

**TERMS OF REFERENCE**  
**International Consultant**  
**Capital Market Supervisory Agency (BAPEPAM)**

**Background**

The Capital Market Supervisory Agency (Bapepam) has declared year 2003 as the year of restructuring Indonesian capital market industry. A number of initiatives such as restructuring of securities companies (increasing their paid in capital and net adjusted working capital), demutualizing the Jakarta Stock Exchange and establishing an integrated system among the SROs are either in progress, or are planned. They are part of Bapepam’s mission to foster private sector flows through the capital market, which call for improvement in the surveillance and monitoring mechanisms of the regulators to avoid a repeat of problems that were caused prior to and during the 1997/98 crisis. Compliance with international standards of regulation and supervision in the face of global competition – ASEAN Free Trade Agreement (AFTA), on line and remote trading system – is a major challenge well acknowledged by Bapepam. The Agency is keen on international assistance, particularly on the capacity building, market infrastructure and regulations.

**Objective of the Program**

The objective of this program is to assist Bapepam in setting up new regulations and guidelines or revising current regulations in areas including (but not limited to) internal control and book keeping of securities companies, winding down insolvent securities firms, client accounts insurance, risk management, compliance audit, partnership between Exchange member and non-Exchange member, etc.

**Timing**

An international consultant will be hired to work with staff of Bapepam for nine months. The consultant will coordinate closely with the consultants working with the SROs to ensure consistency in approaches and outputs.

**Qualifications**

The expert will have senior-level securities regulator and compliance operational experience and skills. Preferably the expert is a former regulator or stock exchange official.

**Tasks**

The consultant’s main tasks are to:

- Assess the state of the securities firms in Indonesia.
- Assess the functioning of the four SROs.
- Identify weaknesses and shortcomings in the licensing, regulation, examination and supervision of market intermediaries including securities companies and SROs.

- Propose action plan to address regulatory and supervisory weaknesses identified including necessary legal and operational changes
- Assist Bapepam in setting up new regulations and guidelines or revising current regulations in areas including (but not limited to) internal control and book keeping of securities companies, winding down insolvent securities firms, client accounts insurance, risk management, compliance audit, partnership between Exchange member and non-Exchange member, etc.
- Assess impact of new regulations on competitive position of exchanges.
- Assist Bapepam and SROs in the demutualization implementation.
- Conduct studies and propose recommendations on operational plan of new products or practices that are suitable for Indonesian capital market such as universal broker, professional indemnity insurance, etc.
- Hold training sessions for Bapepam and SROs staff on supervision and examination of market intermediaries.
- Assist Bapepam in hosting and conducting the international conference.

### **Reporting**

Within one month of the commencement of the consultancy, the consultant will submit to Bapepam and the World Bank, an inception report stating the planned work and problems anticipated. The draft report will be discussed at a tripartite inception meeting comprising Bapepam, the World Bank and consultant. During each following month, the consultant will submit a report to Bapepam and the World Bank stating the major activities and achievements. Meeting will be held periodically with Bapepam to review progress. One month before the end of consultancy, the consultant will submit a draft final report. The report will summarize the main findings and recommendations. The draft final report will be discussed at a tripartite inception meeting comprising Bapepam, the World Bank and consultant. The final report will be submitted after the conclusion of the assignment in both hardcopy and softcopy.