



**IDX**

Indonesia Stock Exchange

member of  **WORLD FEDERATION  
OF EXCHANGES**

# **How Accounting Profession Shape the Integrity and Transparency in Financial Industry and Capital Market**

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# Independency of Financial Service Authority in Indonesia

**Indonesia Government**



**Ministry of Finance**



**Bapepam-LK**



**Indonesia Stock Exchange**

Capital Market Act No. 8/1995



**Financial Service Authority  
(OJK)**

Act No. 21/2011 about  
Otoritas Jasa Keuangan (OJK)



**Indonesia Stock Exchange**

Capital Market Act No. 8/1995



# Capital Market: the easiest way to enter global economy



**64**  
Stock Exchanges Members

**45,000+**  
Listed Companies

**USD 86 trillion**  
Total World Trading Value

**USD 60 trillion**  
Total World Market Cap

\* as of September 2015



Indonesia Stock Exchange



**421,993 Investors**  
Domestic 411,530  
Foreign 10,463

**517**  
Listed Companies

**USD 81 bn**  
YTD Trading Value

**USD 297 bn**  
Market Cap

\* as of September 2015 3

# Global Capital Market

Market Cap & Trading Value as of September 2015



Market Capitalization			Trading Value	
In USD Billion		% of World	YTD Value	% of World
AS	22.280	37.1%	22,663.43	26.5%
China	5.180	8.6%	32,275.78	37.7%
Jepang	4.467	7.4%	4,255.43	5.0%
Hong Kong	3.822	6.4%	1,773.65	2.1%
Jerman	1.671	2.8%	1,213.79	1.4%
India	1.478	2.5%	625.23	0.7%
Korea Selatan	1.170	1.9%	1,492.54	1.7%
Australia	986	1.6%	614.80	0.7%
Singapura	446	0.7%	161.20	0.2%
Malaysia	348	0.6%	94.74	0.1%
Thailand	343	0.6%	221.84	0.3%
Indonesia	297	0.5%	80.53	0.1%
Filipina	233	0.4%	32.23	0.04%
<b>Total World Market Cap USD60,126.16 Billion</b>			<b>Total World Trading Value USD85,685.62 Billion</b>	

Source: Bloomberg, WFE



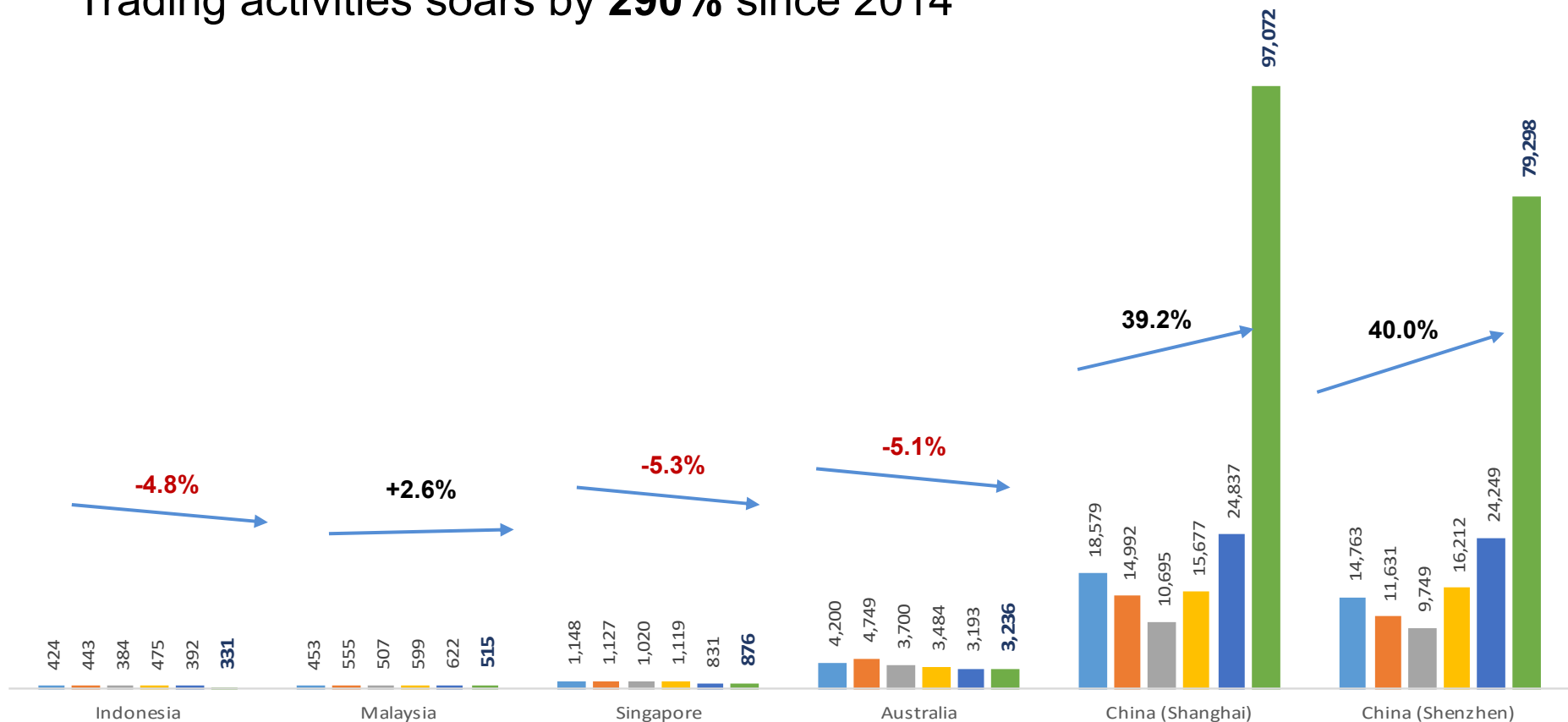
# Stock Exchanges Comparison over the last 5 years

Average Daily Trading Value (USD Millions)

2010 2011 2012 2013 2014 Sep-15

## China capital market phenomenon

Trading activities soars by **290%** since 2014



## CAPITAL MARKET

## BANKING INDUSTRY

**Rp 320,93 T**

**Fund Raised**  
(Average of the past 5 years)

**Total Credit**  
(Average of the past 5 years)

**Rp 2.728,2 T**

Rp 55,92 T

Equity (IPO, Rights, Warrant)

Working Capital

Rp 1.321,74 T

Rp 265,01 T

Bonds

Investment

Rp 621,11 T

Consumption

Rp 785,35 T

**407.538**

**Total Equity Investor (SID)**  
(Sept 2015)

**Total Banking Customer**  
(July 2015)

**166.074.670**

305.289 (257.295)

Mutual Fund (Des 2014)

**Rp 4.375 T**

**Market Capitalization**  
(Sep 2015)

**Total Banking Asset**  
(July 2015)

**Rp 5.925,7 T**

**Rp 1.646 T**

**Outstanding Bonds**  
(Sep 2015)

**16,72%**

**Yearly Equity Return**  
(Average of the past 5 years)

**Interest Rate 1 year**  
(Average of the past 5 years)

**6,39%**

**115**

**Total Brokers**

**Total Bank**

**118**

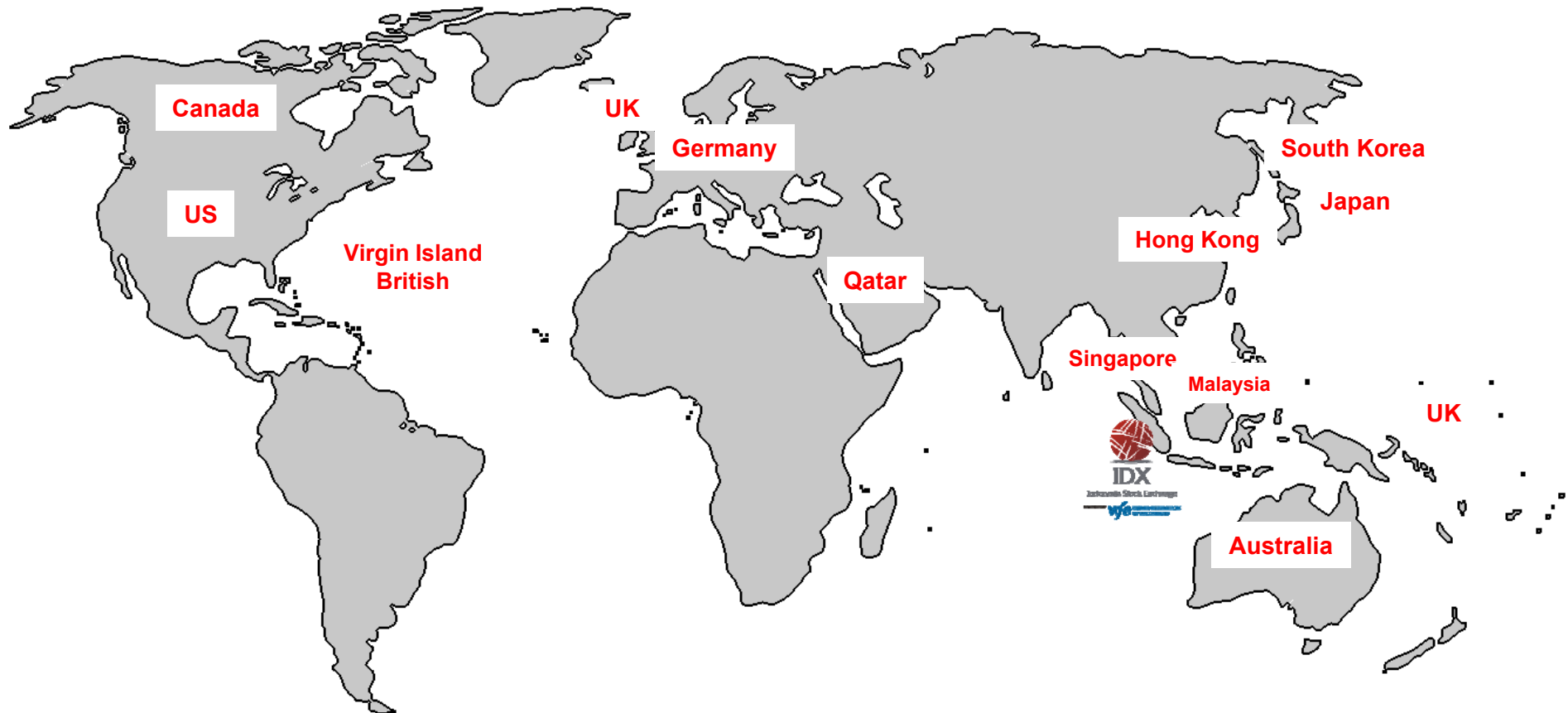
Max. Rp 100 million

**SIPF Protection Fund**

**LPS Protection Fund**

Max Rp 2 billion

# Global Investor for Indonesia Capital Market



Source: IDX



# Financial Service Authority (OJK) and Self Regulatory Organizations (SRO) Role in Protecting Investors

1

Minority shareholders protection

2

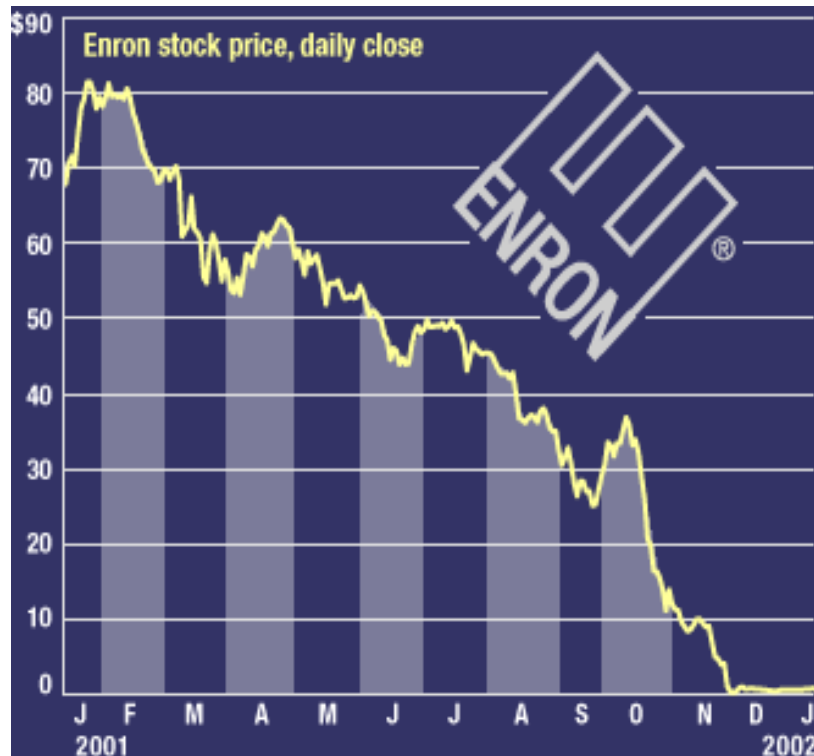
Promoting great confidence to investors

3

Efficiency of information



# ENRON CASE



## Misleading Financial Statement

- False Revenue: USD 100,8 billion
  - Actual USD 9 billion
- Stock went down:
  - USD 80 to less than USD 1



- Enron's Bankruptcy
- Loss of confidence in capital market
- Negative image of accountants
- Investors loss their investment
- Employees loss their jobs

# 2008 Subprime Mortgage: Worldwide financial crisis

The worst financial crisis since the Great Depression of the 1930

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## THE WALL STREET JOURNAL.

\*\*\*\*\* TUESDAY, SEPTEMBER 16, 2008 - VOL. CCLII NO. 65 \*\*\*\*\* \$2.00

DJIA 10717.51 ▼ 504.48 -4.4% NASDAQ 22791.91 ▼ 3.6% NYSE Composite 22224.70 DJ STOXX 50 2746.81 ▼ 4.0% 30-YR TREAS 4.2 3/32, yield 3.482% OIL \$95.73 ▼ \$5.67 GOLD \$783.30 ▲ \$22.00 EURO \$1.4310 YEN 104.00

### AIG, Lehman Shock Hits World Markets

Focus Moves to Fate of Giant Insurer After U.S. Allows Investment Bank to Fail; Barclays in Talks to Buy Core Lehman Unit

The convulsions in the U.S. financial system sent markets across the globe reeling, as two of Wall Street's biggest firms looked set to exit the scene and insurance titan American International Group Inc. turned to the Federal Reserve and the state of New York for assistance.

The U.S. stock market suffered its worst daily point plunge since the first day of trading after the Sept. 11, 2001, terrorist attacks. Financial markets were rattled by the rushed sale Sunday of Merrill Lynch & Co. and the bankruptcy-court filing of Lehman Brothers Holdings Inc., which scrambled Monday to sell its most prized businesses before too many employees and customers walk out the door. (Please see related article on Page C1.)

All day Monday, top Lehman officials were holed up in Manhattan at their Seventh Avenue

ing. For much of the day, the major U.S. market indexes were down 2%, which, while a good-sized decline, was smaller than many had thought would be the case. But in the final hour of trading, a wave of selling hit, driven by concerns about the fate of AIG. The Dow Jones Industrial Average ended down 504.48 points on Monday, off 4.4%, at its daily low of 10717.51, down 38% on the year. Of the Dow industrial's 30 components, all but one—Coca-Cola Co.—fell, led by a 60.8% plunge in AIG.

In Europe, London's FTSE 100 index dropped 3.9%. Several Asian markets, including Japan and China, were closed Monday due to holiday. By Tuesday, Tokyo shares were down 5.1% in early trading, and Hong Kong's Hang Seng index was down 6.1%.

Monday's action was the latest fallout in a widening financial crisis that began a year ago with the fall of American housing prices and is now redefining the U.S. financial system. Steps unveiled by the Federal Reserve to expand its emergency lend-

**AIG Faces Cash Crisis As Stock Dives 61%**

By MATTHEW KARNITSCHEN, LIAM FLEVIN AND SERENA NG

American International Group Inc. was facing a severe cash crunch last night as ratings agencies cut the firm's credit ratings, forcing the giant insurer to raise \$14.5 billion to cover its obligations.

With AIG now tottering, a crisis that began with falling home prices and went on to engulf Wall Street has reached one of the world's largest insurance companies, the warning to investors of the financial storm and greatly complicates the government's efforts

## IMPACTS

- US Families lost \$11 trillion in wealth in 2008
- Highest level of unemployment in US (10.8%)
- US Economic growth plunged to -0.3% (yoy) & -2.8% (yoy) during 2008 & 2009
- Indonesia Stock Exchange closed for three days (8-10 October 2015)

**“Financial services is a business of trust as well as keeping market confidence”**

# IDX has been promoting transparency aspects to keep market confidence (1/2)



Market appreciation vs. Companies compliance (2010-2015)

\* As of July 2015

No.	Code	Company	Price (%)	IHSG (+)	Mcap (USD Billion)	Net Income 5Yr-Growth	ROA	ROE	Number of Sanction
1.	<b>UNVR</b>	Unilever Indonesia Tbk.	265.2%	+251.168	23.13	69.43%	42.5%	129.6%	<b>1</b>
2.	<b>BBCA</b>	Bank Central Asia Tbk.	178.4%	+243.322	24.76	94.43%	3.1%	23.3%	<b>0</b>
3.	<b>BBRI</b>	Bank Rakyat Indonesia (Persero) Tbk.	173.9%	+186.65	19.22	111.30%	3.4%	27.4%	<b>0</b>
4.	<b>ASII</b>	Astra International Tbk.	96.0%	+168.473	20.68	33.52%	8.5%	21.4%	<b>0</b>
5.	<b>BMRI</b>	Bank Mandiri (Persero) Tbk.	117.5%	+145.636	17.44	115.57%	2.5%	20.9%	<b>1</b>
6.	<b>TLKM</b>	Telekomunikasi Indonesia (Persero) Tbk.	52.9%	+104.388	21.89	26.88%	10.9%	22.8%	<b>2</b>
7.	<b>KLBF</b>	Kalbe Farma Tbk.	540.4%	+83.0273	5.86	60.51%	17.4%	23.6%	<b>1</b>
8.	<b>BBNI</b>	Bank Negara Indonesia (Persero) Tbk.	191.7%	+69.5483	7.59	162.88%	2.7%	20.2%	<b>0</b>
9.	<b>GGRM</b>	Gudang Garam Tbk.	120.9%	+67.3294	6.88	29.48%	9.9%	17.2%	<b>0</b>
10.	<b>CPIN</b>	Charoen Pokphand Indonesia Tbk.	500.0%	+46.897	3.33	-20.97%	9.5%	16.7%	<b>0</b>
11.	<b>ICBP</b>	Indofood CBP Sukses Makmur Tbk.	131.7%	+45.6473	5.48	52.83%	11.3%	19.5%	<b>1</b>
12.	<b>TOWR</b>	Sarana Menara Nusantara Tbk.	3700.0%	+45.4751	3.06	740.54%	5.1%	20.2%	<b>1</b>
13.	<b>TBIG</b>	Tower Bersama Infrastructure Tbk.	342.0%	+36.7733	3.23	298.34%	6.4%	32.7%	<b>1</b>
14.	<b>INTP</b>	Indocement Tunggal Prakarsa Tbk.	53.5%	+34.6978	5.82	63.44%	19.0%	22.1%	<b>2</b>
15.	<b>SCMA</b>	Surya Citra Media Tbk.	219.1%	+32.822	3.19	17.59%	4.7%	14.9%	<b>1</b>



# IDX has been promoting transparency aspects to keep market confidence (2/2)

Market appreciation vs. Companies compliance (2010-2015)

\* As of July 2015

No.	Code	Company	Price (%)	IHSG (-)	Mcap (USD Billion)	Net Income 5Yr-Growth	ROA	ROE	Number of Sanction
1.	<b>BUMI</b>	Bumi Resources Tbk.	-97.8%	-57.345	0.15	-344.58%	-5.7%	17.3%	<b>31</b>
2.	<b>ADRO</b>	Adaro Energy Tbk.	-64.2%	-37.085	1.49	-4.25%	2.7%	6.5%	<b>4</b>
3.	<b>BORN</b>	Borneo Lumbung Energi & Metal Tbk.	-95.7%	-22.315	0.07	-1906.40%	-35.7%	-85.9%	<b>65</b>
4.	<b>FREN</b>	Smartfren Telecom Tbk.	-94.3%	-19.196	0.12	-1.64%	-8.2%	-39.3%	<b>3</b>
5.	<b>BRMS</b>	Bumi Resources Minerals Tbk.	-88.8%	-16.872	0.14	-228.25%	-4.8%	-6.9%	<b>14</b>
6.	<b>DOID</b>	Delta Dunia Makmur Tbk.	-95.0%	-14.361	0.05	-215.66%	1.6%	19.3%	<b>8</b>
7.	<b>BRAU</b>	Berau Coal Energy Tbk.	-79.5%	-12.106	0.22	-481.70%	-8.0%	-151.3%	<b>40</b>
8.	<b>HRUM</b>	Harum Energy Tbk.	-79.4%	-11.754	0.22	-99.41%	0.1%	0.1%	<b>2</b>
9.	<b>INCO</b>	Vale Indonesia Tbk.	-31.8%	-11.596	1.86	-48.58%	7.5%	9.8%	<b>5</b>
10.	<b>INDY</b>	Indika Energy Tbk.	-86.2%	-10.465	0.12	-142.24%	-1.2%	-3.9%	<b>2</b>
11.	<b>BRPT</b>	Barito Pacific Tbk.	-83.0%	-8.985	0.12	-81.52%	-0.4%	-1.2%	<b>4</b>
12.	<b>KRAS</b>	Krakatau Steel (Persero) Tbk.	-60.1%	-8.761	0.40	-267.24%	-6.0%	-15.7%	<b>3</b>
13.	<b>GIAA</b>	Garuda Indonesia (Persero) Tbk.	-41.9%	-8.409	0.84	-958.43%	-12.2%	-37.1%	<b>3</b>
14.	<b>UNSP</b>	Bakrie Sumatera Plantations Tbk.	-91.2%	-7.811	0.05	-177.56%	-3.5%	-13.9%	<b>22</b>
15.	<b>ENRG</b>	Energi Mega Persada Tbk.	-65.2%	-6.252	0.21	-805.02%	1.6%	4.2%	<b>21</b>

# Auditee or Auditor?



## Auditee

1. Management accounting policy
2. Day-to-day operation



## Auditor

1. Post event inspection



# Independent and Highly Integrity Auditee are Needed

1

Qualified Certification

2

No Affiliation / Independent

3

Code of ethics

4

Adequate protection from Association

5

Supervision from Regulators

6

Auditee disclosure and transparency



End of document

