechanism for distributing and management of Customer Order;
- System for information and reporting, monitoring and protection;
- Dispute settlement via arbitration; and
- Payment terms and margin distribution via domestic clearing house.

Secondly, Exchange Member is responsible to ensure that Customer of PALN must have the knowledge on (a) placement of Customer's order into PALN system, (b) requirements of PALN under the Prevailing Laws and Exchange Rules, (c) Derivatives Trading Applicable Laws and (d) risk in Derivatives Trading.

Under the Indonesia Commodity Derivatives Law, Futures Broker is obliged to deposit a Compensation Fund to the Exchange. Therefore Exchange Member who performs PALN transactions shall also require to comply with the provisions of Compensation Fund as set out in Chapter IV Part I – Derivatives Trading.

CHAPTER VII

Default and Regulatory Enforcement

The provisions related to default and regulatory enforcement for PALN transaction is subject to the provisions as set out in Chapter VII Part I – Derivatives Trading.

CHAPTER VIII

Complaint Handling Management

The provisions related to complaint handling management for PALN transaction is subject to the provisions as set out in Chapter VIII Part I – Derivatives Trading.

CHAPTER IX

Violation and Sanction

This chapter provides sanction imposed by the Exchange to the violation committed by the Exchange Member or overseas future broker, whereby any violation to PALN Contract/transaction will lead to (i) administrative sanction and/or fine for the said Exchange Member, and/or (ii) reviewing or early termination of the cooperation agreement between overseas future broker and Exchange Member.

Powers of the Exchange to impose sanctions or to take other actions in relation to any default or violation by the Exchange Member are laid out in Chapter IX Part I – Derivatives Trading.

CHAPTER X

Dispute Settlement

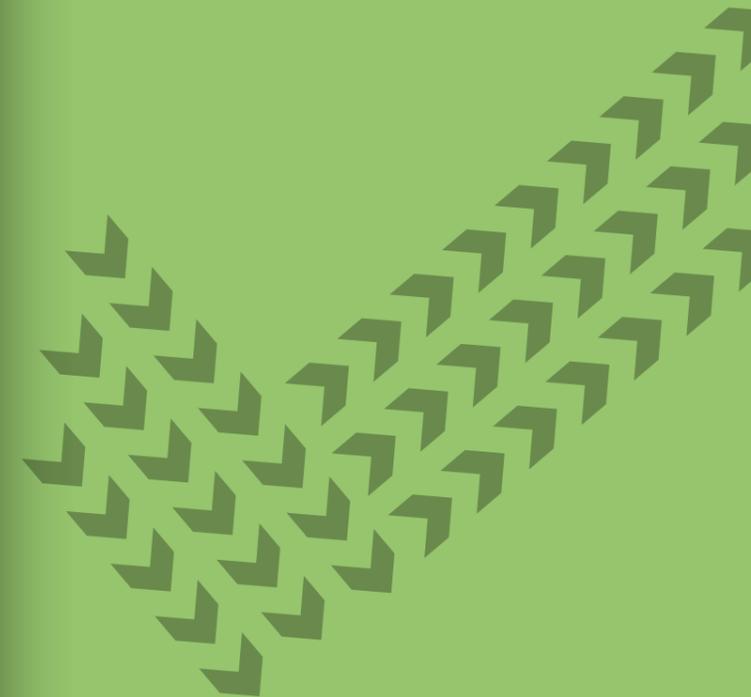
In the event of Dispute between Customer and Exchange Member in regards to PALN transaction, such dispute shall be settled in accordance to the Prevailing Laws and Chapter X Part I – Derivatives Trading.

However for any dispute between the Exchange Member and overseas futures broker in regards to order routing to overseas exchange shall be settled in accordance to the provisions set out by the relevant overseas exchange.

CHAPTER XI

Emergency and Force Majeure

The provisions related to emergency and force majeure for PALN transaction is subject to the provisions as set out in Chapter XI Part I – Derivatives Trading.



PART III SPA

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Ch. V	Rights and Obligations
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CHAPTER I

Definition and General Terms

One of the key terms defined under this Chapter is SPA (Alternative Trading System) which means derivative contract sales and purchase other than future contract and Syari'ah derivative contract, conducted in or outside the Exchange with margin registered in the Clearing House. Other definitions use in SPA are referring to the definition provided in Chapter I Part I Exchange Rules.

Pursuant to this Chapter, the Exchange has the duty to supervise SPA Trader and SPA Broker, including the system used by SPA Trader. Furthermore, other general terms under Chapter I Part I Exchange Rules also applicable to this Chapter.

CHAPTER II

Membership

This chapter provides classification of SPA member which consisting of SPA Trader and SPA Broker. In addition, there should be cooperation agreement between SPA Trader and SPA Broker which at least contains the following terms:

- The rights and obligation of the parties
- Equal treatment to all SPA participants in terms of access, incentive and spread
- Expiration of the agreement
- Dispute settlement

However, the Exchange is not responsible for any absence of certain provisions in the cooperation agreement which results in the failure of obtaining Coftra's approval.

CHAPTER III

Management

The management who supervise and operate the Exchange are the management as set out in the Chapter III Part I – Derivatives Trading. SPA Committee is part of the Exchange Committee therefore it subject to the provisions of Exchange Committee.

CHAPTER IV

Trading Mechanism and System

SPA Trader has the obligation to provide SPA system for SPA Customer to trade in SPA Products. SPA system should at least be able to meet the following provision:

- The SPA system shall ensure equal treatment to all SPA participants and Customer;
- No discrimination to price quotation based on the Customer's position;
- In every quotation, the system should be able to receive Customer Order in an amount at minimum equal to the lot as determined in trading mechanism; and
- The system should be able to deliver the data transaction to the Exchange in real time.

Any change to the SPA system is required to be audited by the Exchange. Any expenses arise from such audit shall be borne by the SPA Trader.

Aside from providing SPA System, SPA Trader also required to set trading rules to be used SPA participants and their Customer. The trading rules is an integral part of customer agreement, the rules of opening customer's account and notice document regarding risk. The trading rules should contain at least the following: (a) maximum lot of each order which is 50 lot, (b) quotation formula and price source, (c) maximum spread between bid and offer in hectic and normal market, and (d) prohibition to reject Customer's order, except when it exceeds maximum lot.

CHAPTER V

Rights and Obligations

This chapter provides the rights and obligation of SPA Trader and SPA Broker. The rights and obligation of SPA Trader are as follows:

- SPA Trader is not permitted to refuse SPA Broker as long as SPA Broker fulfills all of the requirements;
- To report to the Exchange for any amendment to the cooperation agreement;
- To report the SPA transactions to the Exchange;
- To meet all financial obligation arising from the SPA transactions;
- SPA Trader is not permitted to manipulate/engineer SPA transaction;
- To provide system to conduct SPA trading;

Finally, the rights and obligation of SPA Broker are as follows:

- To report the SPA transaction to the Exchange and register to the Clearing House;
- To report to the Exchange for any amendment to the cooperation agreement;
- To meet all financial obligation arising from the SPA transactions;
- SPA participants is not permitted to use the system other than the one approved by the Exchange and Coftra;
- SPA Broker is not permitted to act as an opposite party against its Customer, directly or indirectly.

Under the Indonesia Commodity Derivatives Law, Futures Broker is obliged to deposit a Compensation Fund to the Exchange. Therefore Exchange Member who performs SPA transactions shall also require to comply with the provisions of Compensation Fund as set out in Chapter IV Part I – Derivatives Trading.

CHAPTER VI

Default and Regulatory Enforcement

The provisions related to complaint handling management for SPA transaction is subject to the provisions as set out in Chapter VIII Part I – Derivatives Trading.

CHAPTER VII

Complaint Handling Management

The provisions related to default and regulatory enforcement for SPA is subject to the provisions as set out in Chapter VII Part I – Derivatives Trading.

CHAPTER VIII

Violation and Sanction

This chapter provides sanction to the violation of SPA in which the Exchange will (i) send warning letter, (ii) impose fine, and (iii) suspending or revoking membership status.

In addition, powers of the Exchange to impose sanctions or to take other actions in relation to any default or violation by the Exchange Member are laid out in Chapter IX Part I – Derivatives Trading.

CHAPTER IX

Dispute Settlement

In the event of Dispute between Customer and Exchange Member in regards to SPA transaction, such dispute shall be settled in accordance to the Prevailing Laws and Chapter X Part I – Derivatives Trading.

CHAPTER X

Emergency and Force Majeure

The provisions related to emergency and force majeure for SPA transaction is subject to the provisions as set out in Chapter XI Part I – Derivatives Trading.

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CHAPTER I

Definition and General Terms

One of the key terms defined under this Chapter is Physical Market which means trading mechanism with physical delivery facilitated by the Exchange by using tender for physical commodity or other mechanisms in the Exchange's system as agreed in each commodity contract.

Another important terms is the Exchange Participants, which means parties that are listed in the Exchange participation which is entitled only to conduct sale and purchase contract in the Exchange. Furthermore, other general terms under Chapter I Part I Exchange Rules also applicable to this Chapter.

CHAPTER II

Membership

This chapter provides classification for the Exchange's Participants that consists of Indonesian citizen, foreign citizen, corporation established in Indonesia and foreign corporation.

Furthermore, this chapter also provides the requirements to be participants in the Exchange, which are the following (i) it should be one of the classification as mentioned above, and (ii) to meet special administrative requirement as stipulated in the commodity contract.

Moreover, the application procedure requires the fulfillment of the administrative requirement of private citizen or corporation and to meet all financial obligation provided under this chapter.

And finally, revocation of participant status for any violation of the Exchange's regulation or through the recommendation of Exchange Member which acts as seller, or by virtue of other regulation and the respective commodity contract.

CHAPTER III

Management

The management who supervise and operate the Exchange are the management as set out in the Chapter III Part I – Derivatives Trading. Committee supervising Physical Market is part of the Exchange Committee therefore it subject to the provisions of Exchange Committee.

CHAPTER IV

Requirement of Commodity

Any type and requirements of Commodity transacted in Physical Market is required to be approved by Coftra. Such Commodity should also free from any encumbrances and the status of ownership is able to be verified. Further provisions on the type, criteria and requirements of the Commodity is stipulated in the Contract Specification.

CHAPTER V

Trading Mechanism

This chapter provides that Exchange Member and Participants that are also Clearing member are required to meet requirements concerning guarantee, which consist of performance guarantee and risk guarantee.

In addition, trading mechanism in Physical Market are as follows: (i) either by tender or other mechanism provided in the Contract, (ii) Seller is to submit ask and Buyer is to submit bid with the amount equal to or below the ceiling price and below limit price, and (iii) the ATS system will match the position using specific algorithm.

CHAPTER VI

Rights and Obligations

This chapter provides the rights and obligation of the Exchange Member. Such rights include but not limited to: (i) using facilities provided, (ii) to receive assistance from the Exchange in settling any dispute with Customers or between Exchange Members, and (iii) to receive any updates concerning amendment of the Exchange's rules and decree.

The obligation of the Exchange Member and Exchange Participant, among others, are as follows: (i) to comply with the rules of the Exchange and other Prevailing Laws, (ii) not to falsify document and not to disseminate misleading information and (iii) to meet all financial obligation such as registration fee and other fees set by the Exchange.

CHAPTER VII

Default and Regulatory Enforcement

The provisions related to default and regulatory enforcement for Physical Market is subject to the provisions as set out in Chapter VII Part I – Derivatives Trading.

CHAPTER VIII

Complaint Handling Management

The provisions related to complaint handling management for Physical transaction is subject to the provisions as set out in Chapter VIII Part I – Derivatives Trading.

CHAPTER IX

Violation and Sanction

This chapter provides violation committed by Exchange Member which may include but not limited to unethical conduct, refusal to follow the court decision/arbitration award, willful misconduct, and giving misleading information.

As consequence, the Exchange may impose sanction consisting of sending warning, suspension of activities, financial penalty and membership revocation.

In addition, powers of the Exchange to impose sanctions or to take other actions in relation to any default or violation by the Exchange Member are laid out in Chapter IX Part I – Derivatives Trading.

CHAPTER X

Dispute Settlement

In the event of Dispute between Customer and Exchange Member in regards to Physical transaction, such dispute shall be settled in accordance to the Prevailing Laws and Chapter X Part I – Derivatives Trading.

CHAPTER XI

Emergency and Force Majeure

The provisions related to emergency and force majeure for Physical transaction is subject to the provisions as set out in Chapter XI Part I – Derivatives Trading.

Disclaimer:

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