

PT. Morgan Stanley Sekuritas Indonesia

Guidelines of the Shareholders, the Board of Directors and the Board of Commissioners (the “Charter”)

1. Introduction

The Charter is prepared in accordance with the Articles of Association of the Company and the relevant rules and regulations of The Republic of Indonesia including OJK CG Regulation (as defined below). This Charter aims to provide governance guidance in relation to the following:

- 1.1. The principles applicable to the Shareholder, the Directors and the Commissioners and their respective powers, duties and responsibilities; and
- 1.2. Board administration including board meetings arrangements, agenda preparation and board resolutions.

2. Definitions

In this Charter, the following definitions apply:

“Articles of Association”	the articles of association of the Company;
“Business Plan”	realistic plan prepared as per the Chapter VII of the OJK CG Regulation;
“Charter”	refers to this Guidelines of the Shareholders, the Board of Directors and the Board of Commissioners;
“Commissioners”	the qualified individuals appointed by the Shareholders in accordance with Article 16 of the Articles of Association and collectively referred to as the Board of Commissioners;
“Company”	PT. Morgan Stanley Sekuritas Indonesia, a company incorporated in the Republic of Indonesia with limited liability;
“Directors”	the qualified individuals appointed by the Shareholders in accordance with Article 13 of the Articles of Association and collectively referred to as the Board of Directors;

“Independent Commissioner”	a member of the Board of Commissioners who is an external party playing an independent role in the Board of Commissioners and who must fulfill the requirements as an Independent Commissioner in accordance with the requirements set out by OJK;
“OJK”	the Financial Services Authority / Otoritas Jasa Keuangan of The Republic of Indonesia;
“OJK CG Regulation”	the Regulation of Financial services Authority regarding Application of Governance of Securities Company conducting Business Activity as Underwriter and Securities Company Broker issued by OJK; and
“Shareholders”	the parties / entities holding shares in the Company.

3. Principles applicable to the Shareholders and their powers, duties and responsibilities

General principles

- 3.1. Shareholders shall not intervene in the execution of business activity and/or the operations of the Company;¹
- 3.2. If any shareholder is also a member of Board of Directors or a member of Board of Commissioners, such person shall give priority to the interest of the Company.² The Shareholders shall also meet the fit and proper criteria prescribed by the OJK.
- 3.3. The Shareholders in general meeting shall meet following delivery of a notice of at least 14 days before the meeting. At least one half of the Shareholder should be present to form a valid quorum for the Shareholders meeting;³
- 3.4. The evidence of the notice of Shareholders’ meeting and a summary of the minutes of the Shareholders meeting shall be submitted by Compliance to the OJK within 7 business days after the Shareholders’ meeting.⁴ The content of the summary of minutes as stipulated by the OJK CG Regulation is set out in Appendix A of this Charter.

Matters reserved for the Shareholders

The Shareholders shall review and approve the Business Plan of the Company before they are filed with the OJK by 30th November⁵, the annual report of the Company before

¹ Article 4 of OJK CG Regulation

² Article 4 (2) OJK CG Regulation

³ Article 9 and 10 of the AoA

⁴ Article 8 (2) of OJK CG Regulation

⁵ Article 41 of OJK CG Regulation

31st May each year⁶ and approve the appointment of the Directors and the Commissioners, each for a term of 3 years⁷.

4. Principles applicable to the Directors and their powers, duties and responsibilities

General principles

- 4.1. The Board of Directors shall comprise of persons qualified under prevailing statutory regulations with the relevant diverse knowledge, experience and expertise required to perform the role of Directors in the operation of the Company;⁸
- 4.2. The Board of Directors shall meet the requirements of integrity, financial reputation and expertise required for their duties in the capital market sector as prescribed by the OJK's the fit and proper test. The fit and proper assessment form for the director is attached as Appendix B of this Charter⁹;
- 4.3. All the Directors shall act in good faith while performing his or her responsibilities, and shall attend at least 75% of the total meetings of the Board of Directors in each year;¹⁰
- 4.4. The Board of Directors may establish committees and / or supporting units to support the Board of Directors to perform their tasks and responsibility;¹¹
- 4.5. The Board of Directors shall make available such accurate, relevant and timely data and information to the Board of Commissioners, as appropriate to enable them to discharge their responsibilities;¹²
- 4.6. The Board of Directors shall report the actual breaches of code of conduct to the OJK. The breach reporting obligations are elaborated in the Breach Reporting Policy attached as Appendix C of this Charter.¹³
- 4.7. The Directors shall attend the continued education program as required by the OJK, and such other training they consider necessary to carry out their responsibilities.¹⁴

Authority, duties and responsibilities of the Board of Directors

The Board of Directors shall be responsible for the management of the Company in accordance with the aims and objectives as determined in the Articles of Association. The Directors shall be required to perform the duties set out in the detailed job descriptions attached as Appendix D. Specific areas of responsibility include the following (among others):

⁶ Article 19 (4) of AOA

⁷ Article 13 (3) and 16 (3) of AOA

⁸ Article 13 (2) of AOA

⁹ Article 11 (1) and (2) of OJK CG Regulation

¹⁰ Article 16 (3) of OJK CG Regulation

¹¹ Article 12(5) of OJK CG Regulation

¹² Article 13 of OJK CG Regulation

¹³ Article 32(4) OJK CG Regulation

¹⁴ Article 17 of OJK CG Regulation

- (a) Oversight

The Board of Directors shall oversee the implementation of remedial or follow up actions resulting from the following:¹⁵

 - (i) the implementation of Anti-Money Laundering rules in the Company;
 - (ii) the audit findings and recommendation of the risk management, compliance and internal audit functions respectively;
 - (iii) the findings arising from supervisory work of the Board of Commissioners; and
 - (iv) the findings arising from regulatory supervision activities of the OJK.
- (b) Matters reserved for the Board of Directors
 - (i) The Board of Directors shall review and approve the annual report of the Company at least 5 business days before 31st March each year.¹⁶
 - (ii) Each year, the Board of Directors must prepare a realistic, measured and continued Business Plan to be approved by the Shareholders before the regulatory filing with the OJK by 30th November each year.¹⁷
 - (iii) The Board of Directors should ensure the implementation of the approved Business Plan and socialize it with all employees/ personnel of the Company.¹⁸
 - (iv) The Board of Directors should approve an annual report on the implementation of corporate governance and ensure it is submitted to the OJK by 15th February.¹⁹
 - (v) The Board should review and approve the Report on the realization of the Business Plan before it is submitted to the OJK on or before the 15th February of each year.²⁰
 - (vi) The Board of Directors shall review and discuss all the strategic policies and resolutions at the Board Meeting.²¹
- (c) Prohibitions to the Board of Directors:²²
 - (i) abuse his or her authority for personal, family, and/or other party's interest; and
 - (ii) take and /or receive personal profit from the activities of Company directly or indirectly other than valid income.

5. Principles applicable to the Board of Commissioners and their powers, duties and responsibilities

The Board of Commissioners shall supervise and advise the Board of Directors on the implementation of the governance of the Company and such other matters in accordance with the Articles of Association of the Company.

General principles

¹⁵ Article 14 of OJK CG Regulation

¹⁶ Rule No. X.E.1. Decree No. KEP-460/BL/2008

¹⁷ Article 40 and 41 of OJK CG Regulation

¹⁸ Article 42 of OJK CG Regulation

¹⁹ Article 43 and 52(1) of OJK CG Regulation

²⁰ Article 52(2) and 53(1) of OJK CG Regulation

²¹ Article 15 of OJK CG Regulation

²² Article 29 of OJK CG Regulation

- 5.1. The Board of Commissioners shall comprise of persons qualified under prevailing statutory regulations with diverse knowledge, experience and expertise required;²³
- 5.2. The total number of Board of Commissioners shall not exceed the number of the Board of Directors;²⁴ The Board of Commissioners shall comprise of an Independent Commissioner;²⁵
- 5.3. In case the Board of Commissioners consist of more than 2 (two) members, the percentage of number of Independent Commissioner shall be at least 30% (thirty percent) of total number of members of Board of Commissioners.²⁶
- 5.4. All the Commissioners shall act in good faith while performing his or her responsibility, and shall attend at least 75% of the total meetings of the Board of Commissioners in each year;²⁷
- 5.5. The Board of Commissioners shall fulfill the requirements of integrity, financial reputation and expertise in capital market sector through the fit and proper test by the OJK. The fit and proper assessment form for the commissioner is attached as Appendix B of this Charter.²⁸
- 5.6. The Board of Commissioners may establish committees and / or supporting units to support the implementation of tasks and responsibility of the Board of Commissioners;²⁹
- 5.7. The Board of Commissioners shall report the actual breaches of code of conduct through the breach reporting system.³⁰ The breach reporting obligations are elaborated in the Breach Reporting Policy attached as Appendix C of this Charter.³¹
- 5.8. The Commissioners shall attend the continued education program as required by the OJK.³²

Independent Commissioner

The Independent Commissioner shall not have any relation (in terms of working or be responsible to plan, chair, control or supervise the activities of the Company or having business) with the Company. Further, the Independent Commissioner shall not have any shares directly or indirectly of the Company.³³

Powers, duties and responsibilities of the Board of Commissioners

- (a) Oversight
The Board of Commissioners shall ensure that the Board of Directors oversee the following

²³ Article 16 (2) of AOA

²⁴ Article 18 (2) of OJK CG Regulation

²⁵ Article 19 (1) of OJK CG Regulation

²⁶ Article 19 (2) of OJK CG Regulation

²⁷ Article 27 (3) of OJK CG Regulation

²⁸ Article 20 (1) and (2) of OJK CG Regulation

²⁹ Article 25 of OJK CG Regulation

³⁰ Article 32(4) OJK CG Regulation

³¹ Article 32(4) OJK CG Regulation

³² Article 28 (1) of OJK CG Regulation

³³ Article 22 of OJK CG Regulation

- (i) the audit finding and recommendation of the risk management function, compliance and internal audit functions;
 - (ii) the supervisory opinion of the Board of Commissioners;
 - (iii) the supervisory opinion of the OJK.³⁴
- (b) Matters reserved for the Board of Commissioners
 - (i) The Board of Commissioners shall review and approve the annual report of the Company at least 5 business days before 31st March each year.³⁵
 - (ii) The Board of Commissioners shall approve the Business Plan and supervise its implementation.³⁶
 - (iii) The Board of Commissioners shall approve and supervise the implementation of the Directors' responsibilities towards the implementation of Anti Money Laundering rules in the Company.
- (c) Supervisory Responsibilities

The Board of Commissioners has an independent responsibility:

 - (i) to evaluate the public accountants and submit the evaluation report to OJK by 30th June every year;³⁷
 - (ii) to supervise the management policy;³⁸
 - (iii) to manage the Company in general;³⁹ and
 - (iv) to provide guidance to the Board of Directors.⁴⁰
- (d) Audit Responsibilities

The Board of Commissioners shall oversee the audit function, under the leadership of the Independent Commissioner to cover:⁴¹

 - (i) publically available financial information;
 - (ii) the independence, scope of assignment and cost of the Public Accountant before appointment or reappointment;
 - (iii) the Implementation of the Audit Plan prepared by the Public Accountant; and
 - (iv) the Implementation of the risk management function, Compliance and Internal Audit Functions of the Company.
 - (v) the Board of Commissioners may establish a separate Audit Committee if they deem appropriate.⁴²
- (e) Breach Reporting Obligations
 - (i) if the Board of Commissioners become aware of any possible breach of any provision in the legislation in the financial sector by any member of the Board

³⁴ Article 24 of OJK CG Regulation

³⁵ Rule No. X.E.1. Decree No. KEP-460/BL/2008

³⁶ Article 42 of OJK CG Regulation

³⁷ OJK Rule No. 13/POJK.03/2017 on the Use of Public Accountants (PA) and PA Firm in Financial Services Activities

³⁸ Article 21(1) of OJK CG Regulation

³⁹ Article 21(1) of OJK CG Regulation

⁴⁰ Article 21(1) of OJK CG Regulation

⁴¹ Article 23 of OJK CG Regulation

⁴² Article 25 (1) OJK CG Regulation

of Directors, Board of Commissioners or any personnel/employee of the Company, which may endanger the continuity of the business activity of the Company, the Board of Commissioners shall report to the OJK within 3 business days of its awareness of the breach.⁴³

- (ii) the Board of Commissioner shall hold the meeting of the Board of Commissioners by inviting the Board of Directors to discuss the indication of the breach of any provision in the legislation in the financial sector.⁴⁴
- (f) Prohibitions to the Board of Commissioners⁴⁵
 - (i) abuse his or her authority for personal, family, and/or other party's interest; and
 - (ii) take and /or receive personal profit from the activities of Company directly or indirectly other than valid income.

6. Internal Control

The Company shall maintain internal control functions consisting of risk management, compliance and internal audit. The Company has implemented the function of marketing, accounting, custodian, information technology and research.⁴⁶

- 6.1. The risk management function, compliance and internal audit functions shall be accountable to the Board of Directors for their respective functions.⁴⁷
- 6.2. The report on the implementation of risk management function, compliance and internal audit functions shall be submitted to the Board of Directors and the Board of Commissioners.⁴⁸

7. Board Administration

7.1. Agenda preparation for Board meetings

- (a) Formulating effective meeting agendas is a collaborative and iterative process involves discussions between the Company Law team ("Company Law"), the Board of Directors, the Board of Commissioners and heads of various departments involving finance, compliance, tax, etc.
- (b) Company Law maintains an annual agenda planner for regular meetings of Board of Directors, Board of Commissioners and Shareholders agreed with the stakeholders (see Appendix E). The annual agenda planner will be reviewed and updated at least once in a year to ensure and facilitate the oversight of the Board of Directors and the Board of Commissioners on various aspects of the Company's operations at the regular meetings of the Board of Directors and the Board of Commissioners.

⁴³ Article 26 (1) of OJK CG Regulation

⁴⁴ Article 26 (2) of OJK CG Regulation

⁴⁵ Article 29 of OJK CG Regulation

⁴⁶ Article 35 of OJK CG Regulation

⁴⁷ Article 39 (1) of OJK CG Regulation

⁴⁸ Article 39 (2) of OJK CG Regulation

7.2. **Convening and conduct of meetings of the Board of Directors**

- (a) The Board of Directors of the Company shall meet once in every two months.⁴⁹ All Commissioners are invited to join the Board of Directors meetings.
- (b) Any meeting of the Board of Directors shall be called by at least 3 days written notice prior to the date of meeting. The notice shall specify the date, time and place of the meeting and contain an agenda specifying the matters to be discussed at the meeting.
- (c) Board of Directors meeting shall not be held unless more than half of the directors are present at the meeting.⁵⁰
- (d) The meeting of the Board of Directors is chaired by the President Director and in case he or she is absent or unavailable then the meeting of the Board of Directors shall be chaired by a member of the Board of Directors selected by and from among the member of the Board of Directors in attendance.
- (e) Any resolution in a meeting of the Board of Directors must be passed with majority votes from the Board of Directors.⁵¹

7.3. **Convening and conduct of meetings of the Board of Commissioners**

- (a) The Board of Commissioners of the Company shall meet once in every quarter.⁵²
- (b) Any meeting of the Board of Commissioners shall be called by at least 3 days written notice prior to the date of meeting. The notice shall specify the date, time and place of the meeting and contain an agenda specifying the matters to be discussed at the relevant meeting and relevant information.
- (c) Board of Commissioners meeting shall not be held unless more than half of the commissioners are present at the meeting.⁵³
- (d) The meeting of the Board of Commissioners is chaired by the President Commissioner and in case he or she is absent or unavailable then the meeting of the Board of Commissioners shall be chaired by a member of the Board of Commissioners selected by and from among the member of the Board of Commissioners in attendance.
- (e) Any resolution in a meeting of the Board of Commissioners must be passed with majority votes from the Board of Commissioners.⁵⁴

7.4. **Preparation of minutes/resolutions**

⁴⁹ Article 16 (1) of OJK CG Regulation

⁵⁰ Article 16 (2) of OJK CG Regulation

⁵¹ Article 16 (4) of OJK CG Regulation

⁵² Article 27 (1) of OJK CG Regulation

⁵³ Article 27 (2) of OJK CG Regulation

⁵⁴ Article 27 (4) of OJK CG Regulation

- (a) Company Law attends the meeting of the Board of Directors and the Board of Commissioners and is responsible for drafting a full set of minutes, in English language.
- (b) Company Law prepares full set of board minutes within 2 weeks of meeting of the Board of Directors and the Board of Commissioners. Company Law consults as necessary with stakeholders, directors and commissioners before arranging formal sign off by the Board of Directors and Board of Commissioners respectively.
- (c) The minutes of the meeting shall reflect all the discussions at the meeting of Board of Directors, including the differences of opinion expressed by the Directors, the rationale for the differences and the resolution.⁵⁵

7.5. **Minutes / Resolutions of the Board of Directors and the Board of Commissioners**

- (a) The approval of the Board of Commissioners and the Board of Directors can be obtained by way of (i) voting at a board meeting or (ii) written resolution, subject to the principle of “one person, one vote”.
- (b) Any resolution in a Board of Commissioners and the Board of Directors meeting must be passed with votes from more than half of all directors.
- (c) Any resolution of the Board of Commissioners and the Board of Directors in writing must be approved by all the Commissioners and Directors respectively.
- (d) Company Law maintains original copies of the signed minutes and final presentation materials submitted to the Board of Commissioners and the Board of Directors.

7.6. **Administrative Matters**

- (a) The Directors and Commissioners may participate in a meeting in person or by means of telephone conference, video conferences or similar communication equipment provided that all director participating at such meeting can communicate with each other instantaneously, such participation shall constitute valid attendance at a meeting.⁵⁶
- (b) Senior management personnel, administration and other infrastructure departments will be invited to attend the meetings of the Board of Directors and Board of Commissioners as appropriate to provide reports/updates to the Board of Directors and Board of Commissioners in their areas of responsibilities.
- (c) Each Director and Commissioner shall have one vote on each matter to be decided by the Board at any Board meeting and shall cast the vote by either a show of hands or by verbal indication.
- (d) Company Law administers meeting of the Board of Commissioners and the Board of Directors arrangements in accordance with the Company’s Articles of Association and this Charter.

⁵⁵ 16 (5) of OJK CG Regulation

⁵⁶ Elucidation of Article 16 (3) and 27 (3) of OJK CG Regulation

Appendix A

The Summary of the Shareholders Meeting minutes

The Summary of the minutes of the Shareholders Meeting should at least contain the following information:

1. Date, place, time and agenda of the Shareholder Meeting;
2. Member of the Board of Directors and Board of Commissioner present in the Shareholder Meeting;
3. Total shares with valid voting right present in the Shareholder Meeting and its percentage of total shares having valid voting right;
4. Mechanism of adoption of resolution in the Shareholder Meeting;
5. The result of voting covering total agreeing, disagreeing votes, and abstain (not casting vote) for every agenda of meeting, if the adoption of resolution is made by voting; and
6. The resolution of the Shareholder Meeting.

Appendix B

Fit and Proper Test Form for the Director



SEOJK
57_2017_Template C

Fit and Proper Test Form for the Commissioner



SEOJK
57_2017_Template C

Appendix C

Breach Reporting Policy



Breach Reporting
Obligations - PTMSSI

Appendix D

Job Description of the Directors



Directors and
Commissioners Appro

Appendix E

Agenda Planner – Board of Directors



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Agenda Planner – Board of Commissioners



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Agenda Planner – Shareholders



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Internal Tracker – Timelines to follow:

Sl. No.	Article	Agenda Item	Deadline
1.	Article 8(2)	The Company shall submit the summary of minutes of GMS and evidence of notice to GMS to the Financial Services Authority. Contents of the summary of minutes are laid out in Article 8(3)	Within not later than 7 (seven) business days after the date of holding of GMS
2.	Article 49	Submit a) Periodical Financial Statement; b) Activity Report; and c) Annual Report of Public Accountant on adjusted net working capital	
3.	Rule No. X.E.1. Decree No. KEP-460/BL/2008	Submit the Annual Report approved by Board of Directors and Board of Commissioners to OJK	31 st March each year
4.	Article 50 (4)	Submit annual report on application of governance to the Financial Services Authority	Before 15 th of February of each year
5.	Article 43, 52 (1)	Submit the Business Plan to the Financial Services Authority	Before 30th of November of each year
6.	Article 52 (2) + 53 (1)	Submit the Report on realization of Business Plan to the Financial Services Authority	Before 15 th of February of each year
7.	Article 8 (2)	Submit the evidence of Notice and summary of minutes of Shareholders Meeting to the Financial Services Authority	Within 7 days after the Shareholders meeting
8.	Article 9 (3)	Submit the Shareholders circular resolution to the Financial Services Authority	Within 7 days after the Shareholders circular resolution
9.	OJK Rule No. 13/POJK.03/2017 on the Use of Public Accountants (PA) and PA Firm in Financial Services Activities	Shareholders have to approve the appointment of the public accountant and submit to the regulator within 10 days after the approval. While there is no deadline to approve there is a regulatory deadline to submit the resolution within 10 days after the approval. Customarily we have sought the approval of the Shareholders by end of November	