

Risk Management – PT J.P.Morgan Sekuritas Indonesia

Procedure

Risk Management Function

Current Effective Date: 28 Mei 2018

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1. Document Information

Primary Procedure Owner	Retno Wulandari
Secondary Procedure Owner	N/A
Review Cycle	Annually or if any regulation and/or policies changes
Last Review Date	16 April 2018
Effective Date	28 May 2018

2. Change Control

No	Date	Revised by	Approved by	Comments
1	1-Oct-14 2-Dec-14	Retno Wulandari	BOD	V1.0 Document written and Signed off
2	18-Sep-15 22-Sep-15	Retno Wulandari	BOD	V2.0 <ul style="list-style-type: none"> - 1.2. Legal Basis and Internal Policies – additional of Regulation concerning Integrated Risk Management. - 2 Glossary – some new terms. - 3.1. R&R – amendment on Trade Monitoring & Surveillance and Reporting. - 3.2. Organization Structure – new organization structure. - 4.2.2. Client Trading Limit Check and Review – new procedure. - 5 No. 6 KYC Procedure – new contact for escalation. - 6 – Reporting – some amendments and new procedure of Semi Annual Risk Profiles Report. - Appendix C List of Document for Client On-Boarding. - Appendix E List of Counterparties/Escalation – new contact for escalation. - Replacement of Appendix F List of Facilities (no longer applied) with KYC Policy. - Some editorial changes.
3	22-Apr-16 17-May-16	Retno Wulandari	BOD	V3.0 <ul style="list-style-type: none"> - 3.2. Organization Structure – updated. - 2 Glossary – some new terms. - 4.4. Automated Ordering (Algorithm) and DMA Monitoring.
4	24-May-16	Retno Wulandari	Director	V3.1 <ul style="list-style-type: none"> - Legal Basis and Internal Policies
5	Feb-2017 17-Apr-17	Retno Wulandari	BOD	V4.0 <ul style="list-style-type: none"> - New template - Some changes on each section
6	16-Apr-18	Retno Wulandari	BOD	V5.0 New requirements as stipulated in OJK Rule No. 57/POJK.04/2017
7	28-May-18	Retno Wulandari	Compliance	V.5.1. Process Flows

3. Definition

The Risk Management (RM) function is the function required by Indonesia Financial Services Authority (Otoritas Jasa Keuangan/OJK) as stipulated in the regulation No. V.D.3 concerning the Internal Control of a Securities Company Conducting Business as Broker-Dealer.

4. Summary

This Procedures document is the primary reference on matters concerning the entire operational of Risk Management (RM) function within PT J.P.Morgan Sekuritas Indonesia (JPMSI)

5. Scope

Lines of Business	Asia CIB Risk Management
Sub-Lines of Business	N/A
Function(s)	N/A
Locations	Indonesia
Legal Entities	PT J.P.Morgan Sekuritas Indonesia

6. Risk Management Framework and Culture

6.1. Framework

Refer to the Global Legal Entity Risk Framework.

6.2. Culture

The risk management framework is developed to create a culture of risk transparency and awareness, and personal responsibility throughout the Firm where collaboration, discussion, escalation and sharing of information are encouraged through

- Acceptance of responsibility by all individuals within the Firm
- Ownership of risk management within each function

7. Roles and Responsibilities

1. Broker and Client Trading Limit

Risk Management Officer shall monitor JPMSI's trading limit on a daily basis, liaise with Settlement and Finance LOB on any requirement of trading limit changes, set trading limit for new client and perform monitoring of the trading limit on a daily basis.

2. Trade Monitoring and Surveillance

Risk Management Officer shall perform verification of orders and/or instructions from clients and ensure that below requirements have been fulfilled before the clients can start trading through JPMSI:

- (a) Client's trading limit has been set up and applied.
- (b) Client's account has been opened and approved by Sales function.
- (c) Client has provided a written statement which confirm that:
 - i. Client agrees to guarantee the availability of funds and/or stock for settlement before placing buy or sell order.
 - ii. In any case whereby client fails to provide funds and/or stock, client agrees to absorb and refund all losses.

Risk Management Officer shall review the analysis of trade alerts performed by regional Monitoring and Surveillance team, which alerts generated by Smarts Broker application on T+1, and escalate any potential market manipulative transactions to Compliance LOB. As part of trade monitoring roles, Risk Management Officer shall also monitor potential fail settlement including potential borrowing of shares, advise potential risk on the fail settlement and the borrowing, ensure mitigation process is conducted as per Standard Operating Procedure, and escalate any issue to Board of Directors of JPMSI.

3. Reporting

Risk Management Officer shall provide updates on the implementation of the risk management to Board of Directors regularly, through Operating Committee Meeting (OCM). The meeting will be chaired by President Director, which members consist of Directors and/or supporting functions managers.

Risk Management Officer prepares two types of reports periodically:

- (a) Quarterly Key Risk Indicator (KRI) Report and other updates for Operating Committee Meeting (OCM) and BOD/BOC meeting
- (b) Semi-annual Risk Profile Report for Integrated Risk Management (financial conglomerate) and BOD/BOC meeting

Risk Management Officer is also responsible to escalate any issue to Directors during daily monitoring process or monthly KRI process, which will impact business materially.

4. Provide risk updates to Independent Commissioner.

5. Other roles and responsibilities as defined in the Global Legal Entity Risk Framework.

8. Broker and Client Trading Limit

8.1. Broker Trading Limit

Step#	Details of Action	Responsible Party
1	Monitor trading limit balance through Member Interface (MI) application (Risk Management Report>Trading Limit) during trading hour	RM Officer
2	Escalate any (potential) trading limit decrease and propose for additional collateral by email to Finance, Settlement, and Sales LOB RM Officer should aware of some causes of trading limit decrease among others are: <ul style="list-style-type: none">- High trading volume of high risk stocks or stocks with high haircut- Borrow stock from KPEI for trade settlement- Reduction of collateral amount that is pledged to KPEI	RM Officer

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	In contrary, RM will propose for collateral withdrawal if trading limit amount is higher than daily average amount, by email to Finance, Settlement, and Sales LOB	
3	Calculate and obtain approval for collateral deposit or withdrawal	Finance/ Settlement
4	Process the collateral changes and report it to KPEI	Settlement
5	KPEI will reflect the collateral change in Member Interface	KPEI

Samples of MI application are provided in Appendix I

8.2. Client Trading Limit

Step#	Details of Action	Responsible Party
1	Request for trading limit set up for new client	Sales
2	Determine if the new client eligible for the Asia Risk Guidelines and Procedures, and Exempt Trading Policy If yes – input the applicable trading limit in Customer Account Acceptance Form (CAAF) and liaise with Credit Risk Management team for trading limit set up (Credit Risk Management team for Funds is CIB Credit Risk, for Hedge Funds & Asset Managers and Non Funds is CIB Credit Risk Indonesia, for International Client is CIB Credit Risk-Financial Institution)	RM Officer
3	If no - Credit Risk Management team will determine trading limit value and if the request is rejected, this should be communicated back to Sales (Credit Risk Management team for Funds is CIB Credit Risk, for Hedge Funds & Asset Managers and Non Funds is CIB Credit Risk Indonesia, for JPMSAPL is CIB Credit Risk-Financial Institution)	RM Officer
4	Request Settlement team to update the trading limit for new client in NOVA once got confirmation from Wholesale Client On Boarding (WCOB) APAC Equity team that the on-boarding process has been completed	RM Officer Settlement
5	Generate client trading limit report on start of day which consist of limit, exposures, and available limit	NOVA
6	Check the report to see if there is any trading limit breach	RM Officer
7	If there is breach limit, check with Sales if permanent or temporary limit increase is required	RM Officer
8	Confirm the limit change request by providing business justification. For permanent limit increase, it should include client trading history and trade value forecasting	Sales
9	Liaise with Credit Risk Management team for the limit increase (Credit Risk Management team for Funds is CIB Credit Risk, for Hedge Funds & Asset Managers and Non Funds is CIB Credit Risk Indonesia, for International Client is CIB Credit Risk-Financial Institution)	RM Officer
10	Once the increase has been approved, request Settlement LOB to update the changes in NOVA	RM Officer
11	Update the changes in NOVA	Settlement
12	For temporary trading limit increase, RM shall perform daily monitoring as detailed in step no. 6 and ensure the trading limit has been changed back to the original amount on settlement date or longer, depends on the request from Sales	RM Officer

Samples of client trading limit report is provided in Appendix II

9. Trade Monitoring and Surveillance

9.1. Smarts Broker/SB

JPMSI utilize SMARTS Broker/SB for trade monitoring. SB is a cross market surveillance service system developed by the NASDAQ QMX SMARTS group, and used by JP Morgan to improve the monitoring of securities markets. The tool will provide alerts on the occurrence of unusual transactions as per JP Morgan standard which also cover Indonesia capital market requirements, such as:

- Wash Sale
A trade between buyer and seller but there is no changes in the beneficiary ownership of the stock. The motives are to create price ups/downs/stable in such a way as the price is created through normal transactions, to give impressions that the stock is actively traded on exchange or that the Broker is actively trading on exchange.
- Marking the Close
Placing sell or buy orders at the end of trading hour with low volume which motive is to create closing price as expected, could be ups/downs/as the same as previous closing price.
- Creating Fake Demand/Supply
There is 1 or more certain parties placing buy or sell orders with lower price under the best price, but if the buy/sell orders are achieving the best price, the orders will be cancelled or the quantity or price will be amended several times. Motive is to increase or decrease the stock price by giving the impression to market as if there is high demand and supply, to influence other investors to buy or sell the stock.
- Front Running
Exchange Member executes orders in advance based on the information that their client will place big order on the stock which may affect the market price. Motive is to gain profit or minimize losses.
- Unusual Transaction Volume/Value
Client places an order which historically is unusual in terms of volume or trade value. This information will be useful for Indonesian Financial Transaction Report and Analysis Centre (PPATK).

Step#	Details of Action	Responsible Party
1	Smarts Broker (SB) application generates trade alerts on T+1	Smarts Broker
2	Monitoring & Surveillance (M&S) team analyze each trade alert on T+1, input the analysis result and close the alert in the application. Once all alerts have been analyzed and closed, send email notification to RM officer	M&S team
3	If there is any potential <i>true alert</i> , M&S team will investigate it by requesting further explanation from Sales Trader, ECS, Middle Office, Compliance, or Technology team	M&S team
4	When receive the email notification from M&S team: <ul style="list-style-type: none"> - RM officer log on to SB application (https://jpmorgan.smartsbroker.com/cmss/login.jsp) - Download alerts by selecting all>copy selection to clipboard>export selection and save it in shared folder (H:\RM\Alerts) - Export the attachments for further review by selecting the attachment sign then click export and save it in shared folder 	RM Officer

	(H:\RM\Alerts) - Review each alert and decide whether the alert indicates potential breach of regulations or internal policies, including any potential money laundering activities. - Save the review result in shared folder (H:\RM\Alerts)	
5	Follow-up money laundering activities with Compliance	RM Officer Compliance
6	Provide sign-off by replying the email notification from M&S team, if there is no further action required or once the investigation has been completed	RM Officer

Sample of email notification and details of SB application are provided in Appendix III

9.2. Automated Ordering (Algorithm) and Direct Market Access (DMA) Monitoring

Risk Management officer shall monitor Algorithm and DMA activities using monitoring tools (front office application and Smarts Broker/SB).

Other related functions (Sales Trading, Technology, and Compliance) are also involved in the implementation in accordance to their respective functions.

A. Emergency Shutdown/Kill Switches

Emergency shutdown procedures are designed by JPMorgan to minimize the impact of potentially catastrophic trading events by halting or stopping unintended trading activity.

The related functions within JPMSI will carry out its roles as follows:

1. RM officer monitors trading activities through front office application.
2. RM officer will escalate any activity that potentially requires kill switches, to other related functions (Sales Trading, Technology, and Compliance).
3. Based on discussion with all related functions, technology will liaise with regional team for further actions as specified in the Emergency Shutdown Standard for Electronic Trading document.

B. Algorithm Parameters

Electronic Trading Business Control Committee (E-Trading BCC) that is a forum consist of global Business Owner, Quantitative Research (QR), Technology, Market Risk, Model Group Governance (MGG), Legal, and Compliance has identified some controls applies for automated ordering activities in Indonesia market, as follows:

1. Max Spread - restricts the spread that Algorithm may cross.
Action: Algorithm limits price, but continues to trade, alert fired.
2. Max from Last - max distance from stock's last traded price.
Action: Algorithm limits price, but continues to trade, alert fired.
3. Max from Open - max distance from stock's Opening Price.
Action: Algorithm limits price, but continues to trade. Alert fired.
4. Max from Previous Close - max distance from stock's Previous Close Price, applies in Open Auctions only.
Action: Algorithm limits price, but continues to trade. Alert fired.
5. Max Child Order Size (Lots) - restricts the size of individual orders released to market & alerts the trader when a threshold has been breached.
Action: Algorithm restricts size to limit.
6. Max Child Order Frequency - max number of child order amends/cancels that Algo may send in 60/300 seconds.
Action: Algorithm will stop Trading and Alert. All orders on market are cancelled.
7. Max % Volume - max % of volume that Algo may participate. Hard cap on Client/Trader values.
Action: Algorithm caps Participation.

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The details are provided in Appendix IV.

C. Potential Risks and Mitigation

There are some potential risks that must be monitored during trading hours:

1. Faulty or malfunctioning algorithm due to lack of algorithm testing, may lead to unusual large trades, improper trading market disruption, breach of internal limits resulting in reputation damage, financial harm and/or regulatory fines.
 - a. Poor quality of algorithm which is not in line with the designed or expected behaviour.
 - b. Introducing an unauthorized trading algorithm.
 - c. System insensitivity and feedback loop for algorithm calculation that may create incorrect historical data, resulting in sending incorrect instruction to JATS.
 - d. System efficiency and speed in assessing, transmitting, normalising and computing a mid-point price may influence the ability of a trading to generate the best bid/offer and to develop a precise mid-point and affix that to a matched trade.
2. Failure of hardware and software. The impact could be the order is not executed according to client instructions or it is not executed to exchange.
3. Human error when entering client's instruction onto trading system e.g. price and time limit, may lead to unexpected result of algorithm trading.
4. In addition, due to high frequency, there is a risk of client trading limit breach intraday. But the risk is very minimal for JPMSI due to DVP settlement.

To minimize the risk, JPMorgan developed an Algorithm Control Checklist that must be completed by E-Trading BCC prior to launching a new strategy that covers:

1. General questionnaires about the algorithm and the parameters.
2. List of control specific to the algorithm.
3. Checklist for monitoring.
4. Limits management.
5. Control framework.
6. Compliance and regulatory requirements.
7. Software Development Life Cycle/SDLC.
8. Model determination.

RM Officer shall monitor the alerts generated by SB on T+1 that covers all trades including algorithm and DMA.

On a quarterly basis, the E-Trading BCC set up a call to discuss any update from each member/control function including new strategy being developed or launched, performance review of the Algorithm and significant errors or issues updates.

9.3. Settlement Risk Mitigation

Step#	Details of Action	Responsible Party
T+2	Settlement Team to inform any un-matched settlement instruction of international/foreign client to Regional Operating Centre (ROC) cc Sales Trading, RM Officer, and Compliance and to check eligibility of stock borrowing to KPEI to manage possible late stock delivery from client. Sales Trader to advise any updates from client to Settlement Team.	Settlement Team Sales Trader
T+3	Settlement Team liaises with ROC to get borrowing approval, unless Middle Office (MO) contacts Settlement Team directly. Email notification/approval should include max tenor allowable for client. Max tenor is 5 days or depends on liquidity of the borrowed stock.	Settlement Team ROC MO

T+3 – stock returns date	Settlement Team updates the settlement and borrowing status to all contacts in the distribution list	Settlement Team
Max stock returns date-1	Settlement Team to inform all contacts in the distribution list plus MO if there is potential delay to return stock borrowing to KPEI, including estimation of all costs incurred. MO shall inform clients the potential buy-in.	Settlement Team MO
Max stock returns date	Sales Trading to obtain approval for the buy in and execute the trade on exchange.	Sales Trader
T+2 – max stock returns date	RM Officer performs the monitoring, advise potential risks, ensure mitigation process is conducted, and escalate any issue to BOD.	RM Officer

10. Reporting

RM Officer prepares two types of report periodically:

10.1. Updates for Operating Committee Meeting (OCM) and BOD/BOC Meeting

The updates consist of Key Risk Indicators (KRI) and any other risk information such as potential operational risk found in daily monitoring and/or secondary placement project & new project launched by regulator or internal JPM.

Step#	Details of Action	Responsible Party
	Monthly basis	
1	BD1 Request data from all operational functions (Compliance, HRD, Settlement, Finance, Technology) using the agreed template	RM Officer
2	BD5 Provide data as requested	All heads of operational functions
3	BD6 Compile the data, assess the risk rating, and escalate major issues, if any, to Board of Directors via email or ad-hoc meeting Otherwise, save the report in shared folder (H:RM\KRI\Monthly)	RM Officer
	Quarterly basis	
4	BD10 Compile latest 3 months of KRI	RM Officer
5	BD11 Discuss the quarterly KRI with each operational function	RM Officer All heads of operational functions
6	BD12 Revise the KRI if needed, and finalize the report	RM Officer
7	BD13 Obtain signoff from each support function	RM Officer
8	BD15 Send the quarterly KRI including other risk information to Business Manager (BM) for the material of OCM	RM Officer
9	BOD provides signoff on the quarterly KRI in the OCM	BOD

The KRI consist of nine risk stripes:

No	Risk Type	Definition	Risk Parameters	Key Controls
1	Operational	Human Resources Insufficient people/capabilities and/or inappropriate behaviour	- Succession Plan - Training - License - Capacity - Human error - Fraud	- Human Resources (HR) function with supervisory of CAO monitors work permit status of foreign staff, if any - HR with supervisory of CAO will monitor license status of key person - Each LOB is responsible for monitoring resource issues in their LOB and escalating any issue to HR, CAO, LOB Manager, and BOD
		Net Adjusted Working Capital (NAWC) - Misstatement of Net Adjusted Working Capital (NAWC) report; and/or - Insufficient amount of NAWC - Incompliance to local regulatory limits and other reporting/ Regulatory Capital requirements - Uncompleted action plans related to regulatory	- NAWC value (daily average, monthly highest/lowest) - Capital Structure: - Subordinated loan value - Debt/Equity - NAWC value/Minimum value of NAWC - Ease of access to request capital leverage to shareholders - Financial capability of the shareholders	- Finance team to ensure correct reporting of NAWC - Finance team to monitor the NAWC position on daily basis and to escalate any material changes to BOD and LOB Manager
		External Non-regulatory Audit - Misstatement or omission in the external financial reporting - Audit rating is less than unqualified - Outstanding significant action plans from previous audit results	- Audit Findings - Audit Results - Action Plans	- Finance and Settlement team to ensure the implementation of PAPE for trade related journal entries and applicable accounting principles for general accounting entries - Each LOB will ensure adherence to internal policies and regulations - Each LOB will update and implement SOP consistently
		Internal Audit - Inadequate Oversight & Governance (O&G), including risks related to NBIA, project management, major capital investments, heightened risk transactions - Audit rating is less than satisfactory - Outstanding significant action plans from previous audit results	- Audit Findings - Audit Results - Action Plans	
		Business Complexity The business complexity is not supported by sufficient/solid infrastructure, resources, and KYC	- New product/New Business Initiative Approval (NBIA) process - Sales trading desk issues	NBIA process is performed involving all LOBs before new product is launched
		Know Your Client (KYC) Incompliance to OJK Rules concerning KYC Principal	- New client on-boarding (quantity, missing documents, timeframe, etc.) - KYC renewal/remediation (quantity, missing documents, timeframe, etc.) - Closing account (reason, etc.) - Type of clients - Sending order to JATS	- RM officer liaise with Wholesale client On-Boarding (WCOB) team to perform the new client On-Boarding as well as KYC renewal and/or remediation. - KYC updates to be discussed in OCM - Compliance will conduct audit regularly
		System Failure Failure to develop and deploy secured, stable, and reliable technology solution	- Network - System Access - Manual intervention - Other main systems issues (network/access/manual intervention issues, etc.) - Project updates	- Each LOB will escalate any system issue to technology team - Technology team will follow up with vendor and/or regional technology team for solution
		Trading Limit Failure to execute orders on market due to insufficient Trading Limit	- Block collateral amount and percentage (daily average, highest, and lowest) - Trade value in regular board (daily average, highest, and lowest)	- RM officer to monitor the trading limit during trading hour and escalate any potential risk when the blocked collateral is more than 50%, or if there is any requirement to increase TL due to high trade volume, based on information from Sales team - RM officer will work with Settlement team to calculate and prepare cash collateral deposit
		Trading Error/Facilitation - Overbought/oversold, or price margin provided to client, and delayed or missing reporting or approval in error database - Root cause analysis or action plans are outstanding for previous records	- Trading Error and Facilitation value, frequency, and the P/L - Pending reporting and approval of the error/facilitation	- Sales team to ensure the reporting in a timely manner to identify root cause and action plan - Settlement team to send list of outstanding error and facilitation for reporting, to Sales team, cc Compliance and RM - RM officer will help chasing Sales Trader to complete the report, and Sales Trading Manager to acknowledge and approve the report in the database
		Client Trading Limit Breach - Client trade amount is bigger than the approved limit - Request for credit limit increase not being raised by Sales team and/or approved by RM officer and/or Credit team	- Trading limit utilization - Breach Trading Limit - Trading limit increase	- RM officer reviews the Client Trading Limit Breach report generated automatically on start of day - RM officer will liaise with Sales Trader if there is any potential negative limits that requires temporary or permanent increase - RM officer will request Settlement team to update the limits based on the discussion with Sales and necessary settlement risk analysis - RM officer will liaise with Credit Team if there is any requirement to increase the limits permanently
		Timelines of Escalation Incidents or issues are escalated in a timely manner to the appropriate persons	- Material issues (e.g. potential regulatory breach, written client complaint, open market exposure) to be escalated - Timeframe of the escalation - Status of the escalation	All LOBs to comply with the Escalation Standard and Reporting Timeline
		Customer Complaints Number of formal complaints received from client due to delayed confirmation or other non-technical issues	- Verbal complaints from clients - Written/formal complaints from clients - Complaints handling/follow up process	- Sales team and Settlement team will escalate any complaint from clients either verbally or formally to RM officer and Compliance - RM officer and Compliance will follow up with respective LOB, escalate and/or discuss it further with regional team to identify follow up actions - Finance team will ensure any complaint is reported to OJK on monthly basis
		Operating Committee Meeting (OCM) Meetings held and all minutes received. OCM must have appropriate local risk function representation but may be held at location or regional level, subject to LOB policy and size of business in location	- Latest OCM - Distribution of OCM pack/MoM - Attendees/quorum	- CAO mark each participant's calendar in advance for one year period - CAO populate updates from each support function one week before next schedule and distribute the OCM pack one day before the meeting
		Tax Tax audit by local authority, internal tax LOB, or external auditor	- Outstanding tax issues - Action plans for the tax issues	Finance team liaise with Regional Tax team and external tax consultant in monitoring and resolving any tax matters
		Regulatory/Internal Compliance Policy Breach - Potential / confirmed license breaches reported to regulators, regulatory investigations, regulatory fines, confirmed breaches to internal compliance policy (Exclude Personal Account Trading breaches) - Outstanding action plans from previous regulatory or internal policy breaches	- Regulatory Audit/Inspection findings related to key processes (NAWC, KYC, TL, order management, settlement) - Regulatory Audit Results - Corrective Actions	- Each LOB has the responsibility to comply with internal policies including SOP and relevant regulations - Each LOB to escalate any potential breach to and discuss it further with Compliance for corrective actions
		Regulatory / Legislative Audit / Review Grades - OJK/IDK/KSEI - Regulatory Inspection / Audit / Review grades less than satisfactory - Action plans outstanding from previous regulatory inspection / audit review	- Regulatory Audit/Inspection findings related to key processes (NAWC, KYC, TL, order management, settlement) - Regulatory Audit Results - Corrective Actions	
		General Ledger Reconciliation and Substantiation (GLRS) GLRS Location Management Report	Total number of unreconciled or unsubstantiated or uncertified accounts/ total number of accounts subject to GLRS	Finance team and Settlement team will receive email notification from regional team when GLRS can be started, or if there is any outstanding/missing account
		Unconfirmed/Unaffirmed Trades Outstanding un-confirmed and un-affirmed Trades	- Total number of unconfirmed/un-affirmed trades - Percentage of unconfirmed/un-affirmed trades	Settlement team performs pre-matching until SD and raise any unmatched settlement instruction on SD-1 to Sales team and Regional Operating Centre (ROC) team, cc RM and Compliance
		Front Office (FO) to Back Office (BO) Reconciliations Aging of position	- Total number of unreconciled trades - Percentage of unreconciled trades - Aging period of the unreconciled trades	Settlement team performs trade reconciliation after market closed and raise any issue to Sales team
		Nostro Outstanding/unexplained Nostro balances or fails	- Total number of unexplained Nostro balances or fails - Percentage of unexplained Nostro balances or fails	Settlement team performs Nostro reconciliation after market closed and raise any issue to Finance team
		Late capture of trades Trades Captured / Booked (but not necessary allocated) late or not in compliance to the local exchange rules	- Number of late cross reported on T+2 - Percentage of late cross reported on T+2 - Number of reporting of late cross on a T+3 - Percentage of late cross reported on a T+3	Settlement team performs trade reconciliation after market closed and raise any issue to Sales team

No	Risk Type	Definition	Risk Parameters	Key Controls
2	Credit	The outstanding security settlements resulting in market / settlement / reputational risk, significant financial exposure or exchange rules breach.	<ul style="list-style-type: none"> - Fail to deliver value of institutional clients/buy trades value of institutional clients - Fail to deliver value to other brokers/sell trades value to other broker - Fail to deliver frequency of institutional clients - Pending fail to deliver frequency to other broker - Pending fail to deliver frequency of institutional client - Pending fail to deliver frequency to other brokers - Highest value of trades done on negotiation board 	<ul style="list-style-type: none"> - Settlement team performs pre-matching starting from Trade Date (TD) until Settlement Date (SD), escalates any un-matched settlement instruction on SD-1 to Sales team and Regional Operating Centre (ROC) team cc RM and Compliance, and finds solutions as per available failed mechanics provided by exchange - International client (JPMSAPL) to settle all trades on SD
3	Market	Portfolio losses	<ul style="list-style-type: none"> - Average haircut value/Average fair market value of the portfolio - Unrealized loss/Total Assets - The concentrated portfolio value/Total paid in capital 	The Firm maintains portfolio for facilitating client with odd lot shares
4	Liquidity	<ul style="list-style-type: none"> - Current asset is not sufficient to pay short term liabilities - The Firm is unable to settle account payables to clearing agency (KPEI) for the regular clients' transactions - The Firm doesn't have liquidity when conducting underwriting activities (cash basis) - The Firm is unable to settle the fail to receive from institutional clients - The Firm is unable to settle the fail to receive from other brokers 	<ul style="list-style-type: none"> - Current Ratio - Cash Ratio - (NAWC Excess Value x 4)/Underwriting portion - (Average Cash + Cash Equivalents + Deposit + Collateral in KPEI)/Average payables to KPEI - (Average Cash + Cash Equivalents)/Average fail to receive of Institutional Clients (NK) - Fail to receive value of Institutional Clients (NK) - Fail to receive frequency of Institutional Clients (NK) - Frequency of pending fail to receive of Institutional Clients (NK) - (Average Cash + Cash Equivalents)/Average fail to receive from other broker - Value of fail to receive from other broker - Frequency of fail to receive from other broker - Frequency of pending fail to receive from other broker - Liquidity ratio 	<ul style="list-style-type: none"> - Settlement team monitors daily cash position, trades payables and receivables - Settlement team will liaise with finance team if there is any funding or capital increase requirement - International client (JPMSAPL) to settle all trades on SD
5	Legal	Litigation costs, settlement and regulatory fines resulting from the failure to comply with laws, regulations set by OJK/IDX/KSEI, prudent ethical standards and contractual obligations in any aspect of business, but exclude strategic and business risk	<ul style="list-style-type: none"> - Audit Findings - Audit Results - Corrective Actions - Litigation amount - Ratio of litigation value/excess NAWC value - Assignment of legal attorney or representation in court - Fulfilment of the legal agreement terms - Standardization of all agreements - The use of the dispute resolution forum - The number and nominal value of products not regulated 	<ul style="list-style-type: none"> - Each LOB will ensure adherence to regulations and internal policies - Each LOB will update and implement SOP consistently
6	Strategic	A possible source of loss that might arise from the pursuit of an unsuccessful business plan	<ul style="list-style-type: none"> - Product choices - Business strategy - Fiscal/monetary changes and the impact to business - Profitability: <ul style="list-style-type: none"> - Net Profit Margin ratio (Net Income/Net Sales) - Costs/Revenue - ROA Ratio (Net Income/Average of Total Assets) - ROE Ratio (Net Income/Shareholders' Equity) - Revenue/Other Income - The achievement of profit target in the last 3 years - Policy of dividend repatriation - Retained Earnings - Profit Increase 	<ul style="list-style-type: none"> - Client focus and revenue target is set and communicated properly by top management to local sales team - Regular meeting is conducted to monitor the status and any issue on achieving business target - NBIA process is conducted properly
7	Compliance	<ul style="list-style-type: none"> Trading ID Incompliance to IDX Rule No. II-A Art. V-6 regarding Trading ID Free Release Incompliance to IDX Rule No. II-A concerning Equity Type Securities Trading Trade Monitoring and Surveillance Incompliance to Capital Market Law No. 8 Year 1998 Art.90-93 regarding Fraud, Art.91&92 regarding Market Manipulation, Art.95-98 regarding Insider Trading 	<ul style="list-style-type: none"> - Number or percentage of executions with unmatched Trading ID - Root causes - Action plans - Number or percentage of executions flagged as free release in trading system - Root causes - Action plans - Total alerts - Alerts for escalation - Action plans 	<ul style="list-style-type: none"> - Sales team to escalate incorrect Trading ID to RM officer for corrective action during trading hour - RM officer to double check execution file at end of market hour to ensure correct reporting of Trading ID - RM officer to monitor executions at end of market hour - RM officer to escalate findings to Compliance and technology team for further investigation and follow up action - RM officer, Compliance, and Technology team to keep track delivery of the solution - Monitoring of trade alerts using Smarts Broker, analysis done by regional monitoring and surveillance (M&S) team and review by RM on TD+1 - M&S team, RM officer, and Compliance will ensure the escalations will be followed up by respective team (Sales/Technology team)
8	Reputation	<ul style="list-style-type: none"> - Verbal complaints from clients - Formal complaints received from client(s) due to delayed confirmation or other non-technical issues - Negative news about the Firm being published in media 	<ul style="list-style-type: none"> - Written/formal complaints from clients - Negative news being published by media - Complaints/negative news handling/follow up action 	<ul style="list-style-type: none"> - Sales team and Settlement team will ensure escalation to RM/Compliance if there is any complaint to be raised by client(s) verbally and/or formally - RM officer and Compliance will follow up with respective LOB, escalate and/or discuss it further with regional team to identify follow up actions - Finance team will ensure any complaint is reported to OJK on monthly basis - All employees are responsible to maintain the Firm's reputation in accordance to the regular training conducted by the Firm. RM officer to escalate any potential reputational risk to BOD as well as regional team for follow-up and corrective actions.
9	Intra-group Transaction	The risk to earnings or capital arising from Nostro account maintained with the Main Entity (JPNCB Jakarta branch)	<ul style="list-style-type: none"> - Intragroup Nostro Balance - Credit lines provided by the Main Entity - Utilization of the Credit lines from the Main Entity 	Finance team and Settlement team maintain the Nostro balance with main entity at the minimum amount, which is enough to cover general expenses for several months

RM Officer will measure the risks by referring to tables below:

Probability of Occurrence			Impact	
Probability		Likelihood	Consequences	Severity
Unlikely	< 10%	Unlikely but can reasonably be expected to occur (not)	Minor	Low
Possible	10-25%	Will occur at times	Significant	Moderate
Likely	25-50%	Will occur frequently	Serious	High
Very Likely	>50%	Continuously experienced	Major	Very High

Inherent Risk		Impact			
		Minor	Significant	Serious	Major
Probability	Very Likely	Moderate	High	Very High	Very High
	Likely	Moderate	High	High	Very High
	Possible	Low	Moderate	High	Very High
	Unlikely	Low	Moderate	High	High
Inherent Risk		Quality of Risk Management Implementation			
		Strong	Satisfactory	Fair	Marginal/Unsatisfactory
Low		1	1	2	3
Low to Moderate		1	2	2	4
Moderate		2	2	3	4
Moderate to High		2	3	4	5
High		3	3	4	5

Sample of quarterly KRI, data request and email approval are provided in Appendix V.

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10.2. Semi-annual Risk Profile Report for Integrated Risk Management and BOD/BOC Meeting

- Semi-annual Risk Profiles Report is a summary of JPMSI risk profiles for the period that ended 30 June and 31 December.
- The report consist of 9 type of risks which include credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk, compliance risk, and intra-group risk.
- RM officer liaise with each risk owner when performing the assessment of risk ranking for each type of risk.
- The report is sent to RM officer of JPMCB Jakarta branch for further discussion within Integrated Risk Management Committee, prior to each due date of reporting to OJK, which schedules will be agreed between JPMSI and JPMCB Jakarta branch.

Step#	Details of Action	Responsible Party
1	BD6 Prepare semi-annual Risk Profile Report using latest template and update the report based on latest 2 quarters of KRI	RM Officer
2	BD7 Discuss the report with each LOB	RM Officer All LOBs' heads
3	BD8 Revise the report based on the discussion with each LOB, and finalize the report	RM Officer
4	BD9 Obtain signoff from each LOB	RM Officer All LOBs' heads
5	BD12 Send the report including all the email signoff to RM officer of main entity	RM Officer

Sample of semi-annual Risk Profile Report and email approval are provided in Appendix VI.

RM officer should also monitor daily trading behaviour and escalate any issue that may expose JPMSI to reputational risk or other risks. The issues should be shared to Compliance LOB and BOD verbally or by email.

If there is any audit finding related to risks, this has to be reported to Risk & Control Office, input it to Force system manually, including the details of the finding and follow up action. Risk & Control Office team will monitor and ensure that follow up action has been completed and the Force report can be closed.

If there is any regulatory change concerning Risk Management, it has to be reported to Force system as self-identified issue. Details must be lodged into the system, including impact and follow up action. Risk & Control team will monitor and check if the follow up action has been completed and the issue can be closed.

11. Maker – Checker

No	Process Name	Maker	Checker/Approver
1	Broker trading limit monitoring	N/A (the information is provided by Member Interface system)	RM officer
2	Client trading limit set up	Credit team (for Funds is CIB Credit Risk, for Hedge Funds & Asset Managers and Non Funds is CIB Credit Risk Indonesia, for JPMSAPL is CIB Credit Risk-Financial Institution)	RM officer
3	Client trading limit monitoring	N/A (the information is provided by NOVA automatically)	RM officer
4	Trade monitoring via Smarts Broker system	Monitoring and Surveillance team	RM Officer
5	Due diligence of CAAF	RM Officer	WCOB APAC Equity team
6	Quarterly Key Risk Indicator Report	RM Officer	Each LOB Head
7	Semi-annual Risk Profile Report	RM Officer	Each LOB Head

12. Escalation Matrix

No	Team Name	Description	Email
1	Front Office Team	Follow up the escalation sent by M& S team	Direct email
2	Compliance LOB	Follow up escalation of trade alerts, money laundering and invalid Trading ID	Direct email
3	Settlement Team	Follow up Broker trading limit escalation	Indonesia.Cash.Equity.Ops@jpmorgan.com
4	Finance/LEC Team	Follow up Broker trading limit escalation	jkt_fin_equity@jpmchase.com
5	Monitoring and Surveillance (M&S) team	Trade alerts analysis	Asia_Compliance_-_Monitoring_&_Surveillance@jpmchase.com
6	Electronic Client Solutions (ECS) team	Follow up the escalation sent by M& S team	ecs-hk@jpmorgan.com
7	WCOB APAC Equity team	KYC issues	wcob.apac.equity.and.prime@jpmorgan.com
8	Global Credit Risk Management (GCRMO) Overlimits team	Indonesia Cash Equity Facility	gcrm.mumbai.reporting@jpmorgan.com
9	CIB Credit Risk team	Trading limit set up for funds	Direct email
10	CIB Credit Risk Indonesia team	Trading limit set up for hedge funds & asset managers and non-funds	cib_credit_risk_indonesia@jpmorgan.com
11	CIB Credit Risk-Financial Institution team	Trading limit set up for JPMSAPL	Direct email
12	CRMO India Deactivation team	Pre-Trade Approval	crmo.india.deactivation@restricted.chase.com
13	Operating Committee Meeting	Provide approval on KRI, Risk Profile Report, SOP and other strategic updates	Direct email

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13. Forms and Templates

Forms	<ul style="list-style-type: none"> N/A
Templates	<ul style="list-style-type: none"> Daily KRI Monthly KRI Quarterly KRI Semi-annual Risk Profile Report

14. Systems and Shared Drives used

No	Name of Application	Description	URL Reference	Support Team Name	Support Team Email
1	Smarts Broker	Market surveillance and compliance solutions by NASDAQ OMX.	https://ipmorgan.smartsbroker.com/cmss/login.jsp	Compliance trade surveillance tech team	SMBC-ClientServices@nasdaqomx.com
2	Member Interface	A portal that provides an integrated and comprehensive information about risk management related to the activities carried out by Clearing Member and Trading Limit.	130.202.22.95	Risk Management Team of KPEI	unit.kke@kpei.co.id Phone: 5299 – 5735
3	Cosmos	Cosmos (aka BNS) is a comprehensive order management system that handles order validation, persistence, acknowledgements, and routing for both touch (interactive) and no-touch (DMA – Direct Market Access). BNS also manages post execution/surveillance functions.		Via local Technology team	Direct email
4	NEO Global	The New Equity Order System, developed originally in Tokyo to provide a consistent interface between various trading systems and exchanges. NEO accepts orders from trading applications and routes them to exchanges. Execution reports are		Via local Technology	Direct email

		<p>routed back from the exchanges to the originating application. In addition NEO manages order state for supporting order and execution amendments and cancellations. It has specific support for optimized trading of baskets and waves. Each NEO process runs as a redundant pair, generally multiple processes running on two separate hardware configurations. One process is the primary, and the other is a secondary running in hot stand-by mode. In the case of a failure on the primary the secondary process can take over. The failover and recovery process should take only a few seconds.</p>			
5	TROVE	<p>The application that consolidates and normalizes trading data across multiple feeder systems; providing a single repository for various consumer inquiry services.</p>	<p>https://service-cotv-p-eq-na.ipmchase.net:20102/custom-search/SR3SSIVJAG</p>		
6	SELM	<p>The Strategic Exposure and Limits Monitoring application that provides access to a vast range of client limit information necessary to monitor Derivatives and Securities counterparty trading line usage. SELM is used across regions by all GCRM Front Office, GCRM Middle Office and LOB users participating in limits monitoring functions. SELM's key functionalities are: 1. Facility Mapping (batch) 2. Constraints Evaluation (batch) 3. User Interface, which displays Facility Limits, Credit Exposure and Availability 4. Over limits Processing (batch) TCP/FM Functions: Position linking for TCP products Unused calculation for TCP products CFAS (credit facility availability) calculation Memo-posting used by Asia Trade Operations.</p>	<p>https://citssweb.us.ipmchase.net:8443/selmweb/home.action</p>	<p>Risk Management Customer Support</p> <p>Risk Technology Customer Support</p> <p>Risk Entitlements Support Team</p>	<p>Risk_Management_Customer_Support@ipmorgan.com</p> <p>Phone: Toll Free 800-757-1581 or direct 602-606-4216</p> <p>Risk_Entitlements_Support@ipmorgan.com</p>
7	ICRD	<p>An application that provides users with fast access to client reference data, ratings and exposure information. Users are able to drill down to view facility</p>	<p><a \$howlinks":"linkspage"}"="" href="https://icrd.ipmchase.net:8443/icrdweb/links/index.jsp?fromRoot#{">https://icrd.ipmchase.net:8443/icrdweb/links/index.jsp?fromRoot#{"\$howLinks":"linksPage"}</p>	<p>Risk Management Customer Support</p>	<p>Risk_Management_Customer_Support@ipmorgan.com</p>

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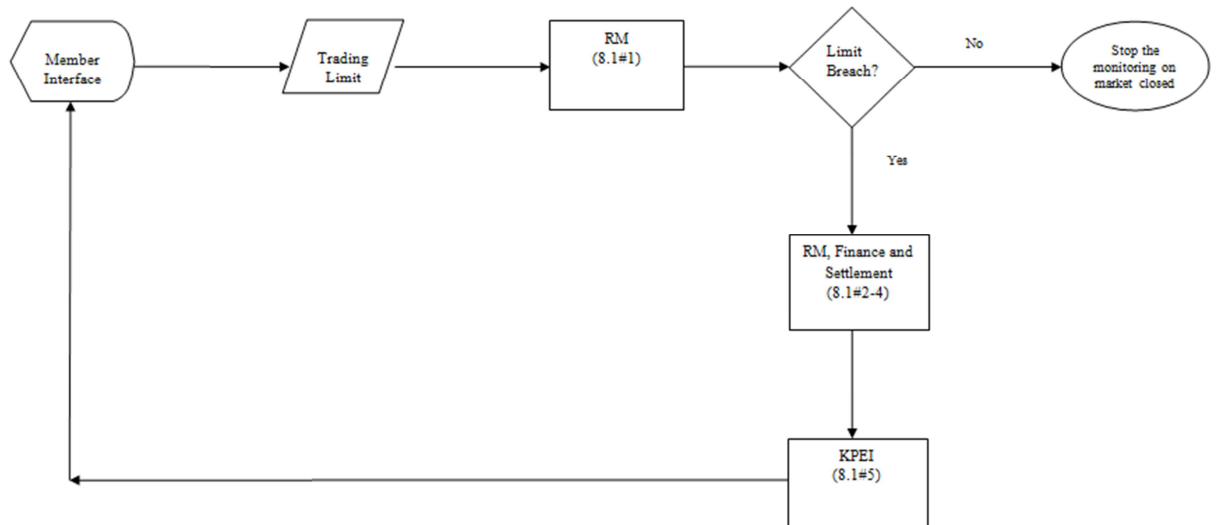
		information for a particular client or family, to see the reference data for the facility, facility amounts, dates, pricing, finance arrangement information, eligible borrowers and supports. Users are able to drill down from the client record or from facilities to view out standings.		Risk Technology Customer Support	Phone: Toll Free 800-757-1581 or direct 602-606-4216
				Risk Entitlements Support Team	Risk_Entitlements_Support@jpmorgan.com
8	Exposure Now	An application that provides users with fast access to client reference data, ratings and exposure information. Users are able to drill down to view facility information for a particular client or family, to see the reference data for the facility, facility amounts, dates, pricing, finance arrangement information, eligible borrowers and supports. Users are able to drill down from the client record or from facilities to view out standings	https://janus-sso.jpmorgan.com/sso/action/login?domainName=jpmchase.net&URL=https%3a%2f%2fcrm.us.jpmchase.net%3a8443%2fenWeb%2f&msg=+&securityLevel=0&cs=ToVdOUXOgIVf%2fRoZoXsjTKFzW8k%3d	Risk Management Customer Support	Risk_Management_Customer_Support@jpmorgan.com
				Risk Technology Customer Support	Phone: Toll Free 800-757-1581 or direct 602-606-4216
				Risk Entitlements Support Team	Risk_Entitlements_Support@jpmorgan.com
9	IBID	A web-based provisioning application managing identity, entitlements, and other user attributes for employees and client contacts in the Investment Bank.	https://ibid.jpmorgan.com/RMT	IBID Request Management Help Guide	

15. Data Sourcing

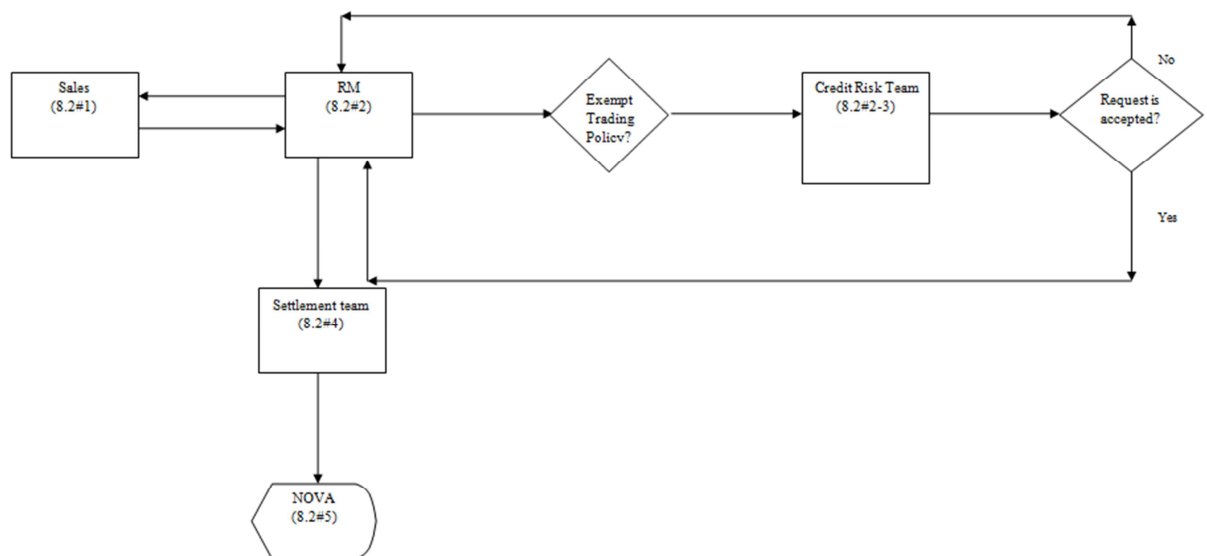
Source Data 1	• N/A
User Tool 1	• N/A
Query Name 1	• N/A

16. Process Flow Charts

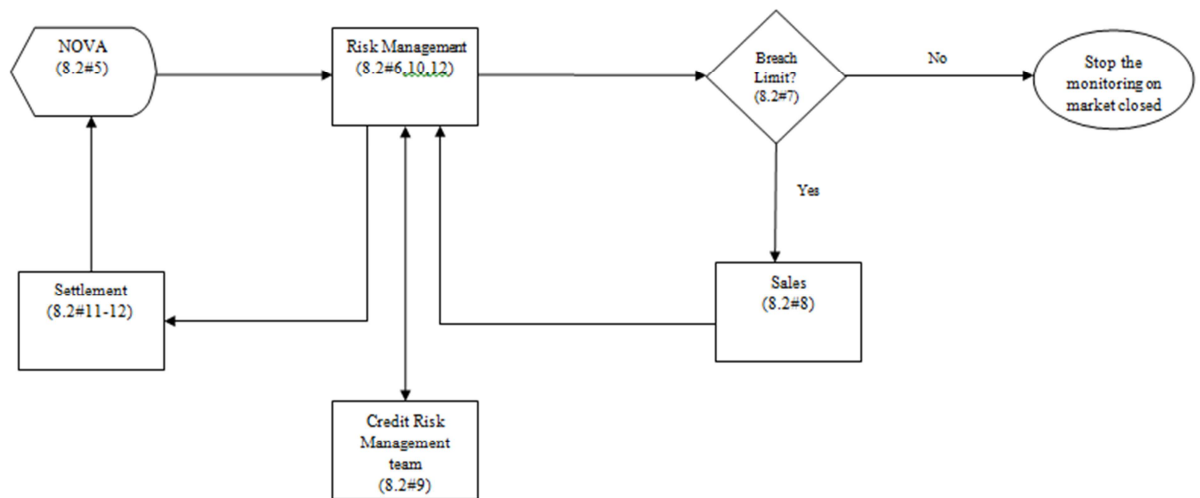
16.1. Broker Trading Limit Monitoring



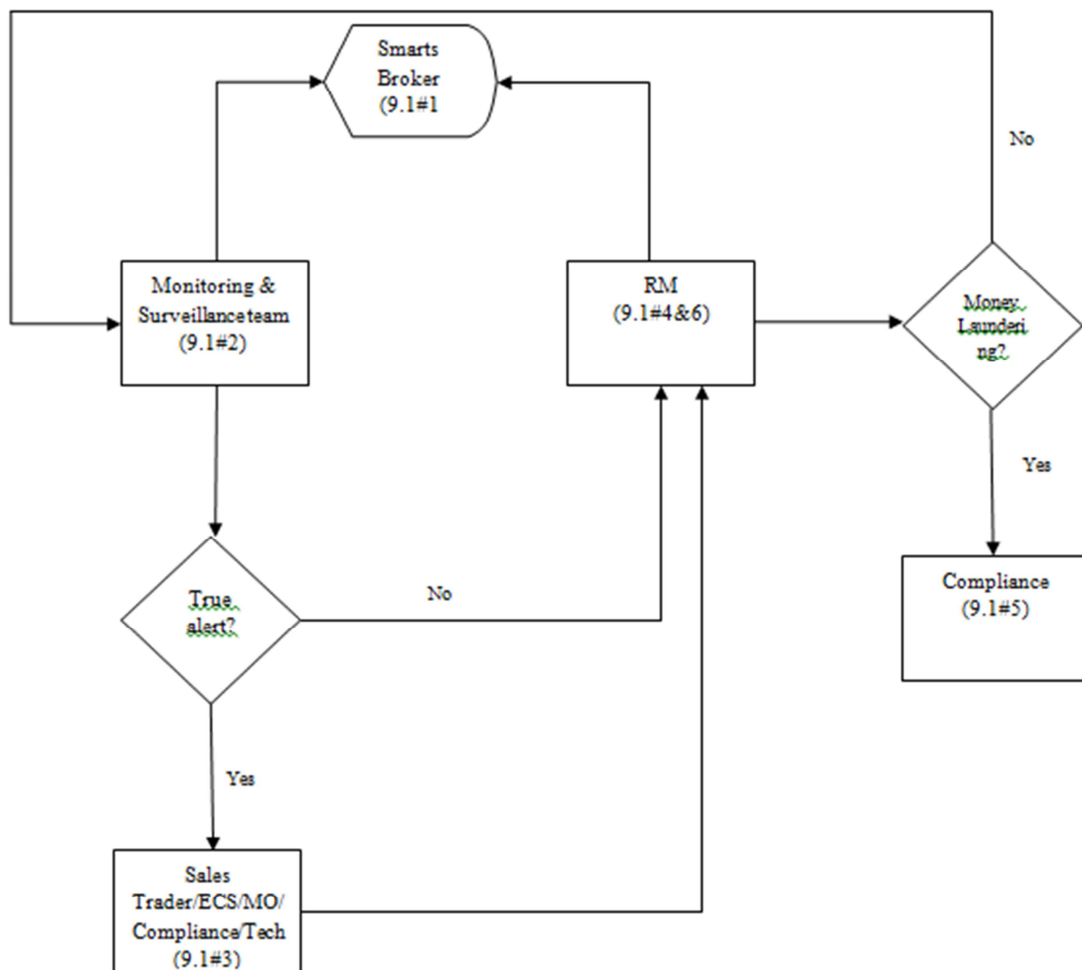
16.2. Client Trading Limit Set up



16.3. Client Trading Limit Monitoring

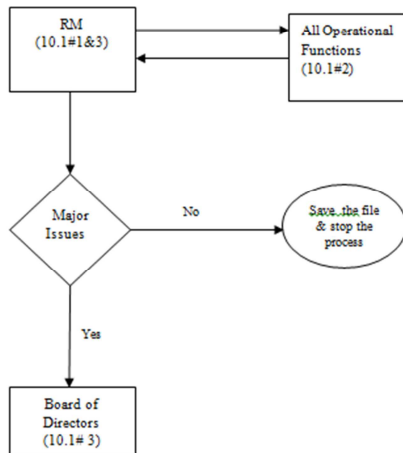


16.4. Trade Monitoring via Smarts Broker

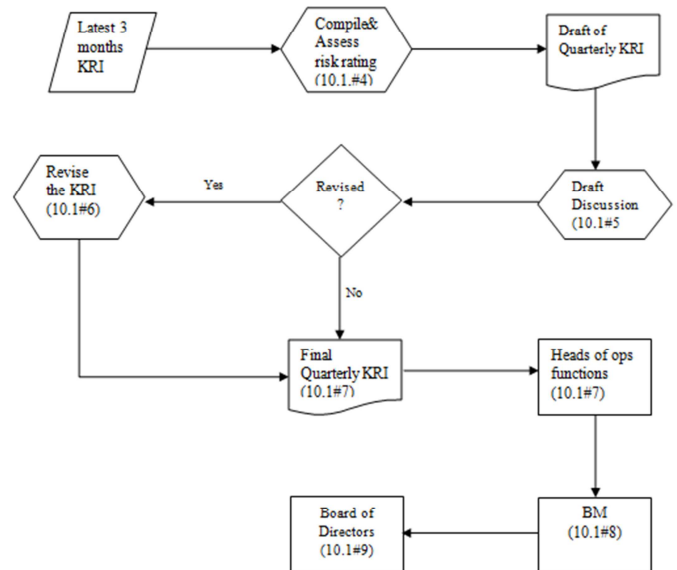


16.5. Key Risk Indicator Report

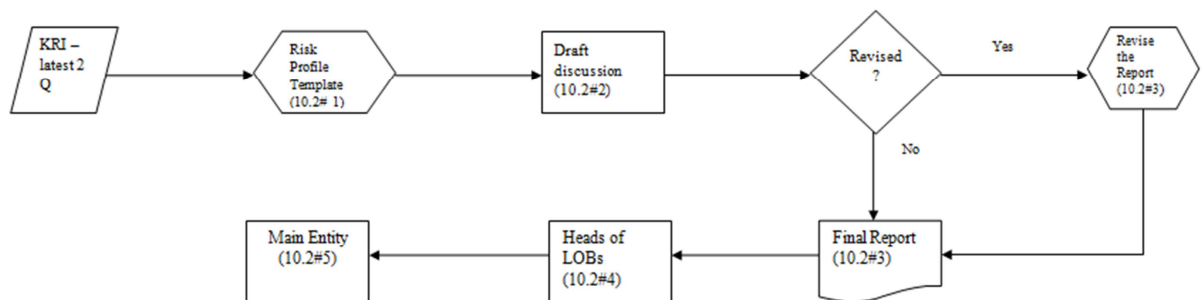
Monthly Basis



Quarterly Basis



16.6. Semi-annual Risk Profile Report



17. Service Level Agreement

Trade and Communication Surveillance between JPMorgan Chase Bank, N.A. – Hong Kong Branch, J.P. Morgan Administrative Services Australia, JPMorgan Chase Bank, N.A. – Singapore Branch and PT J.P. Morgan Securities Indonesia

18. Defined Terms

APAC	Asia Pacific	JPMSI	J.P.Morgan Sekuritas Indonesia, PT
AML	Anti-Money Laundering	KPEI	Indonesia Clearing and Guarantee
BCC	Business Control Committee	LOB	Line Of Business

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BOC	Board of Commissioners	M&S	Monitoring and Surveillance
BOD	Board of Directors	MGG	Model Group Governance
DMA	Direct Market Access	MI	Member Interface
ECS	Electronic Client Service	MLRO	Money Laundering Reporting Officer
E-Trading	Electronic Trading	NAWC	Net Adjusted Working Capital
ETT	Electronic Trading Technology	OCM	Operating Committee Meeting
GCRMO	Global Credit Risk Management Operations	OJK	Financial Services Authority
MO	Middle Office	PPATK	Indonesian Financial Transaction Report and Analysis Centre
ICRD	Integrated Credit Risk Desktop	QR	Quantitative Research
IDX	Indonesia Stock Exchange	SDLC	Software Development Life Cycle
ROC	Regional Operating Centre	SB	SMARTS Broker
JATS	Jakarta Trading System		

19. Training Methods

Risk Management Officer shall go through the procedures and refer to the policies and other documents listed on section 20.

20. Referenced Policies, Relevant Circulars and Other Procedures

Governing Policies	<ul style="list-style-type: none"> - OJK Rule No. V.D.3 concerning the Internal Control of a Securities Company Conducting Business as Broker-Dealer. - Capital Market Law No.8 Year 1995: <ul style="list-style-type: none"> • Article 90 and 93 concerning Fraud. • Article 91 and 92 concerning Market Manipulation. • Article 95-98 concerning Insider Trading. - Law No. 8 Year 2010 concerning The Prevention and Eradication of The Crime of Money Laundering. - IDX Rule No. II-A Provision No. II.1.13 concerning Securities Trading: the Securities Exchange Member is responsible for all transactions conducted at the Exchange. - IDX Rule No. III-A Provision No. IV.7 concerning Exchange Membership: exchange member that provides DMA is required to establish surveillance system and having a dedicated officer to oversee client's transaction pattern excluded from appropriateness.
---------------------------	--

	<ul style="list-style-type: none"> - KPEI Rule No. II-13 concerning Risk Calculation. - OJK Rule No. 17/POJK.03/2014 concerning Implementation of Integrated Risk Management for Financial Conglomerate. - PPATK Rule No. SE-03/1.02/PPATK/05/15 concerning Indicators of Suspicious Financial Transactions for Financial Service Providers. - Exempt Trading Policy. - OJK Rule No. 57/POJK.04/2017 concerning Good Corporate Governance Implementation by Securities Companies Conducting Businesses as Underwriter and Broker-Dealer - Global Legal Entity Risk Framework <p>If there is any discrepancy between regulation and internal policies, RM must follow the regulations released by local authorities..</p>
Relevant Legal Obligation ID	N/A
Other Procedures	<ul style="list-style-type: none"> • Emergency Shutdown Standards for Electronic Trading. • E-Trading Control Standards. • Operational Risk Standards. • JPMSAPL – Compliance Surveillance – SMARTS Broker Surveillance Procedures Version 1.5

21. Record Retention

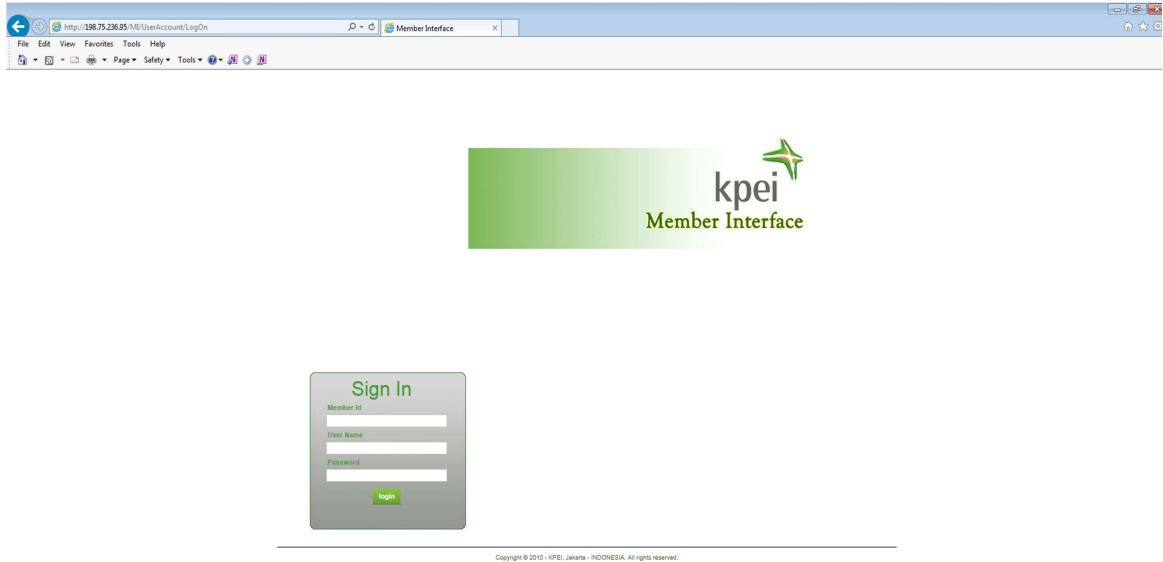
All records must be retained for 5 years for tax purposes and 30 years for legal purposes, at minimum.

22. Access Control and Privacy Protection

All data is saved in home folder that can only be accessed by RM Officer. Systems access is certified regularly by user, line manager, and information owner.

23. Appendix I – Member Interface Application

1. Log on to the application



2. Trading Limit Dashboard (mask the economic information & user name)
old

HOME ABOUT CHANGE PASSWORD LOGOUT

kpei Member Interface

Member Id: BK Name: Dewi Permata Sari Date: Friday, 19 September 2014 6:36:35 PM Last Login: 07 September 2014 1:18:07 PM

Mulai 6 Januari 2014, Perubahan Satuan Perdagangan (k

Risk Management Reports

- Static Data, Risk General Information
- Obligation and Right Report
- Simulation
- Trading Limit Allocation
- Message

Dashboard

Clearing Member : BK # J.P. Morgan Securities Indonesia # ICM

Information as Per : 19/09/2014 18:18:05

Search

	Pool	Equity	Derivative	Fixed Income	SBL
Effective Collateral	,00	231.178.000.000,00	,00	231.178.000.000,00	231.178.000.000,00
Blocked Collateral	,00	13.233.835.227,92	,00	,00	,00
Free Collateral for Limit	217.944.164.772,07	217.944.164.772,07	,00	231.178.000.000,00	231.178.000.000,00
Trading Limit	,00	435.888.329.544,15	,00	462.356.000.000,00	231.178.000.000,00

Trading Member : BK # J.P. Morgan Securities Indonesia # ICM

	Pool	Equity	Derivative	Fixed Income	SBL
Limit	435.888.329.544,00	435.888.329.544,00	0.00	0.00	0.00
Used Limit	,00	,00	0.00	0.00	0.00
Available Limit	435.888.329.544,00	435.888.329.544,00	0.00	0.00	0.00
Traded Limit	,00	,00	0.00	0.00	0.00
Balance	435.888.329.544,00	435.888.329.544,00	0.00	0.00	0.00

JPMORGAN CHASE & CO.

new

HOME ABOUT CHANGE PASSWORD LOGOUT

kpei

Member Interface

Member Id : BK Name : Date : Friday, 19 September 2014 6:36:35 PM Last Login : 07 September 2014 1:18:07 PM Mulai 6 Januari 2014, Perubahan Satuan Perdagangan (k

Risk Management Reports

Static Data, Risk General Information

Obligation and Right Report

Simulation

Trading Limit Allocation

Message

Dashboard

Clearing Member : BK # J.P. Morgan Securities Indonesia # ICM

Information as Per : 19/09/2014 18:18:05

Search

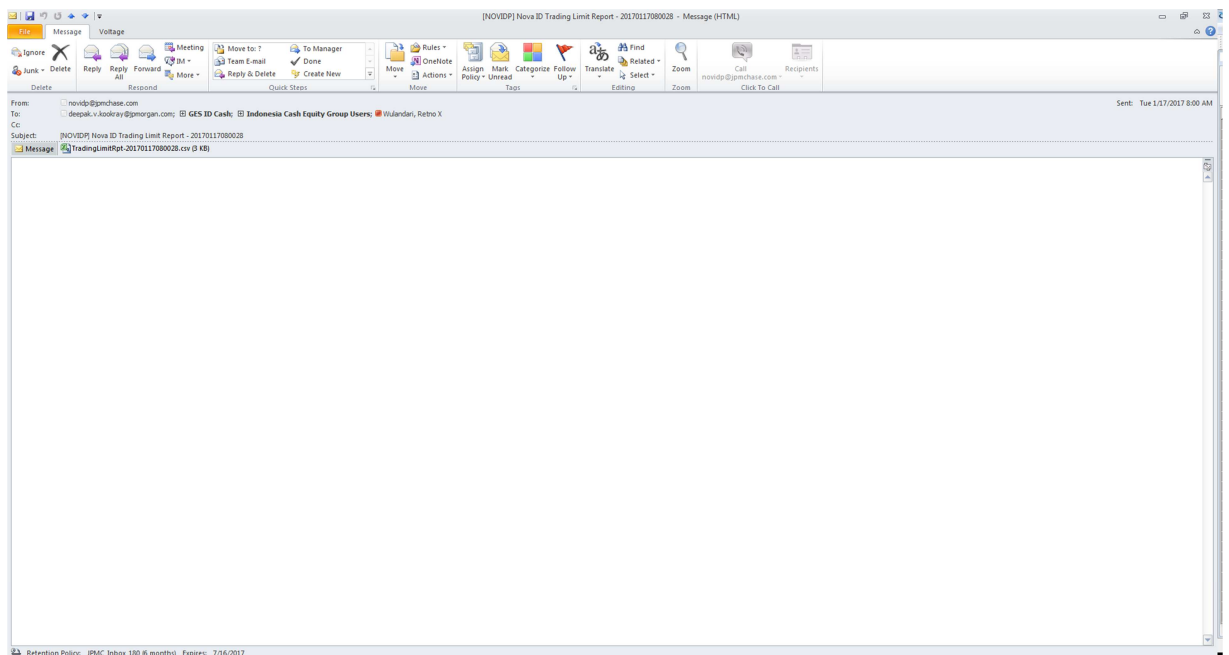
	Pool	Equity	Derivative	Fixed Income	SBL
Effective Collateral					
Blocked Collateral					
Free Collateral for Limit					
Trading Limit					

Trading Member : BK # J.P. Morgan Securities Indonesia # ICM

	Pool	Equity	Derivative	Fixed Income	SBL
Limit					
Used Limit					
Available Limit					
Traded Limit					
Balance					

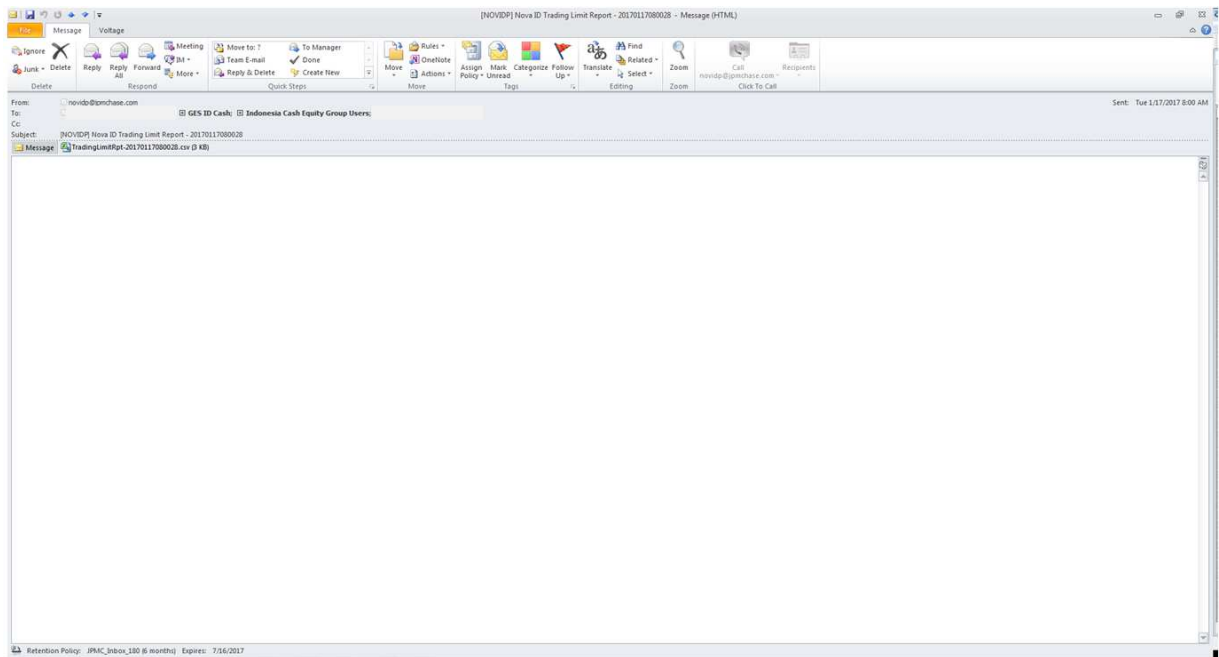
24. Appendix II – Client Trading Limit Report (mask personal email address & client name)

old



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new



old

	Company	ProcessID	PartyName	ClientType	TradingLimit	CreditLimit	CurrentAcq	PendingG	PendingSe	ToTalExpo	AvailableT	ExceededCreditLimit
1	PT J.P. M.	17-Jan-17	7000002	JPMorgan Institution	1.34E+12	1.7E+12	0	1.45E+11	2.14E+11	3.59E+11	1.34E+12	0
2	PT J.P. M.	17-Jan-17	7000010	PT BNP F Institution	4.25E+11	4.25E+11	0	0	0	0	4.25E+11	0
3	PT J.P. M.	17-Jan-17	7000050	Manulife A Institution	4.25E+11	4.25E+11	0	0	0	0	4.25E+11	0
4	PT J.P. M.	17-Jan-17	7000011	Bahana TC Institution	4.25E+11	4.25E+11	0	1.05E+09	0	1.06E+09	4.24E+11	0
5	PT J.P. M.	17-Jan-17	7000057	PT PANIN Institution	4.25E+11	4.25E+11	0	0	0	0	4.25E+11	0
6	PT J.P. M.	17-Jan-17	7000059	PT ASHMI Institution	4.23E+11	4.23E+11	0	2.49E+09	0	2.49E+09	4.23E+11	0
7	PT J.P. M.	17-Jan-17	7000055	PT EASTS Institution	4.2E+11	4.25E+11	0	4.78E+09	0	4.78E+09	4.2E+11	0
8	PT J.P. M.	17-Jan-17	7000056	PT AIA FFI Institution	4.05E+11	4.25E+11	0	1.99E+10	0	1.99E+10	4.05E+11	0
9	PT J.P. M.	17-Jan-17	7000044	PT Asuran Institution	2.13E+11	2.13E+11	0	0	0	0	2.13E+11	0
10	PT J.P. M.	17-Jan-17	7000049	PT SYAIL Institution	4.25E+11	4.25E+11	0	0	0	0	4.25E+11	0
11	PT J.P. M.	17-Jan-17	7000007	Schroder k Institution	4.12E+11	4.25E+11	0	6.24E+09	6.78E+09	1.3E+10	4.12E+11	0
12	PT J.P. M.	17-Jan-17	7000041	PT Mandiri Institution	4.1E+11	4.25E+11	0	1.19E+10	2.65E+09	1.46E+10	4.1E+11	0

The status bar at the bottom shows 'TradingLimitRpt-20170117080028'."/>

new

25

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TradingLimitRpt-20170117080028.csv [Read-Only] - Microsoft Excel

FileHomeInsertPage LayoutFormulasDataReviewViewHelp

Clipboard

Font

Alignment

Number

Wrap Text

General

Conditional Formatting

Format as Table

Check Cell

Explanatory T

Input

Linked Cell

Note

AutoSum

Fill

Sort & Find & Filter & Select

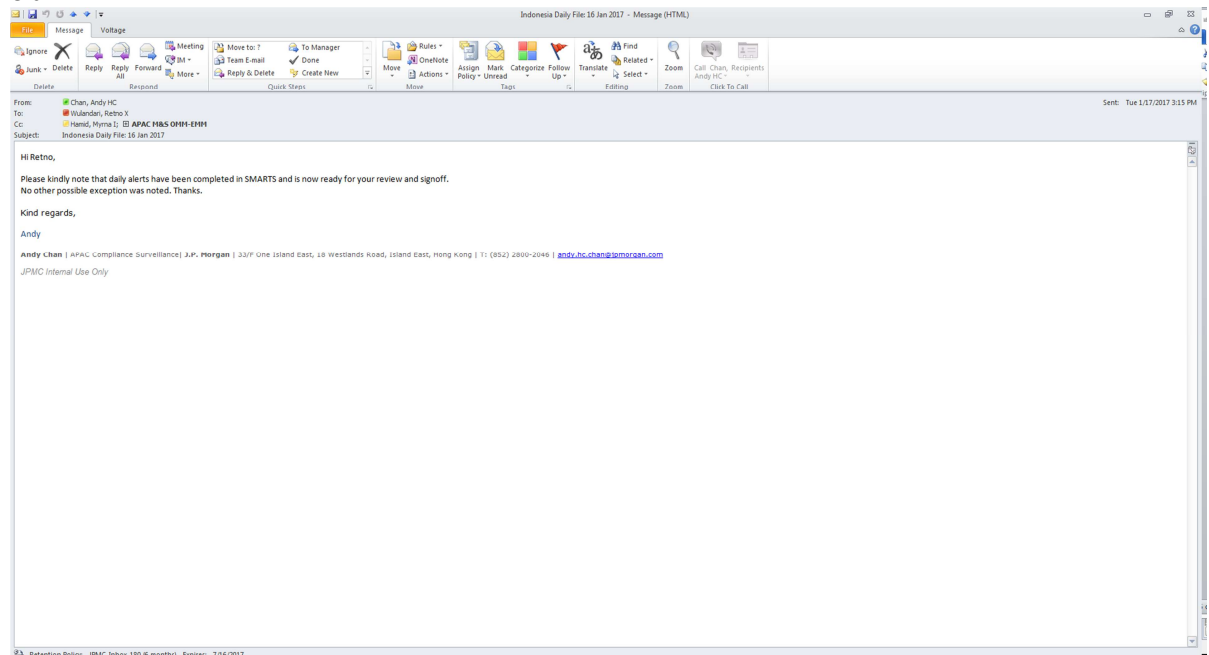
Editing

Click To Call

D14

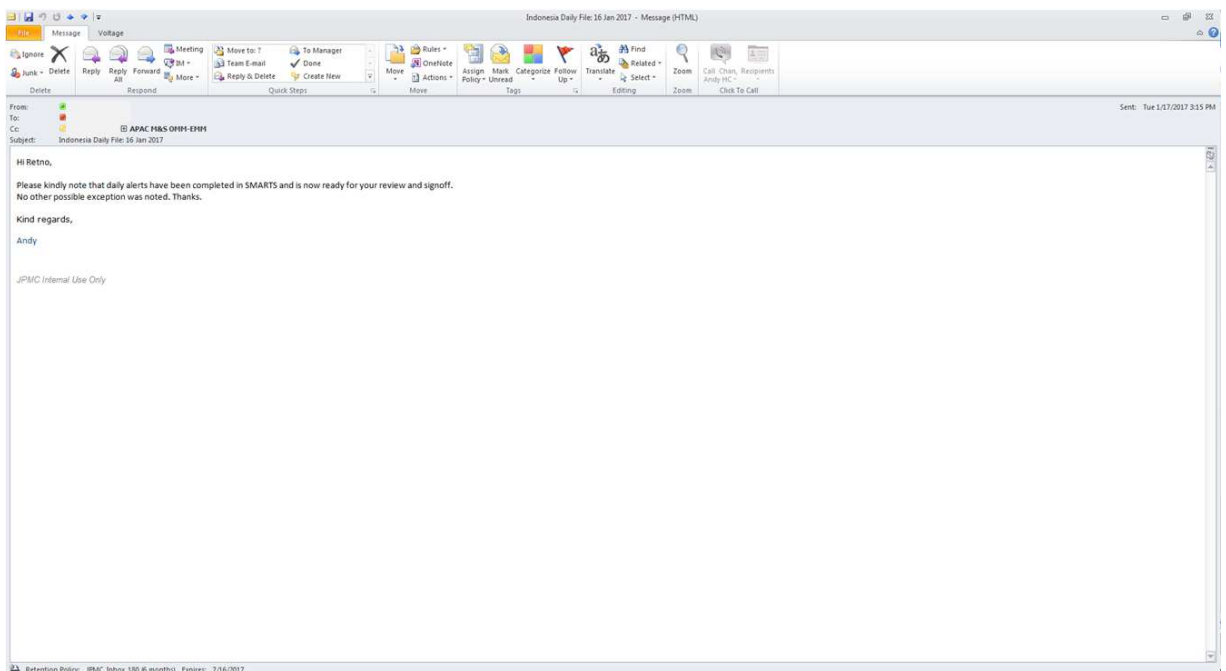
25. Appendix III – Smarts Broker (SB)

1. Email notification from Monitoring & Surveillance team (mask personal email address & PI) old



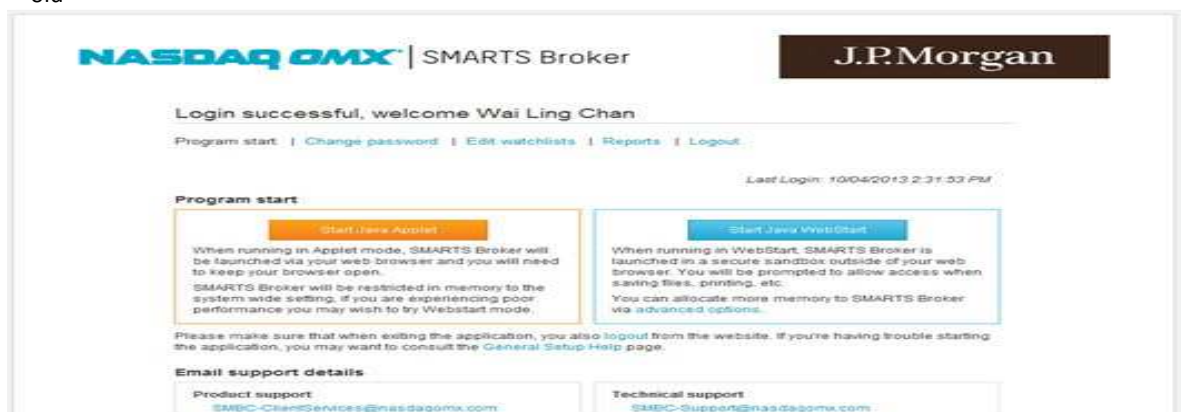
new

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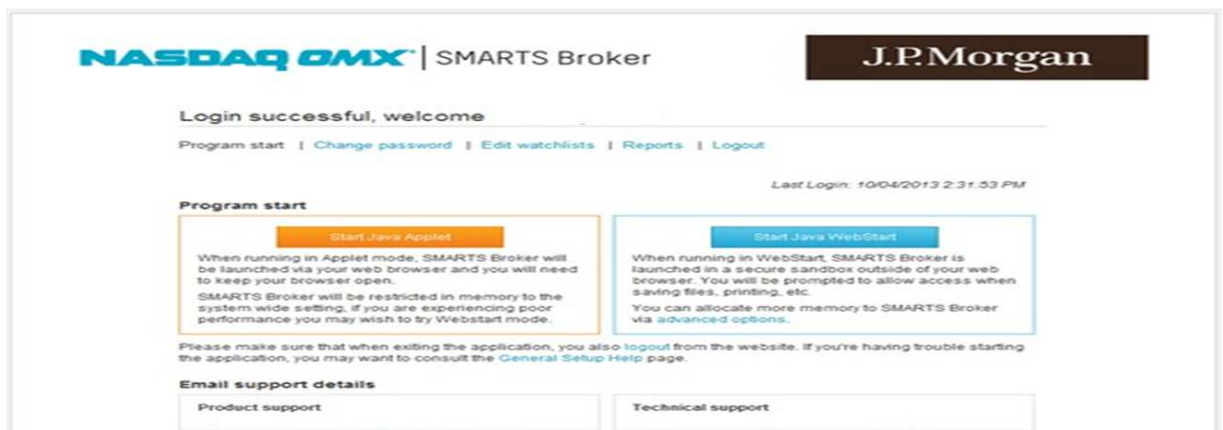


2. Log on to SB

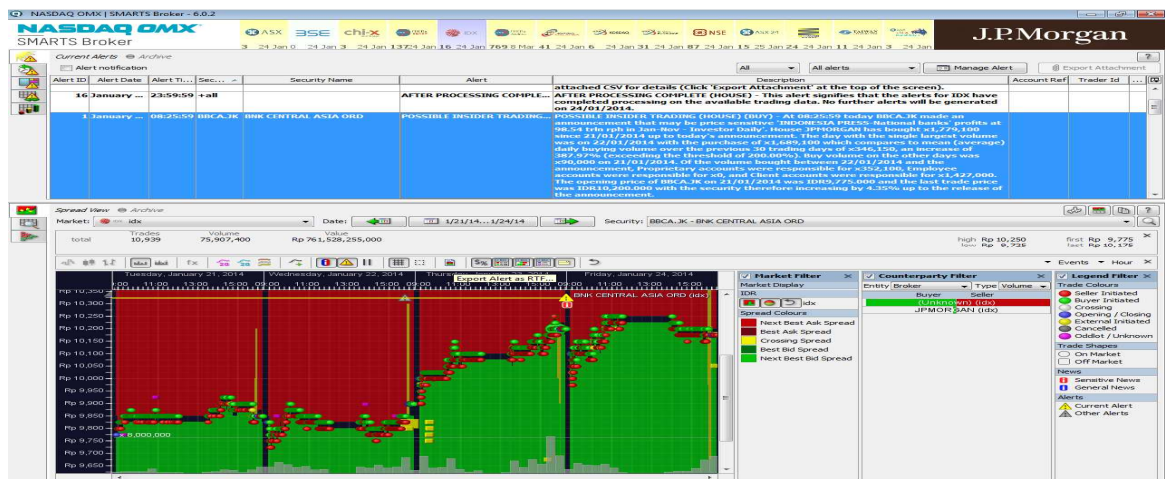
- 1) Logon to Smart Broker and input personal login credentials and password. old



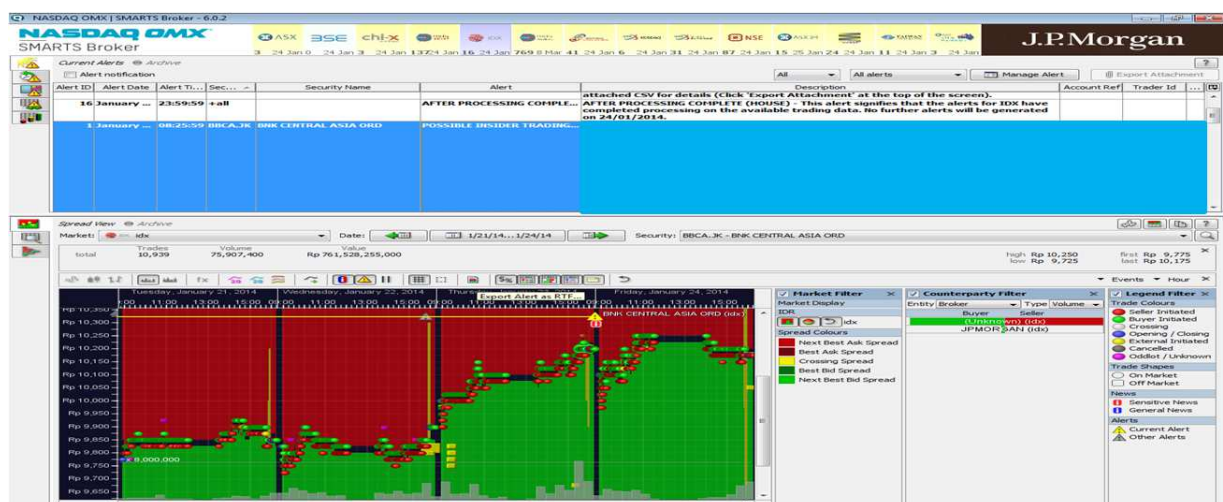
new



- 2) Once successfully logged on, the SB starting screen will be displayed.
old



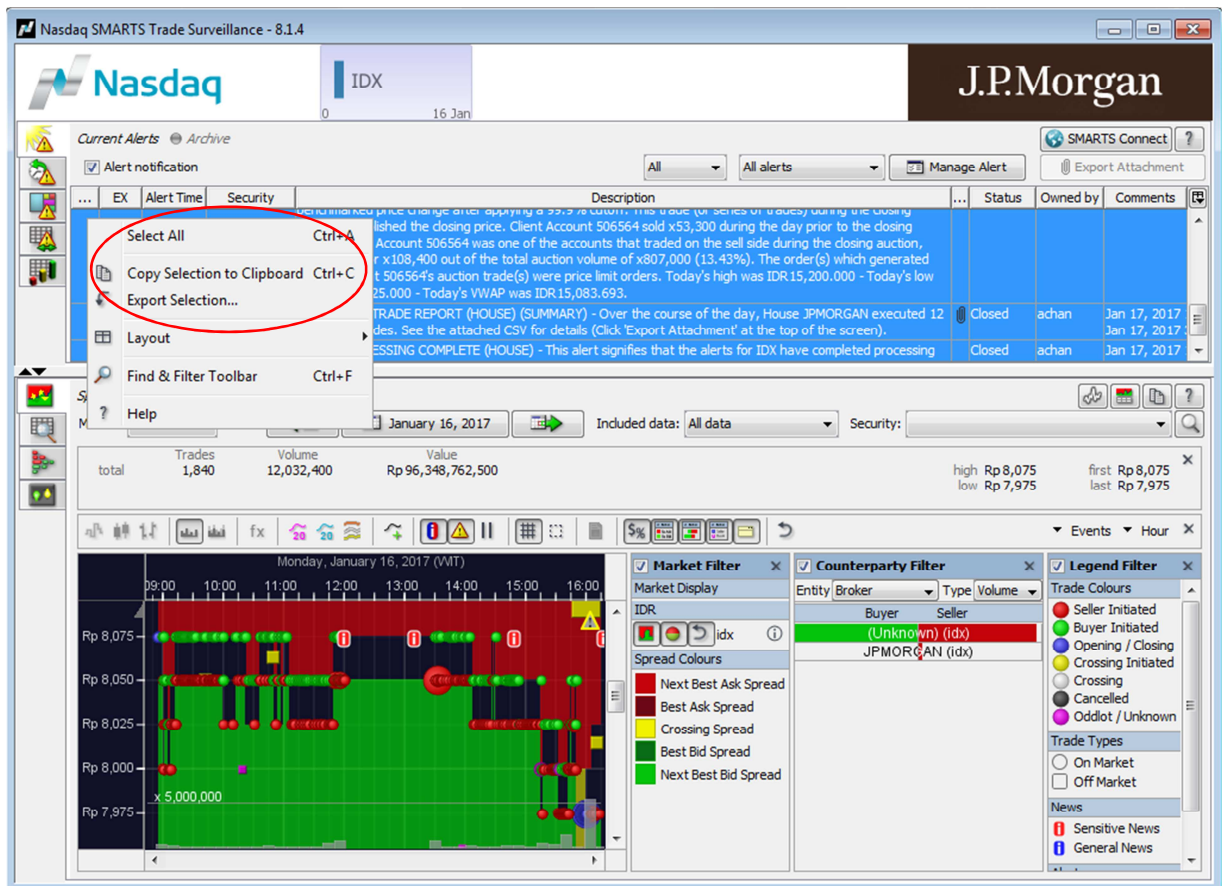
New



3. Reviewing the SB Alerts Analysis

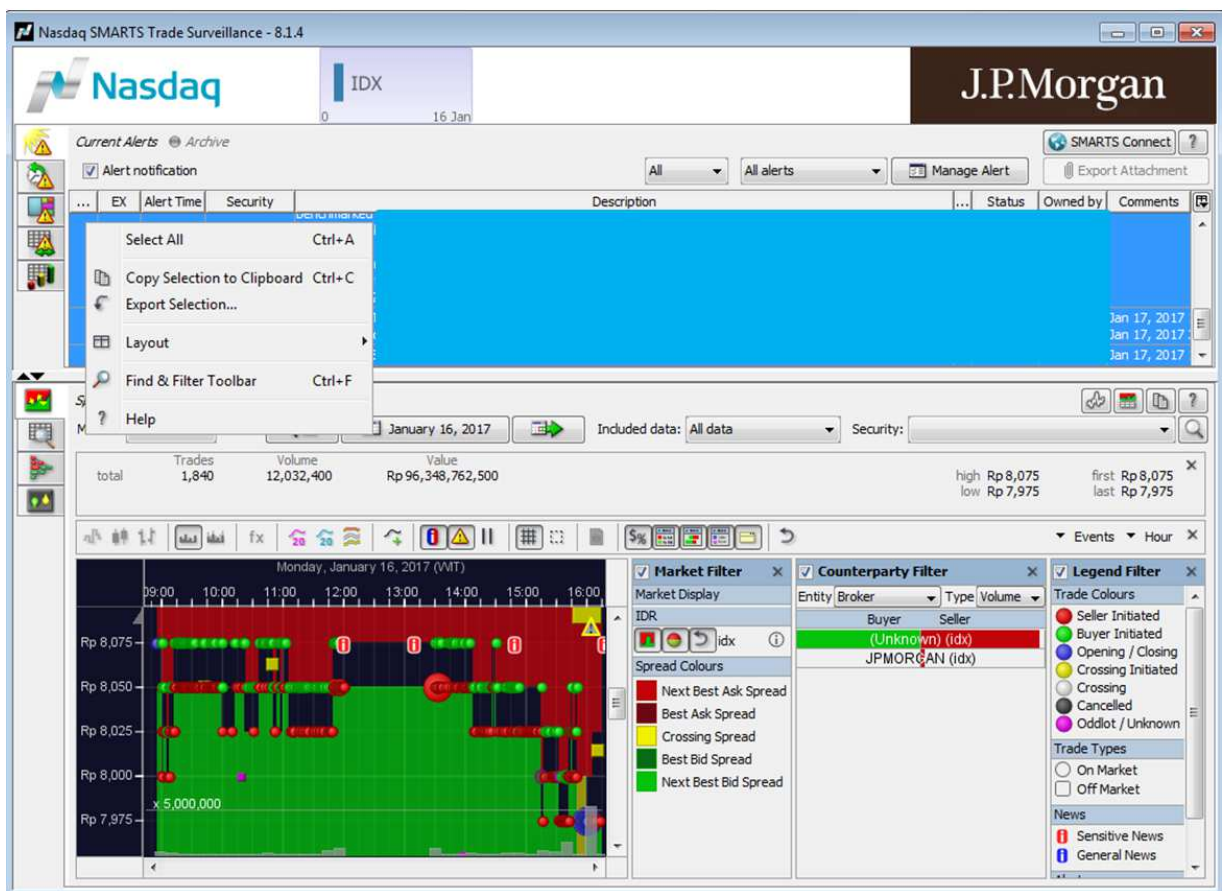
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- 1) Select all>copy selection to clipboard>export the selection to excel format and save it in H:\RM\Alerts old



new

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old

Alert ID	Alert Date	Alert Time	Security	Security Name	Alert	Description	Account Ref	Trader ID	Comment
1	30-Jun-14	10:01:02	MSKY JK	MNC SKY VISION ORD	MULTIPLE ENTRY OF ORDERS (ACCOUNT)	MULTIPLE ENTRY OF ORDERS (ACCOUNT) - Between 09:59:51 and 10:01:02, Proprietary Account 781684 entered orders for MSKY JK a total of 20 times: 20 buys and 0 sells, with the values of the orders ranging from IDR212,000 to IDR27,283,500. A significant number of order entries within a short time period may warrant further enquiries.	781684	0097064	Genuine orders. Orders traded subseq
2	30-Jun-14	10:03:51	MSKY JK	MNC SKY VISION ORD	MULTIPLE ENTRY OF ORDERS (ACCOUNT)	MULTIPLE ENTRY OF ORDERS (ACCOUNT) - Between 10:02:06 and 10:03:51, Proprietary Account 781684 entered orders for MSKY JK a total of 20 times: 20 buys and 0 sells, with the values of the orders ranging from IDR214,000 to IDR10,320,000. A significant number of order entries within a short time period may warrant further enquiries.	781684	0097064	Genuine orders. Orders traded subseq
3	30-Jun-14	10:03:51	MSKY JK	MNC SKY VISION ORD	POSSIBLE RAMPING (HOUSE) (BUY)	POSSIBLE RAMPING (HOUSE) (BUY) - Between 09:53:51 and 10:03:51, House JPMORGAN executed 11 trades which increased the price of MSKY JK by a total of 18 price spreads. During this period, the price increased by a total of 10 price spreads (threshold = 3 spreads) from IDR2,120,000 to IDR2,170,000. This movement of 2.36% exceeds the limit of 2.00%. The benchmarked price movement after applying the cutoff is 1.20%.	781684	0097064	Minimal market share. Orders were sim the period covered in the alert.
4	30-Jun-14	10:09:53	MSKY JK	MNC SKY VISION ORD	POSSIBLE RAMPING (HOUSE) (BUY)	POSSIBLE RAMPING (HOUSE) (BUY) - Between 09:59:53 and 10:09:53, House JPMORGAN executed 12 trades which increased the price of MSKY JK by a total of 19 price spreads. During this period, the price increased by a total of 10 price spreads (threshold = 3 spreads) from IDR2,120,000 to IDR2,170,000. This movement of 2.36% exceeds the limit of 2.00%. The benchmarked price movement after applying the cutoff is 1.20%.	781684	0097064	Minimal market share. Orders were sim the period covered in the alert.

new

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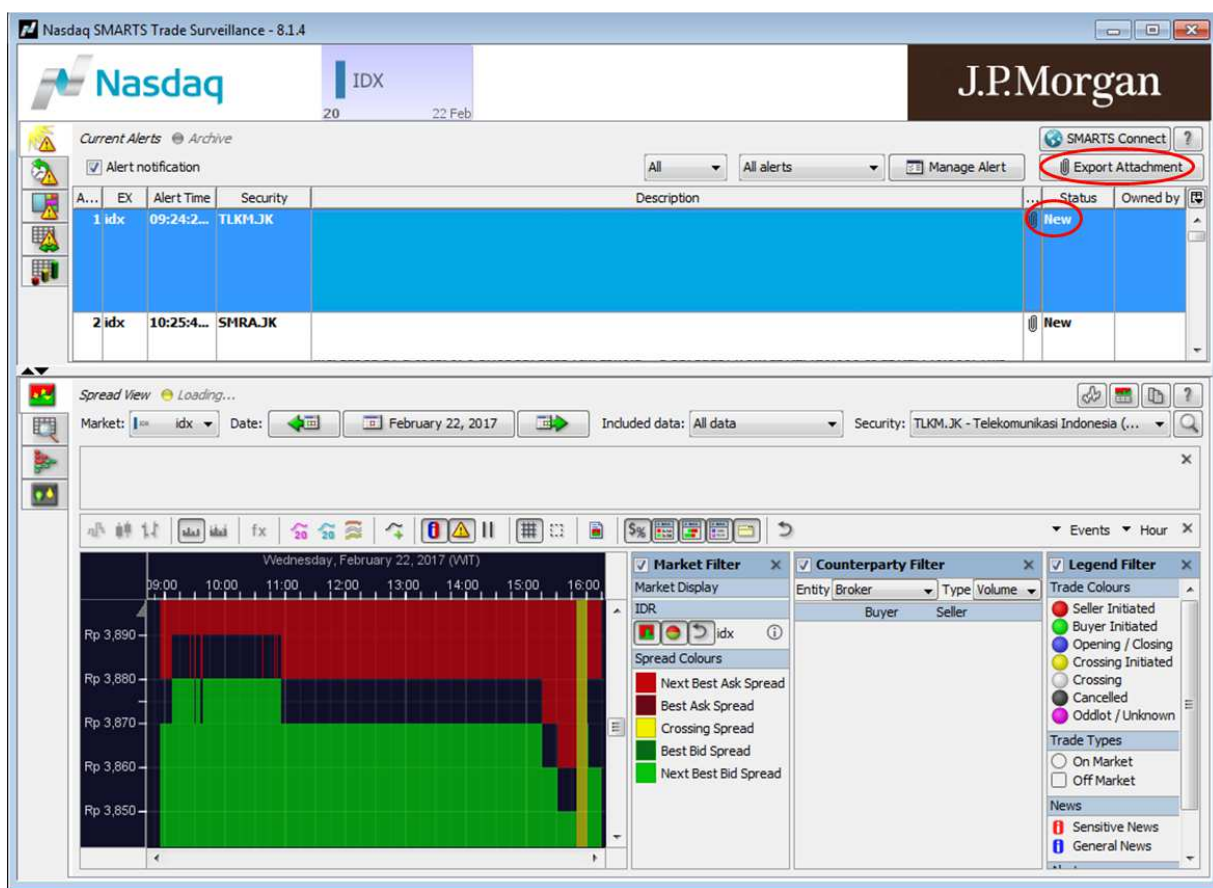
Alert ID	Alert Date	Alert Time	Security	Security Name	Alert	Description	Account	Trader ID	Comment
1	30-Jun-14	10:01:02	MSKY.JK	MNC SKY VISION ORD	MULTIPLE ENTRY OF ORDERS (ACCOUNT)				Genuine orders. Orders traded subseq
2	30-Jun-14	10:03:51	MSKY.JK	MNC SKY VISION ORD	MULTIPLE ENTRY OF ORDERS (ACCOUNT)				Genuine orders. Orders traded subseq
3	30-Jun-14	10:03:51	MSKY.JK	MNC SKY VISION ORD	POSSIBLE RAMPING (HOUSE) (BUY)				Minimal market share. Orders were sim the period covered in the alert.
4	30-Jun-14	10:09:53	MSKY.JK	MNC SKY VISION ORD	POSSIBLE RAMPING (HOUSE) (BUY)				Minimal market share. Orders were sim the period covered in the alert.

- 2) Export all attachments to excel format for further review
old



New

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3) Review of the alerts assessment

All cases of breach are unique and there is no standard way of assessing an alert, hence professional knowledge and judgment to determine the assessment method and assessment result should apply.

Below is a high-level guideline of assessment for common types of SMARTS alerts.

Alerts	Types of assessments
Price driven alerts E.g. Price drive, possible layering	<ol style="list-style-type: none"> 1) Market trend To determine whether an alert indicates potential price manipulation of a security, analyst may check whether the price movement of the security is in line with the market price movement. Market trend can be accessed through Bloomberg, SMARTS or public news agency. 2) Historical record Analyst may also perform a look-back exercise on the trading pattern of the client/trader. If the trader/client is used to trading similar amount of the same security at similar period in a day, it is unlikely that the alert indicates an attempt to drive the price of the security. Historical trading record of a trader/client can be accessed through SMARTS. 3) Liquidity Analyst should assess the liquidity of the security in question. For highly-liquid security, it is unlikely that the trader/client is able to manipulate market price. 4) Algo strategy Analyst may check the strategy of an algorithmic trading which serves to act mechanically in achieving trade aim at close. The trade strategy could either be

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	<p>passive or aggressive. Passive trading strategy aims at trading a security according to the market movement while passive strategy aims at achieving a certain amount trade by a certain time. The algo strategy applied impacts the assessment of whether an alert indicates potential breach of regulations or internal policies.</p> <p>For Algo issues, analyst should contact the IT team for detail information. Email addresses:</p> <ul style="list-style-type: none"> • Algo IT: ETT Operate Asia; Algo Asia • Trade Vault IT: L1 Compliance
Possible insider trading	<p>1) Publicly available information</p> <p>To assess whether an alert indicates insider trading, analyst should assess whether there is public available information, including announcements, news or rumours that would prompt a trader to make the investment decision in question.</p> <p>Publicly available information should be searched via Bloomberg or general search engines, such as Google.</p>
Principal trading related alerts E.g. Front-running, precedence	<p>The principal trading related alerts aim to flag potential cases that traders execute orders on a security for its own account while taking advantage of advance knowledge of pending orders from its customers.</p> <p>1) Line of business</p> <p>To assess whether a trader takes advantage of advance knowledge of customer order, the analyst should assess whether the principal trade in question and the corresponding customer order are ordered by trading desks of the same line of business.</p> <p>Traders are unlikely to have visibility of customer orders in another line of business and the possibility of traders being able to take advantage of advance knowledge of customer order for executing principal trades for their own account is very low.</p> <p>The names of traders responsible for the principal trade and the corresponding client trades can be identified through SMARTS. The Line of business that the traders belong to can be identified through JP Morgan's directory.</p> <p>2) Order entry time</p> <p>Analyst should pay attention to the order entry time of both the principal trades and the corresponding client orders.</p> <p>Traders can only take advantage of knowledge of customer orders for benefiting relevant principal trades if the principal trades are executed before the customer trades.</p> <p>The analyst should be aware that all front running activities should involve a behaviour profit for the trader.</p>
Alerts related to open/close market price or trading volumes E.g. Market dominance at open/close	<p>1) Historical record</p> <p>For assessing alerts related to open/close trading price or volume, analyst should look at historical trading records of the security.</p> <p>If the opening/closing trading price or volume of the security has been consistent over a certain period of time, it is unlikely that the opening/closing trading price or volume is intentionally manipulated.</p>

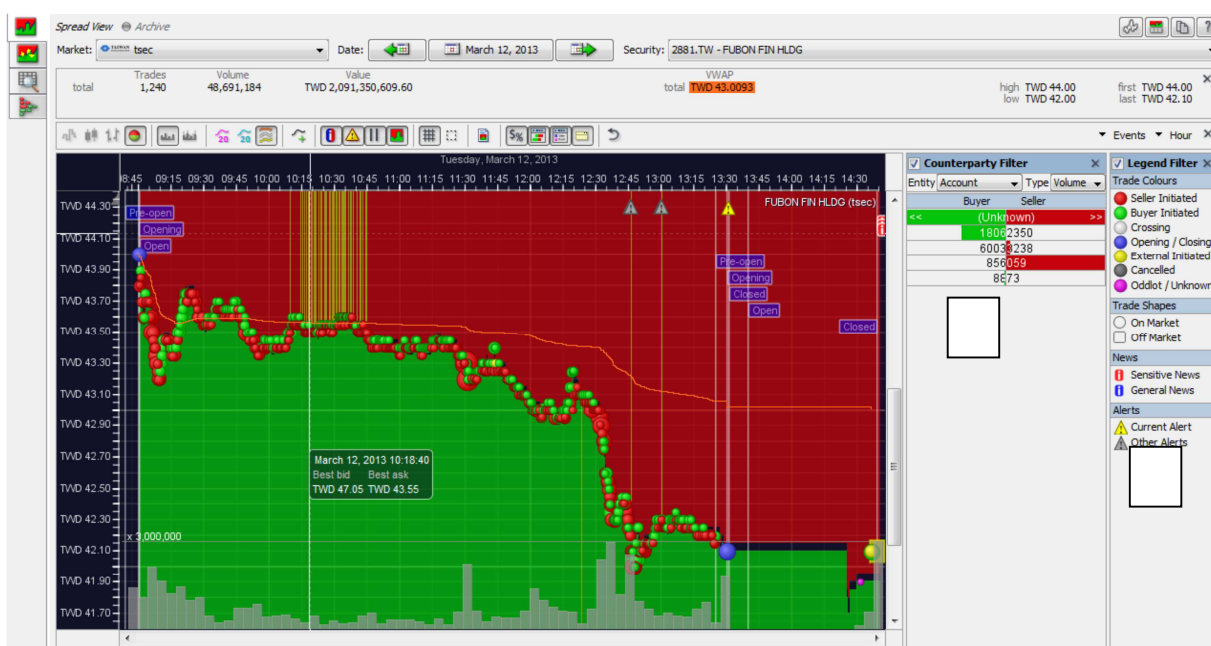
Crossing / wash trade	<p>The crossing / wash trade alert aims to flag potential cases that traders execute both a buy and a sell for the same security from one JP Morgan account to another.</p> <p>1) Ultimate beneficial account This alert filters all the trades with JP Morgan as both the buyer and seller. To determine whether there is a potential wash trade, analyst should check the ultimate beneficial owner of the trade.</p> <p>Trader that either the buy side or the sell side executes the trade on behalf of a customer should not be considered as a wash trade.</p> <p>To understand the ultimate beneficial owner of a trade, analyst should either check the information with the Middle Office.</p>
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4. SB Views

To review the alerts, the following SB analysis views are helpful:

1. Spread View

The spread view (clicking the top left tab) enables detailed visual analysis and is helpful for analyst to gain an overall picture of trading activity quickly.



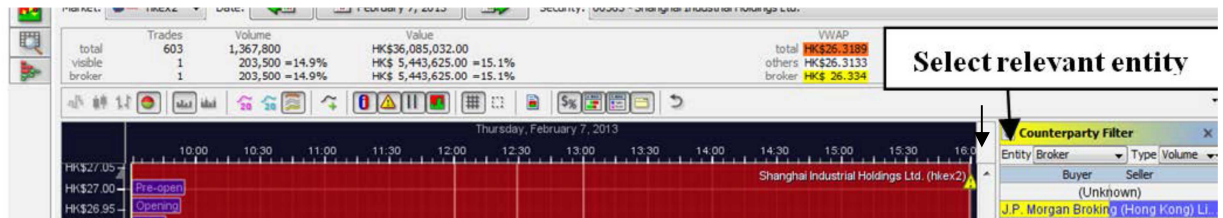
The spread view section can be broken into 3 parts:

- A. The chart
 - a. The X axis shows the trading time in a day and the Y axis shows the trading prices.
 - b. The green section in the chart shows the bid and the red shows the offer of a security.
 - c. The circle in the chart is shows trades executed "on market" and the squares are executed "off market".
- B. The counterparty filter
 - a. The "counterparty filter" allows user to analyse trades by different entity levels in the chart.
 - b. Entity levels in SB are broken down into
 - Broker – Shows all trades executed by JP Morgan (idx) in the chart.

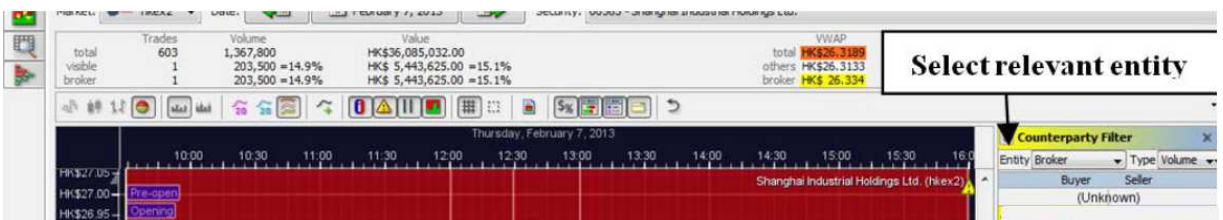
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- Account type – Adds granularity by categorizing JP Morgan (idx) trades into Client © and Proprietary (H) in the chart.
- Account – Adds granularity by displaying selected trades by unique client and proprietary account numbers in the chart.
- Trader – Provides details on trades by the trader that executed the trade including trader SID in the chart.

old

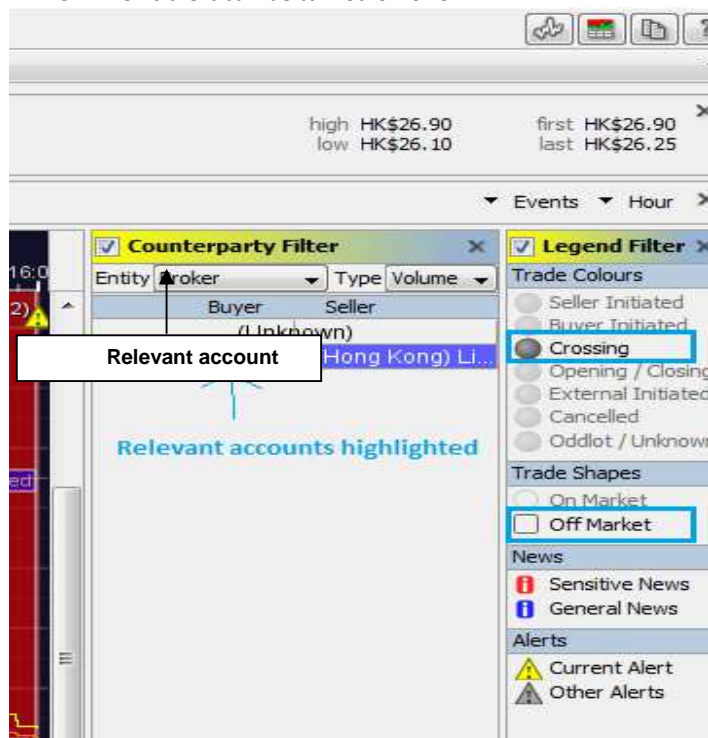


new



C. The legend filter

- The “legend filter” allows user to analyse trades based on the trades specific characteristics in the chart.
- Users are able to see if the trade is initiated by buyer or seller.
- Market crossing can be isolated in the chart.
- “On-market” and “Off-market” trades can be separately reviewed.
- News alert can be turned on or off.



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2. Trade / Order History view

This view is accessed by selecting the third tab in SB

old

Date	Time	Type	Broker	Volume	Price	Account	Order Id	Flags	Parent Order Id
January 15, 2014	09:02:32	TRADE	JPMORGAN	100	10125.0	506564	LHC.PSETWID230Q9UI000...	Bi ON	PTG.SO1310E5SRC...
January 15, 2014	09:02:34	BEST ASKS		2,700	10125.0				
January 15, 2014	09:02:34	BEST ASKS		2,700	10125.0				
January 15, 2014	09:02:34	BEST BIDS		5,800	10100.0				
January 15, 2014	09:02:34	BEST BIDS		5,700	10100.0				
January 15, 2014	09:02:34	BEST ASKS		2,400	10125.0				
January 15, 2014	09:02:34	TRADE	JPMORGAN	200	10125.0	506564	LHC.PSETWID230Q9UI000...	Si ON	PTG.SO1310E5SRC...
January 15, 2014	09:02:34	DELETE Bid	JPMORGAN	100	10100.0	506564	LHC.PSETWID230Q9UI000...		PTG.SO1310E5SRC...
January 15, 2014	09:02:34	TRADE		100	10125.0			Bi ON	
January 15, 2014	09:02:34	BEST ASKS		1,200	10125.0				
January 15, 2014	09:02:34	TRADE		1,200	10125.0			Bi ON	
January 15, 2014	09:02:35	BEST BIDS		4,600	10100.0				
January 15, 2014	09:02:35	ENTER Bid	JPMORGAN	200	10125.0	506564	LHC.PSETWID230Q9UI000...		PTG.SO1310E5SRC...
January 15, 2014	09:02:35	TRADE	JPMORGAN	200	10125.0	506564	LHC.PSETWID230Q9UI000...	Bi ON	PTG.SO1310E5SRC...
January 15, 2014	09:02:36	ENTER Bid	JPMORGAN	300	10100.0	506564	LHC.PSETWID230Q9UI000...		PTG.SO1310E5SRC...
January 15, 2014	09:02:37	BEST BIDS		4,900	10100.0				
January 15, 2014	09:02:37	BEST ASKS		1,000	10125.0				

New

Date	Time	Type	Broker	Volume	Price	Account	Order Id	Flags	Parent Order Id
January 15, 2014	09:02:32	TRADE		100	10125.0	506564		Bi ON	
January 15, 2014	09:02:34	BEST ASKS		2,700	10125.0				
January 15, 2014	09:02:34	BEST ASKS		2,700	10125.0				
January 15, 2014	09:02:34	BEST BIDS		5,800	10100.0				
January 15, 2014	09:02:34	BEST BIDS		5,700	10100.0				
January 15, 2014	09:02:34	BEST ASKS		2,400	10125.0				
January 15, 2014	09:02:34	TRADE		200	10125.0	506564		Si ON	
January 15, 2014	09:02:34	DELETE Bid		100	10100.0	506564			
January 15, 2014	09:02:34	TRADE		100	10125.0			Bi ON	
January 15, 2014	09:02:34	BEST ASKS		1,200	10125.0				
January 15, 2014	09:02:34	TRADE		1,200	10125.0			Bi ON	
January 15, 2014	09:02:35	BEST BIDS		4,600	10100.0				
January 15, 2014	09:02:35	ENTER Bid		200	10125.0	506564			
January 15, 2014	09:02:35	TRADE		200	10125.0	506564		Bi ON	
January 15, 2014	09:02:36	ENTER Bid		300	10100.0	506564			
January 15, 2014	09:02:37	BEST BIDS		4,900	10100.0				
January 15, 2014	09:02:37	BEST ASKS		1,000	10125.0				

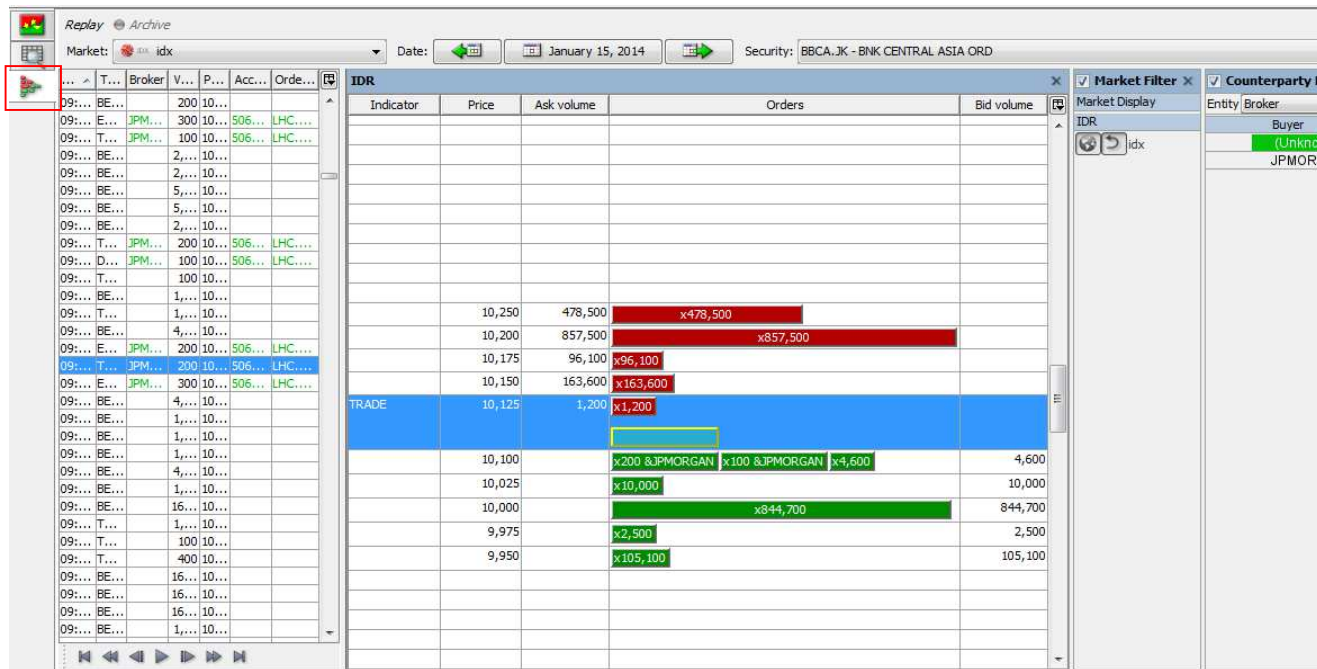
Characteristics of this view:

- A. All JPM order and trade data is shown in this view
- B. Clicking on a trade in the spread view will highlight the trade in the trade/order history pane
- C. Trades are arranged chronologically by default. To sort / order by volume, price or another field simply click the column heading

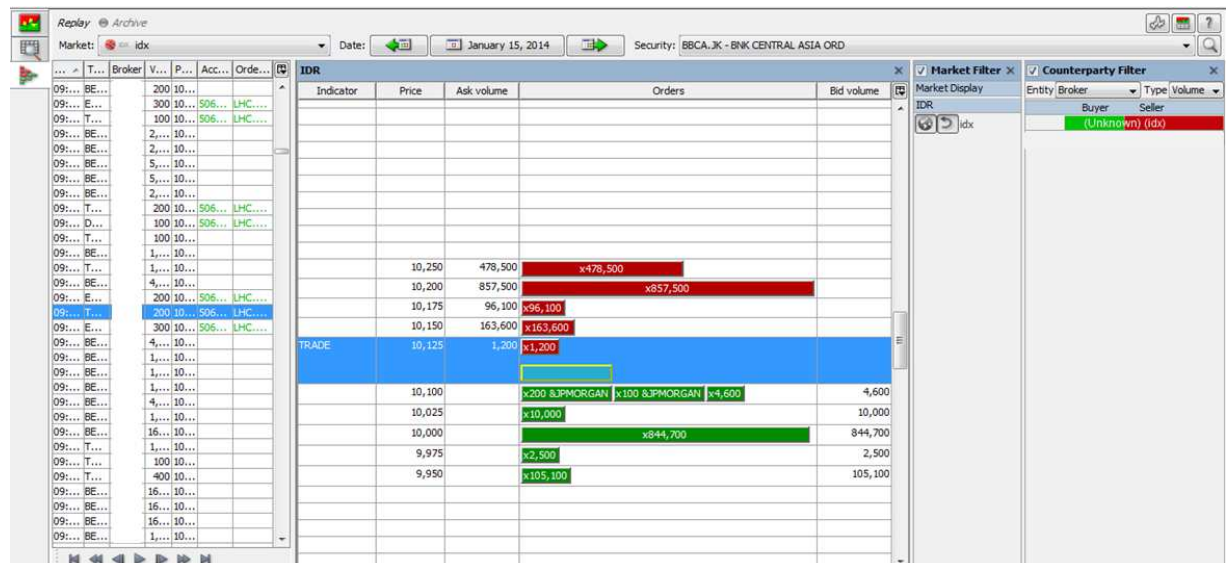
3. Depth Replay view

This view is accessed by selecting the forth tab in SB

old



new



Characteristics of the view:

- 1) The Depth Replay view shows the details of trades at different point of time during the trading period.
- 2) Clicking through different entries of trading time on the left hand side of the view allow user to view a list of trades executed at that particular point of time.
- 3) Market events associated with the selected time is also shown in the view.

5. Full List of Alerts

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Alert	Descriptions			
After Processing Complete	This alert signifies that the alerts for the market for the market have completed processing on the available trading data. No further alerts will be generated on that date.	Nil	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Delay issue if do not see this alert in the morning.
Block Trade	This alert identifies where a trade satisfies the block trade requirements specified in Shenzhen/Shanghai Stock Exchange	<ul style="list-style-type: none"> Account Code Order entered time Liquidity Best priority bid/ask 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account code and trader Size and price of order Relevant News
Breaking the Market	This alert identifies where a single order immediately executes against multiple price levels.	<ul style="list-style-type: none"> Account Code Strategy Order type Liquidity Best priority bid/ask News or announcement 	<ul style="list-style-type: none"> SMARTS Bloomberg 	<ul style="list-style-type: none"> Operation of an algo or program trading which serves to act mechanically in achieving trade aim Timing of the orders Liquidity of security – volume of trades and value of stock Activity during trading period News which may warrant the aggressive trading behaviour.
Cancelled Trade Report	This is an end of day alert which generates a csv file listing all cancelled trades over the trading day. (Cancelled trades can be seen in the SMARTS Broker trading history under Order Type as 'CANTR')	<ul style="list-style-type: none"> Account Code Order enter and deletion time Liquidity Best priority bid/ask 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account code and trader How close the order was entered and cancelled Size and price of order
				<ul style="list-style-type: none"> Reason of being cancelled
Crossing	Alert identifies on-market trades where the broker is on both sides	<ul style="list-style-type: none"> Account Code Order entered time Liquidity Best priority bid/ask 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account code and trader Any change of beneficiary ownership in final allocation The type of client Size of the transaction against market volume The time the buy and sell order was entered into the market, instantaneously higher the potential risk
Crossing (Off-Market)	Alert identifies off-market crossings (that is crossings executed away from the order book) which exceed a volume limit.	<ul style="list-style-type: none"> Account Code Order entered time Liquidity Best priority bid/ask 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account code and trader Any change of beneficiary ownership in final allocation The type of client Size of the transaction against market volume The time the buy and sell order was entered into the market, instantaneously higher the potential risk
Crossing at Short Term High/Low	This alert identifies a pattern of trading whereby a large crossing, executed by a broker at a short-term price high or low, may in some cases warrant enquiries as to whether the large crossing involved a change in beneficial ownership (that is, the trade may be a 'wash trade').	<ul style="list-style-type: none"> Account Code Order entered time Liquidity Best priority bid/ask 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account code and trader Any change of beneficiary ownership in final allocation The type of client Size of the transaction against market volume

				<ul style="list-style-type: none"> The time the buy and sell order was entered into the market, instantaneously higher the potential risk If the execution price was at the high or the low at the time The frequency during the day, and account activity previously in the stock Trading instructions in IOS Audit Trail
Employee Crossing	This is primarily an information alert highlighting any trade where employees have traded directly with each other. This type of trade could indicate that the trade has been prearranged between the employees which may have implications if a pattern of activity develops between the employees, and/or if the trading generates significantly increased market turnover for the security.	<ul style="list-style-type: none"> Size of buy and sell orders 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Any change of beneficiary ownership in final allocation The time the buy and sell order was entered into the market, instantaneously higher the potential risk Size of the transaction against market volume
Employee Trading with Client	This is primarily an information alert highlighting any trade where an employee has traded directly with a client.	<ul style="list-style-type: none"> Account code and trader 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Any segregation of employee and client order Timing of orders
Entry and Deletion of Order Close to Exchange Settlement Time	This alert identifies a possible attempt to manipulate exchange settlement prices. The settlement price set by exchange officials are key to overnight P&L swings and are the reference used by the clearing house to determine margin calls.	<ul style="list-style-type: none"> Account code Time of entry and deletion Volume entered and deleted Any re-entry of order on same side of market 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Operation of an algo or program trading which serves to act mechanically in achieving trade aim Timing of the orders Activity over the day
		(indicates intention for legitimate trade) <ul style="list-style-type: none"> Presence of account/trader on both side of market in auction period Same account on the opposite side once trading commenced Large position in the security, or related derivative expiry Absence of further order after deletion (possible indicator of fictitious order) 		<ul style="list-style-type: none"> News that could have an effect on market price
Entry and Deletion of Order/Trade on Opposite Side	This alert attempts to identify where a client or trader enters a large volume buy or sell order in order to create a short term price floor or ceiling whilst it executes an order on the opposite side of the market. In these circumstances it is arguable that the large order entered prior to the trade executions on the opposite side, does not represent a genuine intention to buy / sell and is therefore fictitious.	<ul style="list-style-type: none"> Time of entry and deletion Presence of same account/trader on both sides of market Same account / trader on the opposite side once the other side order was deleted Volume entered and deleted 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Timing of the orders Activity over the day Large position in the security, or related derivative expiry News that could have an effect on market price
Entry and Deletion/Amendment of Order in Auction Phase	This alert identifies a trading pattern referred to in some markets as 'Spoofing'; it occurs where a client or trader has entered an order for a significant volume in the opening or closing auction phase, and then deletes that order shortly prior to the commencement of trading. The entry of the large volume order may be used to create a false or misleading	<ul style="list-style-type: none"> Account Code Time of entry and deletion Volume entered and deleted Any re-entry of order on same side of market 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Operation of an algo or program trading which serves to act mechanically in achieving trade aim; Timing of the orders Liquidity of security –

	appearance of volume, with the client or trader possibly seeking to take advantage of this by trading on the opposite side of the market at or around the time of the order being deleted.	(indicates intention for legitimate trade) <ul style="list-style-type: none"> • Presence of account/trader on both sides of market in auction period • Same account on the opposite side once trading commenced • Large position in the security, or related derivative expiry • Absence of further order after deletion (possible indicator of fictitious order) 		<ul style="list-style-type: none"> • volume of trades and value of stock • Activity during auction period • News that could have an affect to the opening/closing sessions •
Entry of High Closing Bid or Low Closing Ask (Quote)	This alert identifies small value buy orders that are entered in the last x minutes of trading and that increase the best bid (decrease the best ask) to a price higher than (lower than) the last trade price, with that order being present as at the close of the market, thereby establishing the closing price for the day.	<ul style="list-style-type: none"> • Account code • Volume and price entered • General market activity over the day • Security characteristics – liquidity, market cap etc • News or announcement 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account code and trader • Order type and algo • Liquidity of security – volume of trades and market depth • Historical trading activity
Giving Up Priority (Quote)	This alert identifies when a broker has entered a BID/ASK for a significant quantity at a price away from priority and then both cancels this order as it approaches priority, and re-enters the order shortly thereafter (with the same client, trader or order reference) at a price level further away from priority	<ul style="list-style-type: none"> • Volume and price • Account Code • General market activity over the day 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> •
House/Account	This alert identifies where a broker or client's	<ul style="list-style-type: none"> • Account Code and 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account code and
Participation Exceeding Limit	market share (buy or sell) on a trading day exceeds % limit. The % limit is lower if there has been significant price movement over the day - price movement is the difference between the closing price and the previous day's closing price. This alert appears as an end of day report which issues a CSV file listing all securities in which the broker/client has exceeded the turnover limit, and provides details of the price movement in each security over the course of the trading day.	<ul style="list-style-type: none"> • Trader • Volume and Price of order • News or announcement 		<ul style="list-style-type: none"> • trader • Any genuine execution • Liquidity of security – volume of trades and value of stock • Activity during trading period • Historical trading activity •
Increased Participation	This alert identifies where the trading (by value) of an account or trader on a trading day significantly exceeds its historical average. It is an information alert that highlights where the pattern of trading of an account / trader has changed, which may raise risk management issues if that trading is outside the normal limits or scale for that account / trader, or may raise question where the trading is in securities where non public and/or price sensitive information is available.	<ul style="list-style-type: none"> • Account Code • Pattern of trade time on multiple stocks • Volume traded 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Activity of account trading in security • The stock price movement • Any pattern of trading at open/close with significant size that moved the market • Relevant news
Large Order (After Market Close)	This alert identifies the entry of a single order in a security that takes place after the market close. The value or the order must exceed a pre-determined threshold.	<ul style="list-style-type: none"> • Account Code and Trader • Volume of order in relation to the day's overall activity; • Liquidity of security 	<ul style="list-style-type: none"> • SMARTS Charts – provide a good picture of volume by account and price movement over the day 	<ul style="list-style-type: none"> • Account function and security type • Activity of account trading in security • Who is counterparty if it is external cross • Liquidity of stock and size of the order • Relevant News • Any late trade reported to exchange on next day • Is it a block trade

Large Order (Average Volume)	This is an information alert identifying the entry of orders that are significantly greater than the average order size for that security. The alert may add value to monitoring of stocks on Watch or Restricted lists, or that are otherwise of interest to Compliance.	<ul style="list-style-type: none"> Account Code and Trader Volume of order and Percentage of issued shares Volume of order in relation to the day's overall activity; Liquidity of security 	SMARTS Charts – provide a good picture of volume by account and price movement over the day	<ul style="list-style-type: none"> Account function and security type activity of account trading in security Liquidity of stock and size of the order The stock price movement (price support) Other supporting orders for the same client Historical view Relevant News
Large Order (Issued Capital)	This alert identifies the entry of a single order in a security which represents a (pre-determined) per-centage of issued capital in that security.	<ul style="list-style-type: none"> Security Volume traded Account 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns SONAR to review activity 	<ul style="list-style-type: none"> Account purpose and trader If Program trading account: ensure they are acting on behalf of clients on an agency basis, depending on the Restricted List code If a house account establish why we are accumulating such a large position
Large Trade (Average Volume)	This alert identifies the execution of any trade that has a volume higher than the pre-determined volume.	<ul style="list-style-type: none"> Account Code and Trader Volume of order Volume of order in relation to the day's overall activity; Liquidity of security 	SMARTS Charts – provide a good picture of volume by account and price movement over the day	<ul style="list-style-type: none"> Account function and security type activity of account trading in security Liquidity of stock and size of the order The stock price movement (price support)
				<ul style="list-style-type: none"> Other supporting orders for the same client Historical view Relevant News
Large Trade (Exceeding Value Threshold)	This alert identifies the execution of any trade that has a value higher than the pre-determined value.	<ul style="list-style-type: none"> Security Volume traded Account 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns SONAR to review activity 	<ul style="list-style-type: none"> Account purpose and trader If Program trading account: ensure they are acting on behalf of clients on an agency basis, depending on the Restricted List code If a house account establish why we are accumulating such a large position
Large Trade (Exceeding Volume Threshold)	This alert identifies the execution of any trade that has a volume higher than the pre-determined volume.	<ul style="list-style-type: none"> Security Volume traded Account 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns SONAR to review activity 	<ul style="list-style-type: none"> Account purpose and trader If Program trading account: ensure they are acting on behalf of clients on an agency basis, depending on the Restricted List code If a house account establish why we are accumulating such a large position
Large Trade (Issued Capital)	This alert identifies the execution of a single on-market trade that exceeds a specified % of the issued capital of that security. The alert is also available for Off-market (or manually reported trades) that exceed a	<ul style="list-style-type: none"> Security Volume traded Account 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns SONAR to review 	<ul style="list-style-type: none"> Account purpose and trader If Program trading account: ensure they are acting on behalf of

	specified % of issued capital. The alert is primarily an information alert. However, in some markets, legal or statutory obligations may arise where an entity purchases or sells a quantity of shares that exceeds a specified % of issued capital - typically, this takes the form of a disclosure being made to the market.		activity	clients on an agency basis, depending on the Restricted List code <ul style="list-style-type: none"> If a house account establish why we are accumulating such a large position
Late Trade (Reporting after Deadline)	This alert identifies where a late trade has been reported to the market after a specified time (in breach of exchange rules).	<ul style="list-style-type: none"> Account Trader 	<ul style="list-style-type: none"> SMARTS SONAR 	<ul style="list-style-type: none"> Explanation from Trader on potential reasons for late trade Trader is required to file MAC error report even there is no P&L impact.
Layering	This alert identifies a trading pattern that may indicate possible MULTIPLE ALERT TYPES through layering of multiple orders at various price levels on the buy or sell side of the market. If the orders do not represent a genuine intention to buy/sell, the layering of these orders may have been entered with the intention to create a false or misleading appearance of volume and therefore demand in the order book.	<ul style="list-style-type: none"> Account Code (particularly if DMA,HFT) Number of orders Liquidity of stock Percentage of total bids/asks in market Price ranges entered in orders, compared to the market 	<ul style="list-style-type: none"> SMARTS Depth replay 	<ul style="list-style-type: none"> Operation of an algo or program trading which serves to act mechanically in achieving trade aim Liquidity of security – volume of trades and value of stock Is it the same account on opposite side of the spread Direction of the price of the security for potential price support, or account trying to encourage the market to movement in a certain direction Orders out in the market; Historical view in the stock, previous account history
Layering (Possible Spoofing)	Same as layering but this "Spoofing" version of the alert differs from the "Layering" alert in that it requires that volume must be executed on the opposite side of the market whilst the Layered position is in place. The standard "Layering" alert just identifies the setting up of layered orders on one side of the market.	<ul style="list-style-type: none"> Account Code (particularly if DMA,HFT) Number of orders in market – 7 for Liquid Securities and 5 for Illiquid Securities Percentage of total bids/asks in market Price ranges entered in orders, compared to the market 	<ul style="list-style-type: none"> SMARTS Depth replay 	<ul style="list-style-type: none"> Operation of an algo or program trading which serves to act mechanically in achieving trade aim Liquidity of security – volume of trades and value of stock Is it the same account on opposite side of the spread Direction of the price of the security for potential price support, or account trying to encourage the market to movement in a certain direction Orders out in the market; Historical view in the stock, previous account history
Market Dominance at Open/Close	This alert identifies a trading pattern that may indicate where a client or trader is regularly dominating the market at the open and/or close with significant volume and with price impact. One of the more common manipulative devices is for a client/trader to set prices at or around the open or close, as the opening or closing price can often set the tone and momentum for a security during subsequent trading.	<ul style="list-style-type: none"> Volume of order and price move 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account Code and Trader Name Liquidity of security News which may warrant increase in activity % change in price Order price in relation to bid/ask spread Completion on the open or close with other market participants

Marking the Close (Single/Multiple House)	<p>This alert identifies a trading pattern where a broker is attempting to influence the closing price of a security artificially. One of the more common manipulative devices is for a broker to set the price at the close of trading, as this is the price regularly quoted as the indicator of a security's price performance over a trading day, and can often set the tone and momentum for the security during subsequent trading.</p>	<ul style="list-style-type: none"> Time of activity; Change in price – value & ticks Volume at close relative to trading over the day 	<ul style="list-style-type: none"> SMARTS SB Graph – Gives a good picture of activity over the day in relation to price movement 	<ul style="list-style-type: none"> Account Code and Trader Name Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close Liquidity of security – volume of trades and value of stock Has the account traded throughout, or part of the day the day Small volume order Previous activity in the same security The price direction of the security over the day Selling into a rising market, or buying into a falling market Day of the month – any reporting significance (fin year) or contract expiry (derivatives and futures) News items Takeover periods Expiry, or revaluation Position held by account in the security and historical trading
				patterns
Multiple Entry/Deletion/Amendment of orders	<p>This alert identifies where a significant number of orders with the same client reference or trader id is entered, deleted or amended within a short period of time.</p>	<ul style="list-style-type: none"> Time of activity Account Code Number of entries/deletions Change in price 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account Code and Trader Name Multiple entries at the same price Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close Liquidity of security – volume of trades and value of stock
New Price High/Low on Last Trading Day of Month/Quarter/Year	<p>This alert identifies where the broker is responsible for a buy trade which established a 90 day high, or a sell trade which establishes a 90 day low. The last day of a trading month is often regarded as a day on which trading participants may have an interest in influencing or setting the closing price for the day - commonly referred to as 'window dressing'.</p>	<ul style="list-style-type: none"> Price High/Low Period of time for the High/Low Point Security 	<ul style="list-style-type: none"> SB Graph – Gives a good picture of activity by account over time to assess trends 	<ul style="list-style-type: none"> Patterns of activity by account in the security Type of client; Fund Manager, Hedge Fund etc Liquidity of security The security price movement in relation to the sector News which may warrant change in activity
New Trading Activity	<p>This is primarily an information-based alert that identifies trading activity in a security that has not been traded by the broker in the past 30 days. This alert was developed at the request of brokers who required immediate information on trading behaviour outside the universe of securities they would consistently trade in.</p>	<ul style="list-style-type: none"> Security Volume traded Price movement of the security 	<ul style="list-style-type: none"> SMARTS IDX website incase of IPO 	<ul style="list-style-type: none"> Review if there were other alerts triggered for the same security Check for any unusual trading activity. If stock is newly listed.

Off-market Trade Report	This alert identifies an Off-market trade that is outside the trading day's on-market high and low prices, and/or an Off-market trade that is outside the best bid and ask (that is, the bid/ask spread) immediately prior to the reporting of the trade. Where a trade is executed away from the market and then sub-sequently reported or published to the market, internal broker or market rules / regulations may invoke specific obligations on the broker. This is therefore an information-based alert that highlights a particular trade type.	<ul style="list-style-type: none"> • Security • Account Codes • Volume • Price 	<ul style="list-style-type: none"> • SMARTS • BLOOMBEG provides added information surrounding any corporate actions 	<ul style="list-style-type: none"> • Account Code and Trader – note Index Arb, ESW, EFP and mistaken price orders often hit the alert • Liquidity of Security • The price away from the market price • Size of the transaction, i.e. larger the transaction the further away from bid/ask • Previous days closing price • News which may warrant increase in activity
Opening Price Jump/Fall	This alert identifies a trading pattern where a client or trader is trying to manipulate the opening price of a security	<ul style="list-style-type: none"> • Security • Volume traded • Direction of trade • Order entered time • Order instruction • Open price compared with last day close price • Price effect on the remainder of the day • Overnight news or announcement 	<ul style="list-style-type: none"> • SMARTS • SB – Graphs to see impact of any intraday patterns • SONAR to review activity 	<ul style="list-style-type: none"> • Account purpose and trader • Operation of any algos/program trading instructions • If Program trading account, ensure they are acting on behalf of clients on an agency basis, depending on the Restricted List code • Patterns of activity by account in the security • Type of client - PB, Fund Manager, Hedge Fund etc • Liquidity of security
				<ul style="list-style-type: none"> • Trading activity by account over the day • News which may warrant active trading around the opening.
Order Cancellation/Amendment to Inferior Price	Alert identifies where a member cancels an order in a security and the volume of the cancelled orders exceeds more than X% of that day's trading volume; or, where a member amends an order to an inferior price and the volume of the original order (prior to amendment) exceeds more than X% of that day's trading volume.	<ul style="list-style-type: none"> • Security • Account Code • Order Volume 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account(s) Code and Trader(s) • Liquidity of Security • Trading activity by account over the day • Price impact of the order amendment.
Order/Trade Report	The intention of this alert is to identify the trading actions of nominated entity ids. It is able to alert for any order entry, amend, delete, trade and cancelled trade, for the entity id that the user nominates. The alert was primarily designed to allow brokers to run reports for designated account and trader references. For brokers to have access of trading histories in report format, and for nominated references, allows for a more efficient broker monitoring of the actual trading of their participants and therefore a better management of trading and execution risks.	<ul style="list-style-type: none"> • Entry of bid/ask • Bid/Ask Price 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Focus on ask odd lot order • Is it a potential breach of "one single odd lot order" rule?
Pattern Alerts	Multiple pattern alerts are captured to represent trends in the alerts generated over one or more days and reflect trading behaviours which may be of concern.	<ul style="list-style-type: none"> • What pattern is it alleging? 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Is there a reason for the pattern? • Operation of an algo or program trading which serves to act mechanically in achieving trade aim • Volatility and liquidity of security – volume of

				trades and price fluctuation of stock <ul style="list-style-type: none"> Is it conclusive? Did we start the action?
Pattern Giving Up Priority on Layered Orders Alerts	A combination of giving up priority and layering alerts indicates that a significant number of orders at various price levels were entered but deleted as it approached priority price, which may indicate no intention of trading.	<ul style="list-style-type: none"> Account Code (particularly if DMA,HFT) Number of orders in market – 7 for Liquid Securities and 5 for Illiquid Securities Percentage of total bids/asks in market Price ranges entered in orders, compared to the market Genuine execution over the day. 	<ul style="list-style-type: none"> SMARTS Depth replay 	<ul style="list-style-type: none"> Operation of an algo or program trading which serves to act mechanically in achieving trade aim Volatility and liquidity of security – volume of trades and price fluctuation of stock Direction of the price of the security for potential price support, or account trying to encourage the market to movement in a certain direction Intention for legitimate trade Historical view in the stock, previous account history
Pattern Multiple Alerts Types Alerts	A combination of 2 or more alert types generate in a single security over a series of days, which indicates a party is responsible for 2 or more trading devices over a period of time could be regarded as manipulative.	<ul style="list-style-type: none"> Security Alerts received Frequency of alerts Impact on market – price move, percentage volume traded 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account(s) Code and Trader(s) Pattern of trading over the period and any changes Same account or client activity responsible during the period News items which may affect
				an activity shift <ul style="list-style-type: none"> Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close Liquidity of security – volume of trades and value of stock
Pattern of Establishing Day High/Low	Alert identifies where a Member has been responsible for establishing a day's high or low price. The pattern identified are 2 instances in 2 days of establishing the days' high or low, 2 in 3 days, 3 in 5 days, 6 in 10 days and 9 in 20 days.	<ul style="list-style-type: none"> Security Day High or Low price Frequency of alerts 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account(s) Code and Trader(s); Pattern of trading over the period and any changes Same account or client activity responsible during the period News items which may affect an activity shift Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close Liquidity of security – volume of trades and value of stock
Pattern of Establishing Day High/Low Close	This alert identifies where a broker establishes the closing price at the day's high or low on a sufficient number of trading days to meet the conditions for a pattern. It may indicate a trading pattern where a client	<ul style="list-style-type: none"> Security High or Low closing price Frequency of alerts. 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account(s) Code and Trader(s); Pattern of trading over the period and any changes

	or trader attempts to maintain the price of a security through regularly upticking or downticking the price to a level that establishes the closing price of the security at the day's high or low.			<ul style="list-style-type: none"> • Same account or client activity responsible during the period • News items which may affect an activity shift • Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close • Liquidity of security – volume of trades and value of stock
Pattern of High Participation at Close	This alert identifies where the Member or Client is responsible for generating significant buy or sell volume in the last x minutes of the afternoon trading session on x successive trading days. The alert generates at both the House (member) and Account/Trader level.	<ul style="list-style-type: none"> • Time of activity • Change in price – value & ticks • Volume at close relative to trading over the day 	<ul style="list-style-type: none"> • SMARTS • SB Graph – Gives a good picture of activity over the day in relation to price movements. 	<ul style="list-style-type: none"> • Account Code and Trader Name • Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close • Liquidity of security – volume of trades and value of stock • Has the account traded throughout, or part of the day • Small volume order • Previous activity in the same security • The price direction of the security over the day • Selling into a rising market, or buying into a falling market
				<ul style="list-style-type: none"> • Day of the month – any reporting significance (fin year) or contract expiry (derivatives and futures); • News items • Takeover periods • Expiry, or revaluation • Position held by account in the security and historical trading patterns
Pattern Price Change Following Large Trade Alerts	A combination of large trade, marking the close and ramping alerts indicates that a party has executed a trade for a large volume of shares, and that this trade has then been followed by a patter of trading that increased/decreased the share price, with one of the price movement occurring at or near the close of trading.	<ul style="list-style-type: none"> • Security • Time of activity • Volume traded; • Price movement in ticks • Price change – absolute and percentage after large trade 	<ul style="list-style-type: none"> • SMARTS • SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> • Account and Trader • Operation of any algo trading • Buying or selling activity of the account after the price movement • Historical activity in the stock, looking for repeated pattern • News items which may give rise to increased market interest

Pattern Price Change on Close Following Large Trade Alerts	A combination of large trade and marking the close alerts indicates that a party has executed a trade for a large volume of shares, and that this trade has then been followed by a pattern of trading that increased/decreased the share price, with one of the price movement occurring at or near the close of trading.	<ul style="list-style-type: none"> • Security • Time of activity • Volume traded against market volume near the close; • Price movement in ticks • Price change – absolute and percentage after large trade 	<ul style="list-style-type: none"> • SMARTS • SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> • Account and Trader • Operation of any algo trading • Buying or selling activity of the account near the close after the price movement • Historical activity in the stock, looking for repeated pattern • News items which may give rise to increased market interest
Pattern Unusual Trading on Last Day of Month Alerts	Pattern unusual trading on last day of month requires a combination of any three or more of the following alerts -Market dominance, Market share price impact, Price driver, Price high low, Possible Ramping/Marking the Close (Ramping), Significant Volume in Last 2/10 minutes of Trading.	<ul style="list-style-type: none"> • Account • Volume • Change in price 	<ul style="list-style-type: none"> • SMARTS • SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> • Account(s) Code and Trader(s); • Pattern of trading over the period and any changes • Same account or client activity responsible during the period • Account position in F&O being expired on month end • News items which may affect an activity shift • Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close • Liquidity of security – volume of trades and

				value of stock
Penny Trades	Penny Stocks can be defined as low-priced, often speculative securities. Penny trades then are trades that take place in these low-priced stocks. Given the speculative nature of the stock, users may deem it necessary to be notified when these trades occur.	<ul style="list-style-type: none"> • Account Code and Trader • Volume of order and Percentage of issued shares • Volume of order in relation to the day's overall activity • Liquidity of security 	<ul style="list-style-type: none"> • SMARTS Charts – provide a good picture of volume by account and price movement over the day 	<ul style="list-style-type: none"> • Account function and security type • Activity of account trading in security • Liquidity of stock and size of the order • The stock of price movement (price support) • Other supporting orders for the same client • Historical view Relevant News
Piggybacking (Proprietary/Employee)	This alert identifies where an employee or house account 'piggyback' a client account by trading after client trades have been executed.	<ul style="list-style-type: none"> • Account Codes and Traders • Prop and Client order entry timestamp • Volume • Price 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account Activity across the day prior to the transactions • Time between transactions • Price movement of the security.
Possible Churning or Double Printing (Proprietary Account)	This alert identifies a trading pattern that can be used as a device by a market participant to artificially inflate traded volumes in a security. Whereas a house holds buy and sell instructions from clients in the same security, this pattern occurs where a proprietary account is interposed between the client orders, which has the effect of doubling the volume.	<ul style="list-style-type: none"> • Volume and price • Principal account and client account 	<ul style="list-style-type: none"> • SMARTS 	
Possible Front-running of Large Client Order	The Front-running alert identifies a trading pattern that is, in effect, a form of possible insider trading - but rather than involving the trading ahead of company news that is not	<ul style="list-style-type: none"> • Client Account and Volume Traded • Prop Account and Volume Traded 	<ul style="list-style-type: none"> • SMARTS • SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> • Activity and intent of proprietary account • Timing of order received for client accounts

	generally available and is price sensitive, in this case, the trading is ahead of market information in the form of client order flows, which is not generally available and is price sensitive.			<ul style="list-style-type: none"> Volume traded and pattern of trading over the day Opening and closing a position with client trading in between Usually presence of VAR, NNN, PFL accounts facilitating client orders in alerts – generally OK. Ensure they are acting on behalf of clients
Possible Front-running of Large Client Order (Off-market)	The alert identifies the reporting of a significant Off-market crossing in which a house account buys/sells from/to a client where that house account has accumulated a similar volume of shares on the opposite side of the market in a period prior to the Off-market trade at a better price than that received by the client in the Off-market trade.	<ul style="list-style-type: none"> Client Account and Volume Traded Prop Account and Volume Traded 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Activity and intent of proprietary account Timing of order received for client accounts Volume traded and pattern of trading over the day Opening and closing a position with client trading in between. Usually presence of VAR, NNN, PFL accounts facilitating client orders in alerts – generally OK. Ensure they are acting on behalf of clients
Possible Insider Trading	This alert seeks to identify unusual trading activity within the look-back period leading up to a price- sensitive news announcement. The alert looks for larger than average volume traded in that security.	<ul style="list-style-type: none"> Title of Announcement Volume by Account (Prop, Client, Employee) Date of largest volume traded Account with largest 	<ul style="list-style-type: none"> SMARTS – provides good picture of price movement and quick analysis of account activity over time Relevant Newspaper 	<ul style="list-style-type: none"> Weight of the news item – material or immaterial Any internal PSI Current market trends – overall, product sector and company specific
		<ul style="list-style-type: none"> volume traded Impact on price 	<ul style="list-style-type: none"> Websites (SMH/Bloomberg) to provide any further information which may or may not contribute to trading activity SONAR – can also be used to gain a longer term trade and position history 	<ul style="list-style-type: none"> Activity of account over a period of time prior to the news item's release – noting basket trading or algo activity Purpose of the account
Possible Insider Trading (Price Movement After Announcement)	The trigger point for the alert is the determination of announcement price sensitivity. This sensitivity is determined by the fluctuation of the security price after the announcement is made. Upon receipt of a candidate announcement, the alert looks back for x days and calculates the broker's volume on both the buy and sell sides of the market on each of these days. The trading is a candidate for an alert if the volume on at least one of these days exceeds the broker's historical average for that security by greater than the threshold. The alert then looks at the price movement of the security over the look-back period. If the broker's volume exceeds the volume/value threshold, and the price has moved by greater than x% in the direction of that broker's trading, an alert is generated.	<ul style="list-style-type: none"> Title of Announcement Volume by Account (Prop, Client, Employee) Date of largest volume traded Account with largest volume traded Impact on price 	<ul style="list-style-type: none"> SMARTS – provides good picture of price movement and quick analysis of account activity over time Relevant Newspaper Websites (SMH/Bloomberg) to provide any further information which may or may not contribute to trading activity SONAR – can also be used to gain a longer term trade and position history 	<ul style="list-style-type: none"> Weight of the news item – material or immaterial Any internal PSI Current market trends – overall, product sector and company specific Activity of account over a period of time prior to the news item's release – noting basket trading or algo activity Purpose of the account
Possible Intraday Churning	This alert identifies where a client or trader has bought AND sold a significant quantity of a security during a trading day, with the net value of that trading (accumulated value of buy transactions less accumulated value of sell transactions) being zero or close to zero. Where an entity is trading significant volumes for little or no economic	<ul style="list-style-type: none"> Account Codes and Traders Order entered time Volume Price 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Any difference in beneficiary ownership in final allocation Account Activity across the day prior to the transactions Time between order

	benefit/loss, this may indicate that the trades have been prearranged with a counterparty such that parcels of shares are passed between associated parties at or around the same price.			<ul style="list-style-type: none"> being entered Historical market trading volume Connected relationship with the listed company
Possible Operator Error (Cancelled Trade)	This alert looks for a trade by the entity that is identical in price and volume to a cancelled trade earlier in the trading day, but with the client references reversed. This could be indicative of the trader having executed a crossing trade with the clients on the wrong side of the trade therefore making it necessary for the trader to cancel the trade and then re-execute with the clients on the correct side.	<ul style="list-style-type: none"> Time of activity; Account Code and Trader Volume and Price of order Variance from current market price 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Operation of Algos Client mandated orders Deletion of order Possible fat finger mistake Order price in relation to bid/ask price Frequency of the sales person, DTR, DMA
Possible Operator Error (Price)	This alert seeks to identify where a trader enters an order which is substantially away from the current trading price of that security.	<ul style="list-style-type: none"> Time of activity; Account Code and Trader Volume and Price of order Variance from current market price 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Operation of Algos Client mandated orders Deletion of order Possible fat finger mistake Order price in relation to bid/ask price Frequency of the sales person, DTR, DMA
Possible Operator Error (Volume)	This alert seeks to identify where a trader enters an order for a substantial value at or close to priority and then, shortly after, the order is deleted and replaced with an order for the same price but for a substantially reduced volume. So, for example, the alert might identify an order entered by a trader for 7,000,000 shares which, shortly afterwards, is deleted, and quickly followed by an order for 700 shares at the same price and entered by the same trader.	<ul style="list-style-type: none"> Time of activity; Account Code and Trader Volume and Price of order Variance from current market price 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Operation of Algos Client mandated orders Deletion of order Possible fat finger mistake Order price in relation to bid/ask price Frequency of the sales person, DTR, DMA
Possible Parking	This alert seeks to identify where a trader or account may try to disguise a position to hide the true ownership of the security. This would usually include the transfer of cash or a cash like instrument to keep the balance sheets equal, a pattern sometimes referred to as "warehousing" or "parking".	<ul style="list-style-type: none"> Account Trader 	<ul style="list-style-type: none"> SMARTS Bloomberg 	<ul style="list-style-type: none"> Cross with same counterparty in both first and second crossing Any PSI announced Is it at month / quarter / year end
Possible Prearranged Trading	This alert identifies where the client broker and another broker (counterparty), enter a BID and ASK within a short time period of time for the same volume and price which generates a trade between the two brokers for the whole of the volume. This could indicate that the trade was pre-arranged.	<ul style="list-style-type: none"> Account Codes and Traders Order entered time Volume Price 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Any difference in beneficiary ownership in final allocation Account Activity across the day prior to the transactions Time between order being entered Historical market trading volume Connected relationship with the listed company
Possible Prearranged Trading (Quote)	This alert identifies where, within a short period of time, the client broker and another broker enter a bid and ask for the same volume and price, which generates a trade between the two brokers for the whole of the volume. The volume of the order must be significant given the trading history of the security.	<ul style="list-style-type: none"> Time of activity Volume and Price Time between Orders 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account purpose and Trader Similarity of orders and time difference Has similar volume been shown to the market prior to the trade Liquidity of the stock, less liquid greater the risk Frequency, historical pattern in the security making use of the broker information
Possible Prearranged Trading In Opening/Closing Session	This alert identifies where a client broker and another broker (counterparty), enter a BID and ASK within a short period of time for a	<ul style="list-style-type: none"> Time of activity Volume and Price Time between Orders 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account purpose and Trader Similarity of orders and

Auction	significant volume in an opening or closing auction phase, and which generates a trade between the two brokers for a significant proportion of the order volume.	•		time difference <ul style="list-style-type: none"> Has similar volume been shown to the market prior to the trade Liquidity of the stock, less liquid greater the risk Frequency, historical pattern in the security making use of the broker information
Possible Ramping At Settlement Time	This alert identifies a trading pattern as the execution of a series of trades over the settlement period which generates a price movement over the settlement period which would impact the final settlement price. One of the trading devices used to manipulate the price of a security may be to generate significant price movements in the security during the settlement period. Such significant price increase may have the effect of drawing buyers into the market, thereby significantly increasing the settlement price of the instrument	<ul style="list-style-type: none"> Time of activity; Account Code and Trader Volume and Price of order Variance from current market price 	• SMARTS	<ul style="list-style-type: none"> Operation of algos Client mandated orders Deletion of order Possible fat finger mistake Order price in relation to bid/ask price Frequency of the sales person, DTR, DMA
Possible Ramping / Marking the Close (Ramping)	This alert identifies a trading pattern as the execution of a series of trades over a short time period which generates a price movement over that period which is unusual given the trading history of the security. If the price movement subject of the alert occurs within x minutes of the close of the market the alert is re-titled as Marking the Close (Ramping).	<ul style="list-style-type: none"> Security Time of activity Price movement in ticks Price change – absolute and percentage 	• SMARTS <ul style="list-style-type: none"> SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account and Trader Operation of any algo trading Buying or selling activity of the account prior Buying or selling activity of the account after the price movement Historical activity in the stock, looking for repeated pattern News items which may
				give rise to increased market interest <ul style="list-style-type: none">
Possible Spoofing (Entry and Deletion of Large Order at Best Bid/Ask)	This alert identifies where a large order is entered at the best bid or ask and then within a short period of time is deleted. The intent of this alert is to identify an order that may be fictitious - that is, an order that is entered for the purpose of creating a false or misleading appearance with respect to the market for, or demand for, a security.			
Possible Spoofing (Multiple Deletes)	This alert identifies where buy or sell orders are entered AND deleted within a short period of time (without having traded). The parameters for this alert are based on a matrix whereby a specified number of orders is entered and then deleted within a specified number of seconds. In some circumstances, the entry and deletion of multiple orders within a short period of time may represent an intention on the part of the client or trader to create a false or misleading appearance with respect to the demand for, or market for, a security. The issue is whether the orders do represent a genuine intention to buy or sell.	<ul style="list-style-type: none"> Time of activity Account Code 	SMARTS	<ul style="list-style-type: none"> Any genuine executions Algo behaviour Type of client Size of transaction Frequency during the day
Possible Wash Trade (A to A)	This alert seeks to identify trading patterns where the same account reference is on both sides (both bid and ask) of a trade. This alert can cover both on- and Off-market trades, depending on the nature of the market and the user's requirement.	<ul style="list-style-type: none"> N.B. need to download CSV file for further details - things to note in CSV file: Time of activity Account Code 	• SMARTS	<ul style="list-style-type: none"> Account code and trader The type of client Size of the transaction against market volume The time the buy and sell order was entered into the market, Instantaneously

				<p>higher the potential risk</p> <ul style="list-style-type: none"> • If the execution price was at the high or the low at the time • The frequency during the day, and account activity previously in the stock
Possible Wash Trade (A to B then B to A)	This alert identifies where two trades are executed within a short period of time for the same volume and price, where the account references in the first trade are reversed in the second trade. Thus, this alert identifies trading patterns in which there is no change in beneficial ownership.	<ul style="list-style-type: none"> • N.B. need to download CSV file for further details - things to note in CSV file: • Time of activity • Account Code 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account code and trader • The type of client • Size of the transaction against market volume • The time the buy and sell order was entered into the market, Instantaneously higher the potential risk • If the execution price was at the high or the low at the time • The frequency during the day, and account activity previously in the stock •
Precedence (Proprietary/Employee)	This alert identifies where an employee or house account trades immediately ahead of a client trade at the same or a better price. This alert is available at two entity levels; Employee and House. It identifies trading by	<ul style="list-style-type: none"> • N.B. need to download CSV file for further details • Time of order entry • Account Code 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account code and trader; • The time of client and proprietary orders were entered into the
	either of these entities in the period immediately prior to a client trade.	<ul style="list-style-type: none"> • Average execution price 		<p>market, Instantaneously higher the potential risk</p> <ul style="list-style-type: none"> • If the client order execution price in average was better than proprietary • If client and proprietary orders were done by two different traders
Price Driver	This alert looks at the entity's trading over the course of the day. If the entity has been responsible for a certain percentage of price movements (increases /decreases) in that security, and this percentage is disproportionately larger than its percentage of buying/selling volume on that day, then the details are written to a csv file.	<ul style="list-style-type: none"> • Account code • Number and percentage of price movements • Change in price 	<ul style="list-style-type: none"> • SMARTS • SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> • Account and trader; • The stock price movement • Operation of any algo/program trading • Size and price of the client orders compared to the bid/ask/markets •
Price Improvement (Trading Below/Above Best Bid/Ask Midpoint)	This alert identifies a crossing where a client trades directly with a proprietary / employee account and the client does not achieve a price improvement. If the client is buying from the house, price improvement is achieved if the price is lower than the previous trade price and lower than the mid-point of the bid/ask spread immediately prior to the crossing (and vice versa if the client is selling).	<ul style="list-style-type: none"> • Account code 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account and trader • Overall traded price by client and proprietary/ employee • Algo trading or manual release • Size and price of client order
Price Improvement (Buying/Selling at Best Bid/Ask)	This alert identifies a crossing where a client trades directly with a proprietary / employee account and the client does not achieve a price improvement. Where the broker executes a crossing where a proprietary /	<ul style="list-style-type: none"> • Account code 	<ul style="list-style-type: none"> • SMARTS 	<ul style="list-style-type: none"> • Account and trader • Overall traded price by client and proprietary/ employee

	employee account buys from a client account, an alert will be generated if the trade is executed at the best bid; similarly, where the broker executes a crossing where a proprietary / employee account sells to a client account, an alert will be generated if the trade is executed at the best ask. In both cases it can be argued that an improvement in the price was not achieved for the client from trading directly with the broker's proprietary/employee account.			<ul style="list-style-type: none"> Algo trading or manual release Size and price of client order
Proprietary Account Trading with a Client	This is primarily an information alert highlighting any trade where a proprietary account has traded directly with a client. In some markets, where a proprietary account trades directly with a client, reporting or disclosure obligation may be required.	<ul style="list-style-type: none"> Account Codes and Traders Order entered time Strategy 	<ul style="list-style-type: none"> SMARTS SONAR 	<ul style="list-style-type: none"> Trading strategy on buy and sell sides Final allocation to trading accounts Account usage / trading purpose
Proprietary Crossing	This is primarily an information alert highlighting any trade where two proprietary accounts have traded directly with each other via a crossing. This type of trade could indicate that the trade may not have involved a change in beneficial ownership (that is, a potential wash trade). In some markets 'Wash Trades' are deemed to create a false or misleading appearance of active trading.	<ul style="list-style-type: none"> Account Codes and Traders Order entered time Strategy 	<ul style="list-style-type: none"> SMARTS SONAR 	<ul style="list-style-type: none"> Trading strategy on buy and sell sides Final allocation to trading accounts Account usage / trading purpose
Rapid Increase in Order Activity	This alert is designed to identify periods where trading activity of the same client reference or trader ID has increased significantly within a short period of time. Significant increase in trading activity may indicate several possible causes, including when automated trading systems have malfunctioned and flooded the market with multiple orders.	<ul style="list-style-type: none"> Account Codes and Traders Time of activity Number of orders and size 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account Code and Trader Name Liquidity of security News which may warrant increase in activity Operation of an algorithmic or program trading which serves to act mechanically in
				achieving trade aim at completion by day end
Short Sale	This alert will generate each time a broker executes a sell trade that is marked/flagged as a short sale.	<ul style="list-style-type: none"> Account Volume 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Information alert to assist Short Sell monitoring
Significant Change in Indicative Price	This alert seeks to identify orders entered during an opening or closing auction phase that significantly increase or decrease the indicative clearing price, such that if no further orders were entered or amended the security would trade in the auction at that higher or lower clearing price. Where the alert is being monitored in real time, it may give the user the opportunity to check an order that has significantly moved the indicative price before the order executes in the auction.	<ul style="list-style-type: none"> Account code Number and percentage of price movements Change in price 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account and trader; The stock price movement Size and price of the client orders compared to the bid/ask/markets
Significant Intra-day Price Movement	This is an information based alert which highlights when there has been a significant intraday price movement in a security of a warrant/derivative for which the broker is the issuer. The text and heading of the alert highlight whether the broker traded during the day.	<ul style="list-style-type: none"> Volume traded over the day and average price Percentage of daily trade volume Price movement in ticks and absolute 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see the price movement of the security 	<ul style="list-style-type: none"> Account(s) Code and Trader(s) Pattern of trading over the period and any changes Price movement that may be attributed to Account(s) trades News items which may affect an activity shift Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close Liquidity of security – volume of trades and value of stock

Significant Volume in Last 2/10 minutes of Trading	This alert identifies where a significant proportion of an entity's volume for a trading day is executed within the last 2 or 10 minutes of trading and includes, where applicable, the closing auction in this time period.	<ul style="list-style-type: none"> Account Volume Change in price 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account(s) Code and Trader(s) Pattern of trading over the period and any changes Same account or client activity responsible during the period News items which may affect an activity shift Operation of an algorithmic or program trading which serves to act mechanically in achieving trade aim at close Liquidity of security – volume of trades and value of stock
Single Board Lot Orders at Open/Close	Alerts when the broker responsible for greater than a certain number of single board lot orders (which generate trades) in the first and/or last x minutes of trading and which have a price impact of moving the price by x or more price spreads. This alert will only fire once per security at the end of the Opening/Closing time.	<ul style="list-style-type: none"> Account Code Time of activity Number of orders 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account Code and Trader Name Pattern of the account trading activity Liquidity of the stock Operation of any algos Impact on Open/Close price determination
Substantial Shareholding	This alert seeks to identify when the entity's net accumulated position on a security exceeds a certain percentage of a issued capital.	<ul style="list-style-type: none"> Volume traded and percentage of issued capital Account details (CSV file) 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account purpose and trader News items which may affect trading volumes
Trade to Trade	This alert seeks to identify trading behaviour that generates a significant price movement through a single on-market trade or through the reporting of a single Off-market trade (for example a late trade or block trade).	<ul style="list-style-type: none"> Time of activity Price movement Prior price spread 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Account purpose and trader Liquidity of the stock Pattern of the account trading activity Stock price movement after the trade to trade Operation of any algos Activity in market at the time of alert
Trading In Excess of Normal Market Share	This alert seeks to identify circumstances in which an entities market share is unusual given (a) the history of the broker's market share in that security and (b) where the securities price has increased or decreased by greater than the price movement parameter.	<ul style="list-style-type: none"> Volume traded over the day and average price Percentage of daily trade volume Price movement in ticks and absolute 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security HKEX news website 	<ul style="list-style-type: none"> Account purpose and trader Any internal PSI Trading history in the stock News items which may affect interest. Price & Volume over the day
Trading outside eligible list	To capture when trades occur in a security outside of eligibility criteria.	<ul style="list-style-type: none"> Security 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account and Trader
Unusual Crossing at Month End	This alert seeks to identify where a trader or account may try to disguise a position at the end of month - it is a trading pattern that is sometimes referred to as "warehousing" or "parking".	<ul style="list-style-type: none"> Time of activity; Account Code and Trader Volume and Price of order 	<ul style="list-style-type: none"> SMARTS 	<ul style="list-style-type: none"> Account purpose and Trader Activity and intent of proprietary account Volume traded and pattern of trading over the day
Unusual Order Price	This alert identifies where an order is entered at a price significantly outside of the existing market price. A volume condition can be applied which requires that the order must also exceed a volume threshold.	<ul style="list-style-type: none"> Time of activity Volume and Price of order Percentage and tick change in price 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of account over time in the security 	<ul style="list-style-type: none"> Client mandated orders Deletion or correction of the order Possible fat finger mistake

		<ul style="list-style-type: none"> Previous best and closing prices 		<ul style="list-style-type: none"> Order price in relation to bid/ask price Frequency of the sales person, DTR, DMA
Watchlist Trade	This is a real-time information alert that identifies any trade in a security that is on the user's watchlist.	<ul style="list-style-type: none"> Security Volume traded Buy/Sell 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns. SONAR to review activity 	<ul style="list-style-type: none"> Account purpose and trader; Operation of any algos / program trading instructions Any Over the wall approval required if applicable Restricted list or Grey list
Watchlist Volume	This is a real time, informational alert which identifies trades in watchlist securities that exceed a pre- determined volume threshold.	<ul style="list-style-type: none"> Security Volume traded 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns. SONAR to review activity 	<ul style="list-style-type: none"> Account purpose and trader Any internal PSI Trading history in the stock News items which may affect interest. Price & Volume over the day
Wide Bid/Ask Spread	This alert looks at the market making obligations of the liquidity provider and seeks to identify when the spread (difference between best bid and best ask) in a security exceeds the maximum tick limit for that derivative. This would indicate that the designated market maker (liquidity provider) is not fulfilling their obligations.	<ul style="list-style-type: none"> Security Bid/Offer spread Volume of order 	<ul style="list-style-type: none"> SMARTS SB – Graphs to see impact of any intraday patterns. 	<ul style="list-style-type: none"> Market making responsibilities of the Liquidity Provider

26. Appendix IV – Indonesia Equities Benchmark Algo Controls

Indonesia

Control	Upper Limit	Trading Phases	Action
Max Spread	16 * historical	Continuous	Algo limits price, but continues to trade. Alert fired.
Max from Last	5%	Continuous	Algo limits price, but continues to trade. Alert fired.
Max from Last	7%	Close Auction	Algo limits price, but continues to trade. Alert fired.
Max from Open	19%	Continuous Close Auction	Algo limits price, but continues to trade. Alert fired.
Max from Prev. Close	20%	Pre-Open	Algo limits price, but continues to trade. Alert fired.
Max Child Order Size (lots)	50000	All	Algo restricts size to limit
Max Child Order Frequency	120 operations / 60 secs 600 operations / 300 secs	All	Algo will stop Trading and Alert. All orders on Mkt cancelled.

Max % Volume

Strategy	Default Limit	Upper Limit (trader override)	Action
SNIPER / STEALTH / SDMA / STAMPEDE overlay / ICEBERG / PEG	100%	100%	Algo caps Participation
TWAP / VWAP / DYNAMIC / POV / ARID / IS / AQUA	33%	50%	Algo caps Participation
AQUA_GLOBAL	50%	50%	Algo caps Participation
MOC	33%	33%	Algo caps Participation
CLOSE	33%	40%	Algo caps Participation

27. Appendix V – Quarterly KRI Report, Email Request and Approval

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PT JP MORGAN SECURITIES INDONESIA
KRI - Q4 2016

No	Risk Type	Risk Champion	Inherent Risk Details	Level	Key Control	Quality of RM Implementation	Net Risk Level
1	Credit	Retno Wulandari	<ul style="list-style-type: none"> - Fail to deliver value of institutional clients/buy trades value of institutional clients: Nil - Fail to deliver value to other broker/sell trades value to other broker: Nil - Fail to deliver Frequency of institutional clients: Nil - Fail to deliver Frequency to other broker: Nil - Pending fail to deliver Frequency of institutional client: Nil - Pending fail to deliver Frequency to other brokers: Nil - Highest value of trades done on negotiation board: USD 96 mm = 183% nostro balance - The highest value of trades done on NG board (not guaranteed by KPEI) = nostro balance, but all settled - Average haircut value/Average for market value of portfolio: 86% - Unrealized loss/Total Assets: 0.0001% - The concentrated portfolio value/Total paid in capital: 0.01% 	Low(1)	<ul style="list-style-type: none"> - Ops team perform pre-matching until SD and raise any un-matched settlement instruction on SD-1 to FO and ROC team, cc RM and Compliance and to find solution as per available failed mechanics provided by exchange - JPMSAPL settle any fails for foreign clients on SD 	Satisfactory(2)	Very Low(1)
2	Market	Edmond Imelda Saerang	<ul style="list-style-type: none"> - Current Ratio: 4.78 - Cash Ratio: 3.73 - (NAWC Excess Value x 4)/Underwriting portion: N/A - (Average Cash + Cash Equivalents + Deposits + Collateral in KPEI)/Average payables to KPEI: 11.06 - (Average Cash + Cash Equivalents)/Average fail to receive of Institutional Clients (NK): 4741.79 - Fail to receive value of Institutional Clients (NK): USD 10 m = 0.02% liquid asset - Fail to receive frequency of Institutional Clients (NK): 1 - Frequency of pending fail to receive of Institutional Clients (NK): Nil - (Average Cash + Cash Equivalents)/Average fail to receive from other broker: Nil - Value of fail to receive from other broker: Nil - Frequency of fail to receive from other broker: Nil - Frequency of pending fail to receive from other broker: Nil - Liquidity ratio: 100% 	Low(1)	JPMSI only maintain Portfolio for facilitating client of odd lot orders	Satisfactory(2)	Very Low(1)
3	Liquidity	Rudy Kusumo Dahis Akah	<ul style="list-style-type: none"> - Internal Audit: N/A - Business Complexity: No new product/sales trading's issues - Know Your Client (new COB and renewal): <ul style="list-style-type: none"> - Pending 1 new parent account and 1 sub account - 4 accounts are in the process of KYC remediation. Target of completion is Dec 2016, pending WCOB review - System failures: <ul style="list-style-type: none"> - A bit delay near market closed on 30 Nov – MSCI Rebalance, it's expected because large amount of orders - Capacity issue on CREST server – CIRT WRM created: #16018894 - A network flapping between Indonesia and Singapore. F153 - 16122000929 - Local Indonesia traders are seeing delay in the releases reflecting in NEO - WRM for CIRT Created - Completed-PWC RFI already submitted - Completed-Hash Check already sent to Exchange (BOFIS standardization is completed) - Trading Limit: <ul style="list-style-type: none"> - Highest percentage of blocked collateral - blocked collateral amount/total offline collateral: 53% - blocked collateral amount/outstanding RO trade value : 24% - Trading Error and Facilitation: <ul style="list-style-type: none"> - 10 trading errors with P/L USD 176 and 4 facilitation with P/L (USD 2,023), no pending reporting and 2 pending approval - Client Trading Limit Breach: Breach trading limit JPMSAPL USD 31 mm, temporary limit increase for JPMSAPL IDR 1 trillion = USD 74mm until settlement date - Timelines of Escalation: Nil 	Low(1)	<ul style="list-style-type: none"> - Each LOB will ensure the compliance to internal policy and regulations - Each LOB will update and implement SOP consistently - NEIA process is performed that include all LOBs before new product is launched - New process has been applied i.e. KYC operations provided by WCOB (Wholesale Client On-Boarding) who will perform client on-boarding and KYC activities. The KYC regulation allowing CDD performed by third party as current arrangement between JPMSI and JPM regional WCOB/KYC regional. SLA is in place but not to include direct communication to local client. JPMSI forms local KYC Team to administer KYC process to include communication and collection of KYC document for further process by regional WCOB/KYC team - KYC updates is being discussed in OCH - KYC Committee will ensure KYC principles and procedures are implemented - KYC Committee will ensure that audit is conducted regularly - Each LOB will escalate any system issue to technology team - Technology team will follow up with vendor and/or regional AD - RM to monitor the trading limit during trading hour and escalate if the blocked collateral >30% or if there is any requirement to increase TL due to high trade volume, based on information from Sales Trader - RM will work with Ops team to calculate and prepare cash collateral injection, LEC will provide sign off - Settlement team to send list of o/s error and facilitation to Sales cc Compliance and RM - RM will help chasing Sales Trader and Dealer to complete the reporting in error database - RM will help chasing Sales Trading Manager to approve the error report - Client Trading Limit Breach report is generated automatically on SCD - RM review the report and request Sales Trader to raise the request if any breach limit - RM follow up the request with Credit team - All LOBs to comply with the Escalation Standard and Reporting Timeline 	Satisfactory(2)	Very Low(1)
4	Operational	Rudy Kusumo Dahis Akah	<ul style="list-style-type: none"> - Customer Complaints: Nil - Operating Committee Meeting (OCM): <ul style="list-style-type: none"> - to be scheduled Jan 2017 for Q4 2016, OCM pack will distributed properly via email - Tax: Overpayment tax on 2008, 2009 and 2014, waiting for Supreme Court and DGT - Regulatory/Internal Compliance Policy Breach: Nil - Regulatory / Legislative Audit / Review Grades - OJK/IDX/KSEI: Nil - GLRS: Nil - Unconfirmed/Unaffirmed Trades: Nil - FO to BO Reconciliations: Nil - Nostro: Nil - Late capture of trades: Nil 	Low(1)	<ul style="list-style-type: none"> - FO and Settlement team will escalate to RM/Compliance if there is any complaint to be raised by client verbally and/or formally - Compliance will follow up with respective LOB and advise follow up actions - LEC will ensure any complaint is reported to OJK on monthly basis - CAO mark each participant's calendar in advance for 1 year period - CAO populate updates from each support function 1 week before next schedule and distribute the OCM pack 1 day before the meeting - LEC liaise with Regional Tax team and external tax consultant in monitoring and resolving any tax matters - Each LOB has the responsibility to be in compliance with internal policies including SOP and relevant regulations - Each LOB has the responsibility to escalate any potential breach to Compliance - LEC and Ops will receive email notification if GLRS can be started, or if any outstanding/missing accounts - Ops team perform pre-matching until SD and raise any un-matched settlement instruction on SD-1 to FO and ROC team, cc RM and Compliance - Ops team perform trade reconciliation after market closed and to raise any issue to FO team - Ops team perform nostro reconciliation after market closed and to raise any issue to LEC team - Ops team perform trade reconciliation after market closed and to raise any issue to FO team 	Satisfactory(2)	Very Low(1)
5	Legal	Myrna Hamid	<ul style="list-style-type: none"> - Audit Findings: No finding on PPATK audit that was conducted in Jun 2016 and exit meeting in Dec 2016 - Audit Result: Nil - PPATK could not do sampling to assess money laundering activities because JPMSI doesn't have end clients' data but rely on KYC Statement from clients - Corrective Action: N/A - Litigation amount: N/A - Ratio of litigation value/excess NAWC value: N/A - Assignment of legal attorney or representation in court: N/A - Fulfilment of the legal agreement terms: Fully - Standardization of all agreements: Adjustment to CSAA is in progress. Adjustment is made to align JPM standard, deletion of invalid terms/clauses e.g custody deposit - The use of the dispute resolution forum: N/A - The number and nominal value of products which have not been regulated by rules: N/A 	Low(1)	<ul style="list-style-type: none"> - Each LOB will ensure the compliance to regulations and internal policies - Each LOB will update and implement SOP consistently 	Satisfactory(2)	Very Low(1)

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6	Strategic	Edmond Imelda Saerang	<ul style="list-style-type: none"> Product choices: Securities Brokerage on IDX with DVP (Delivery Versus Payment) settlement, including Advisory, M&A (Merger and Acquisition), ECM (Equity Capital Market), and DCM (Debt Capital Market). Business strategy Client focus: For Equity, regionally we have identified 30 supertier clients that we focus on as a firm. Target of revenue: 10% Year on Year. Fiscal/monetary changes: Nil The impact to business: Nil Profitability: Red Net Profit Margin Ratio (Net Income/Net Sales): -8% Costs/Revenue: -127% ROA Ratio (Net Income/Average of Total Assets): -1% ROE Ratio (Net Income/Shareholders' Equity): -1% Revenue/Other Income: 4.44 The achievement of profit target in the last 3 years: N/A - 2016 revenue target 15% of 2015 was achieved Policy of dividend repatriation: To be discussed in annual BOD meeting Retained Earnings: USD 39 mm < daily net outflow Profit Increase: -96% (YoY Q3) 	Low(1)	<ul style="list-style-type: none"> Client focus and revenue target is set and socialized properly from top management to local sales team Regular meeting is conducted to monitor the status and any issue on achieving business target NBIA process is set properly and involved local LOBs 	Satisfactory(2)	Very Low(1)
7	Compliance	Myrna Hamid	<ul style="list-style-type: none"> Trading ID: <ul style="list-style-type: none"> 196 executions or 0.03% of total executions having unmatched trading ID Root cause: <ul style="list-style-type: none"> Fix client with foreign and domestic funds having only 1 ID. Sales Trader didn't change the booking entity manually before sent it to JATS. Action plan: RM raised the issue and advise Tech to find tactical solution to automate the changes. 	Low(1)	<ul style="list-style-type: none"> RM to check Trading ID on TD, to escalate any un-matched Trading ID to FO and Tech team RM and Tech team to keep track delivery schedules of the solution 	Satisfactory(2)	Very Low(1)
			<ul style="list-style-type: none"> Free Release: <ul style="list-style-type: none"> 7,721 executions or 1.2% of total executions flagged as free release executions in NEO Root cause: <ul style="list-style-type: none"> Dealer created dummy order for delayed instructions via Fix. Common practice within JPM. Clarification from IDX, order execution is valid and in compliance when below criteria is fulfilled: <ol style="list-style-type: none"> Order is received by authorized trader/dealer Client is properly on-boarded i.e. client data is available in the system Client Order is validated in terms of limit checking + availability of stock/cash - for custody client The understanding to cancel (dummy) order and feed order from FIX after execution on spot order is not a concern from IDX as NEO has the above listed capabilities. Trade Monitoring and Surveillance: <ul style="list-style-type: none"> Total 1,153 alerts Escalation: <ul style="list-style-type: none"> Possible wash trade TD 13 and 21-Oct and 2/22/24/29/30 Nov 16/22 Dec (confirmed the allocation to different sub accounts) Price changes on NG board TD 7/11 Nov and 20 Dec (all can be justified) Action Plan: N/A 	Low(1)	<ul style="list-style-type: none"> RM to monitor executions in NEO on TD, to escalate findings to Compliance and technology team for further investigation and follow up action RM, Compliance, and Tech team to keep track delivery of the solution 	Satisfactory(2)	Very Low(1)
8	Reputation	Edmond Imelda Saerang Myrna Hamid	<ul style="list-style-type: none"> Verbal complaints from clients: Nil Written/formal complaints from clients: Nil Negative news being published by local media: <ul style="list-style-type: none"> Research report that was released by Global Emerging Market Equity Research that double downgraded Indonesia Equity from Overweight to Underweight has invoked negative responses from Indonesia Ministry of Finance. Impact: a business partnership as tax payment bank (bank persepsi), primary dealer of Government Bonds (GUN), auction member of Government Syariah Bonds (Sukuk), and joint lead underwriter of global bonds where JPMSI has an important role in the underwriting process had been revoked. There was no impact to JPMSI's business licenses, but the Firm keeps monitoring any potential risk closely. 	Moderate (3)	<ul style="list-style-type: none"> FO and Settlement team will ensure escalation to RM/Compliance if there is any complaint to be raised by client verbally and/or formally Compliance will follow up with respective LOB and advise follow up actions LEC will ensure any complaint is reported to GJK on monthly basis 	Satisfactory(2)	Low(2)
			<ul style="list-style-type: none"> Complaints/negative news handling/follow up action: <ul style="list-style-type: none"> The issue has been handed properly by local main entity (SCO and Country Risk Officer) and regional communication LOB. Details of the matter had been communicated all employee. 				
9	Intra-group Transaction	Rudy Kusumo Dahlia Akiyah	<ul style="list-style-type: none"> Intra-group nostro balance: USD 1.6 mm Credit line amount and utilization: IDR 160 bn, nil utilization 	Low(1)	LEC and operations team monitor the nostro balance at minimum amount only to cover general expenses for several months	Satisfactory(2)	Very Low(1)
Composite Rating							Very Low(1)

new

No	Risk Type	Risk Champion	Inherent Risk Details	Level	Key Control	Quality of RM Implementation	Net Risk Level
1	Credit		<ul style="list-style-type: none"> - Fail to deliver value of institutional clients/buy trades value of institutional clients: Nil - Fail to deliver value to other broker/sell trades value to other broker: Nil - Fail to deliver Frequency of institutional clients: Nil - Fail to deliver Frequency to other broker: Nil - Pending fail to deliver Frequency of institutional client: Nil - Pending fail to deliver Frequency to other brokers: Nil - Highest value of trades done on negotiation board: USD 96 mm = 183% nostro balance - The highest value of trades done on NG board (not guaranteed by KPEI) > nostro balance, but all settled - Average haircut value/Average fair market value of portfolio: 86% - Unrealized loss/Total Assets: 0.0001% - The concentrated portfolio value/Total paid in capital: 0.01% 	Low(1)	<ul style="list-style-type: none"> - Ops team perform pre-matching until SD and raise any un-matched settlement instruction on SD-1 to FO and ROC team, cc RM and Compliance and to find solution as per available failed mechanics provided by exchange - settle any fails for foreign clients on SD 	Satisfactory(2)	Very Low(1)
2	Market		<ul style="list-style-type: none"> - Current Ratio: 4.78 - Cash Ratio: 3.73 - (NAWC Excess Value x 4)/Underwriting portion: N/A - (Average Cash + Cash Equivalents + Deposits + Collateral in KPEI)/Average payables to KPEI: 11.06 - (Average Cash + Cash Equivalents)/Average fail to receive of Institutional Clients (NK): 4741.79 - Fail to receive value of Institutional Clients (NK): USD 10 m = 0.62% liquid asset - Fail to receive frequency of Institutional Clients (NK): 1 - Frequency of pending fail to receive of Institutional Clients (NK): Nil - (Average Cash + Cash Equivalents)/Average fail to receive from other broker: Nil - Value of fail to receive from other broker: Nil - Frequency of fail to receive from other broker: Nil - Frequency of pending fail to receive from other broker: Nil - Liquidity ratio: 100% 	Low(2)	<ul style="list-style-type: none"> - JPMSI only maintain Portfolio for facilitating client of odd lot orders 	Satisfactory(2)	Very Low(1)
3	Liquidity		<ul style="list-style-type: none"> - Internal Audit: N/A - Business Complexity: No new product/sales trading's issues - Know Your Client (new COB and renewal): <ul style="list-style-type: none"> - Pending 1 new parent account and 1 sub account - 4 accounts are in the process of KYC remediation. Target of completion is Dec 2016, pending WCOB review - System failures: <ul style="list-style-type: none"> - A bit delay near market closed on 30 Nov - MSCI Rebalance, it's expected because large amount of orders - Capacity issue on CBEST server - CIRT WRM created: #16018994 - A network flapping between Indonesia and Singapore. P183 - 16122000929 - Local Indonesia traders are seeing delay in the releases reflecting in WCO - WRM for CIRT Created - Completed-FWC RFI already submitted - Completed-Hash Check already sent to Exchange (BOPIS standardization is completed) - Trading Limit: <ul style="list-style-type: none"> - Highest percentage of blocked collateral - blocked collateral amount/total offline collateral: 53% - blocked collateral amount/outstanding RO trade value: 24% - Trading Error and Facilitation: <ul style="list-style-type: none"> - 10 trading errors with P/L USD 176 and 4 facilitation with P/L (USD 2,023), no pending reporting and 2 pending approval - Client Trading Limit Breach: Breach trading limit USD 31 mm, temporary limit increase for IDR 1 trillion = USD 74mm until settlement date - Client Trading Limit Breach: Breach trading limit USD 31 mm, temporary limit increase for IDR 1 trillion = USD 74mm until settlement date - Timelines of Escalation: Nil 	Low(1)	<ul style="list-style-type: none"> - Settlement team monitors daily cash position, trades payables and receivables - Liaise with LEC if there is any funding or capital increase requirement - Settlement team will request JPMSI to cover any fails for foreign clients - Each LOB will ensure the compliance to internal policy and regulations - Each LOB will update and implement SOP consistently - NBIA process is performed that include all LOBs before new product is launched - New process has been applied i.e. KYC operations provided by WCOB (Wholesale Client On-Boarding) who will perform client on-boarding and KYC activities. The KYC regulation allowing CDD performed by third party as current arrangement between JPMSI and JPM regional WCOB/KYC regional. SLA is in place but not to include direct communication to local client. JPMSI forms local KYC team to administer KYC process to include communication and collection of KYC document for further process by regional WCOB/KYC team - KYC updates is being discussed in OCM - KYC Committee will ensure KYC principles and procedures are implemented - KYC Committee will ensure that audit is conducted regularly - Each LOB will escalate any system issue to technology team - Technology team will follow up with vendor and/or regional AD - RM to monitor the trading limit during trading hour and escalate if the blocked collateral >30% or if there is any requirement to increase TL due to high trade volume, based on information from Sales Trader - RM will work with Ops team to calculate and prepare cash collateral injection. LEC will provide sign off - Settlement team to send list of a/s error and facilitation to Sales cc Compliance and RM - RM will help chasing Sales Trader and Dealer to complete the reporting in error database - RM will help chasing Sales Trading Manager to approve the error report - Client Trading Limit Breach report is generated automatically on SOD - RM review the report and request Sales Trader to raise the request if any breach limit - RM follow up the request with Credit team - RM review the report and request Sales Trader to raise the request if any breach limit - RM follow up the request with Credit team - All LOBs to comply with the Escalation Standard and Reporting Timeline 	Satisfactory(2)	Very Low(1)
4	Operational		<ul style="list-style-type: none"> - Customer Complaints: Nil - Operating Committee Meeting (OCM): <ul style="list-style-type: none"> - To be scheduled Jan 2017 for Q4 2016, OCM pack will distributed properly via email - Tax: <ul style="list-style-type: none"> - Regulatory / Internal Compliance Policy Breach: Nil - Regulatory / Legislative Audit / Review Grades - CJK/IDK/KSEI: Nil - GLRS: Nil - Unconfirmed/Unaffirmed Trades: Nil - FO to BO Reconciliations: Nil - Nostro: Nil - Late capture of trades: Nil 	Low(1)	<ul style="list-style-type: none"> - FO and Settlement team will escalate to RM/Compliance if there is any complaint to be raised by client verbally and/or formally - Compliance will follow up with respective LOB and advise follow up actions - LEC will ensure any complaint is reported to OJK on monthly basis - CAO mark each participant's calendar in advance for 1 year period - CAO populate updates from each support function 1 week before next schedule and distribute the OCM pack 1 day before the meeting - LEC liaise with Regional Tax team and external tax consultant in monitoring and resolving any tax matters - Each LOB has the responsibility to be in compliance with internal policies including SOP and relevant regulations - Each LOB has the responsibility to escalate any potential breach to Compliance - LEC and Ops will receive email notification if GLRS can be started, or if any outstanding/missing accounts - Ops team perform pre-matching until SD and raise any un-matched settlement instruction on SD-1 to FO and ROC team, cc RM and Compliance - Ops team perform trade reconciliation after market closed and to raise any issue to FO team - Ops team perform nostro reconciliation after market closed and to raise any issue to LEC team - Ops team perform trade reconciliation after market closed and to raise any issue to FO team 	Satisfactory(2)	Very Low(1)
5	Legal		<ul style="list-style-type: none"> - Audit Findings: No finding on PPATK audit that was conducted in Jun 2016 and exit meeting in Dec 2016 - Audit Result: Nil - PPATK could not do sampling to assess money laundering activities because JPMSI doesn't have end clients data but rely on KYC Statement from clients - Corrective Action: N/A - Litigation amount: N/A - Ratio of litigation value/excess NAWC value: N/A - Assignment of legal attorney or representation in court: N/A - Fulfillment of the legal agreement terms: Fully - Standardization of all agreements: Adjustment to CSAA is in progress. Adjustment is made to align JPM standard, deletion of invalid terms/clauses e.g. custody/deposit - The use of the dispute resolution forum: N/A - The number and nominal value of products which have not been regulated by rules: N/A 	Low(2)	<ul style="list-style-type: none"> - Each LOB will ensure the compliance to regulations and internal policies - Each LOB will update and implement SOP consistently 	Satisfactory(2)	Very Low(1)
6	Strategic		<ul style="list-style-type: none"> - Product choices: Securities Brokerage on IDX with DVP (Delivery Versus Payment) settlement, including Advisory, M&A (Merger and Acquisition), ECM (Equity Capital Market), and DCM (Debt Capital Market) - Business strategy: <ul style="list-style-type: none"> - Client focus: For Equity, regionally we have identified superior clients that we focus on as a firm. - Target of revenue: 10% Year on Year - Fiscal/monetary changes: Nil - The impact to business: Nil - Profitability: Red <ul style="list-style-type: none"> - Net Profit Margin Ratio (Net Income/Net Sales): -8% - Costs/Revenue: -127% - ROA Ratio (Net Income/Average of Total Assets): -1% - ROE Ratio (Net Income/Shareholders' Equity): -1% - Revenue/Other Income: 4.44 - The achievement of profit target in the last 3 years: N/A - 2016 revenue target 15% of 2015 was achieved - Policy of dividend repatriation: To be discussed in annual SOD meeting - Retained Earnings: USD 39 mm < daily net outflow - Profit Increase: -96% (YoY Q3) 	Low(1)	<ul style="list-style-type: none"> - Client focus and revenue target is set and socialized properly from top management to local sales team - Regular meeting is conducted to monitor the status and any issue on achieving business target - NBIA process is set properly and involved local LOBs 	Satisfactory(2)	Very Low(1)

7	Compliance	<ul style="list-style-type: none"> - Trading ID: <ul style="list-style-type: none"> - 196 executions or 0.03% of total executions having unmatched trading ID - Root cause: Fix client with foreign and domestic funds having only 1 ID. Sales Trader didn't change the booking entry manually before sent it to JATS. - Action plan: RM raised the issue and advise Tech to find tactical solution to automate the changes. 		<ul style="list-style-type: none"> - RM to check Trading ID on TD, to escalate any un-matched Trading ID to FO and Tech team - RM and Tech team to keep track delivery schedules of the solution 		
		<ul style="list-style-type: none"> - Free Release: <ul style="list-style-type: none"> - 7,721 executions or 1.2% of total executions flagged as free release executions in NEO - Root cause: Dealer exceed dummy order for delayed instructions via Fix. - Common practice within JPM. - Clarification from IDX: order execution is valid and in compliance when below criteria is fulfilled: <ol style="list-style-type: none"> 1. Order is received by authorize trader/dealer 2. Client is properly on-boarded i.e. client data is available in the system 3. Client Order is validated in terms of limit checking + availability of stock/cash - for custody client - The understanding to cancel (dummy) order and feed order from FIX after execution on spot order is not a concern from IDX as NEO has the above listed capabilities. 	Low(1)	<ul style="list-style-type: none"> - RM to monitor executions in NEO on TD, to escalate findings to Compliance and technology team for further investigation and follow up action - RM, Compliance, and Tech team to keep track delivery of the solution 	Satisfactory(2)	Very Low(1)
		<ul style="list-style-type: none"> - Trade Monitoring and Surveillance: <ul style="list-style-type: none"> - Total 1,153 alerts - Escalation: <ul style="list-style-type: none"> - Possible wash trade TD 13 and 21-Oct and 2/22/24/28/30 Nov 16/22 Dec (confirmed the allocation to different sub accounts) - Price changes on NO board TD 7/11 Nov and 20 Dec (all can be justified) - Action Plan: N/A 		<ul style="list-style-type: none"> - Monitoring of trade alert using Smarts Broker, analysis done by regional monitoring and surveillance (M&S) team and review by RM on T+1 - Escalation to be made to Compliance, if any - M&S, RM, and Compliance will ensure the escalations will be followed up by respective team (Dealer/Sales Trader/Technology team) 		
8	Reputation	<ul style="list-style-type: none"> - Verbal complaints from clients: <u>Nil</u> - Written/formal complaints from clients: <u>Nil</u> - Negative news being published by local media: <ul style="list-style-type: none"> - Research report that was released by Global Emerging Market Equity Research that double downgraded Indonesia Equity from Overweight to Underweight has imbedded negative responses from Indonesia Ministry of Finance - Impact: 4 business partnership as tax payment bank (bank persepai), primary dealer of Government Bonds (SUN), auction member of Government Syariah Bonds (Sukuk), and joint lead underwriter of global bonds where JPMI has an important role in the underwriting process had been revoked. There was no impact to JPMI's business licenses, but the Firm keeps monitoring any potential risk closely. 	Moderate (3)	<ul style="list-style-type: none"> - FO and Settlement team will ensure escalation to RM/Compliance if there is any complaint to be raised by client verbally and/or formally - Compliance will follow up with respective LOB and advise follow up actions - LEC will ensure any complaint is reported to CJK on monthly basis 	Satisfactory(2)	Low(2)
		<ul style="list-style-type: none"> - Complaints/negative news handling/follow up action: <ul style="list-style-type: none"> - The issue has been handled properly by local main entity (SCO and Country Risk Officer) and regional communication LOB. - Details of the matter had been communicated all employee. 				
9	Intra-group Transaction	<ul style="list-style-type: none"> - Intra-group nostro balance: USD 1.6 mm - Credit line amount and utilization: IDR 160 bn, nil utilization 	Low(1)	<ul style="list-style-type: none"> - LEC and operations team monitor the nostro balance at minimum amount only to cover general expenses for several months 	Satisfactory(2)	Very Low(1)
		Composite Rating				Very Low(1)

old

From: ☐ Efendi, Johan
To: ☒ Wulandari, Retno X
Cc:
Subject: RE: KRI - Dec 2016

Hi Bu Retno,

Please find the KRI for Dec

Risk Stripe	No	Indicator (Issues/Updates)	Details (or Nil/NA)
Operational Risk	1	Succession Plan	N/A
	2	Training	N/A
	3	License	N/A
	4	Capacity	N/A
	5	Human Error	N/A
	6	Fraud	N/A
	7	Sending order to JATS	N/A
	8	Network	There's a network flapping between Indonesia and Singapore. P1S3 - 161220000929 - Local Indonesia traders are seeing delay in the releases reflecting in NEO
	9	System Access	N/A
	10	Manual intervention	N/A
	11	Projects updates	WRM for CIRT Created Completed-PWC RFI already submitted Completed-Hash Check already sent to Exchange
	12	Other main systems issues (network/access/manual intervention issues, etc.)	N/A

Thanks

Regards,
Johan Efendi

From: Wulandari, Retno X
Sent: Monday, January 02, 2017 11:00 AM
To: Efendi, Johan
Subject: KRI - Dec 2016

Hi Johan,

Appreciate if you can provide data as listed below for KRI Dec 2016.

Risk Stripe	No	Indicator (Issues/Updates)	Details (or Nil/NA)
	1	Succession Plan	N/A
	2	Training	N/A
	3	License	N/A
	4	Capacity	N/A
	5	Human Error	N/A
	6	Fraud	N/A
	7	Sending order to JATS	N/A
			There's a network flapping between Indonesia and

new

From: [Redacted]
 To: [Redacted]
 Cc: [Redacted]
 Subject: RE: KRI - Dec 2016

Hi Bu

Please find the KRI for Dec

Risk Stripe	No	Indicator (Issues/Updates)	Details (or Nil/NA)
Operational Risk	1	Succession Plan	N/A
	2	Training	N/A
	3	License	N/A
	4	Capacity	N/A
	5	Human Error	N/A
	6	Fraud	N/A
	7	Sending order to JATS	N/A
	8	Network	There's a network flapping between Indonesia and Singapore. PIS3 - 161220000929 - Local Indonesia traders are seeing delay in the releases reflecting in NEO
	9	System Access	N/A
	10	Manual intervention	N/A
	11	Projects updates	WRM for CIRT Created Completed-PWC RFI already submitted Completed-Hash Check already sent to Exchange
	12	Other main systems issues (network/access/manual intervention issues, etc.)	N/A

Thanks

Regards,

From: [Redacted]
 Sent: Monday, January 02, 2017 11:00 AM
 To: [Redacted]
 Subject: KRI - Dec 2016

Hi Johan,

Appreciate if you can provide data as listed below for KRI Dec 2016.

Risk Stripe	No	Indicator (Issues/Updates)	Details (or Nil/NA)
	1	Succession Plan	N/A
	2	Training	N/A
	3	License	N/A
	4	Capacity	N/A
	5	Human Error	N/A
	6	Fraud	N/A
	7	Sending order to JATS	N/A
			There's a network flapping between Indonesia and...

28. Appendix VI – Semi-annual Risk Profile Report and Email Approval

PENILAIAN FAKTOR PROFIL RISIKO

NAMA PT J.P. Morgan Securities Indonesia
 POSISI 30-December-2016

Profil Risiko	Penilaian per Posisi			Penilaian Sebelumnya		
	Peringkat Risiko Inheren	Peringkat Kualitas Manajemen Risiko	Peringkat Profil Risiko	Peringkat Risiko Inheren	Peringkat Kualitas Manajemen Risiko	Peringkat Profil Risiko
Risiko Kredit	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Risiko Pasar	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Risiko Likuiditas	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Risiko Operasional	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah ke Moderat (2)	Memadai (2)	Rendah (2)
Risiko Hukum	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Risiko Strategis	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Risiko Kepatuhan	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah ke Moderat (2)	Memadai (2)	Rendah (2)
Risiko Reputasi	Moderat	(3) Memadai (2)	Rendah (2)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Risiko Intra-group	Rendah	(1) Memadai (2)	Sangat Rendah (1)	Rendah	(1) Memadai (2)	Sangat Rendah (1)
Profil Risiko	Sangat Rendah (1)			Sangat Rendah (1)		

RISK PROFILE FACTOR ASSESSMENT

NAME PT J.P. Morgan Securities Indonesia
 POSITION 30-December-2016

Risk Profile	Assessment by Position			Previous Assessment		
	Inherent Risk Rating	Quality of Risk Management Rating	Risk Profiles Ranking	Inherent Risk Rating	Quality of Risk Management Rating	Risk Profiles Ranking
Credit Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low	(1) Satisfactory (2)	Very Low (1)
Market Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low	(1) Satisfactory (2)	Very Low (1)
Liquidity Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low	(1) Satisfactory (2)	Very Low (1)
Operational Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low to Moderate (2)	Satisfactory (2)	Low (2)
Legal Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low	(1) Satisfactory (2)	Very Low (1)
Strategic Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low	(1) Satisfactory (2)	Very Low (1)
Compliance Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low to Moderate (2)	Satisfactory (2)	Low (2)
Reputational Risk	Moderate	(3) Satisfactory (2)	Low (2)	Low	(1) Satisfactory (2)	Very Low (1)
Intra-group Risk	Low	(1) Satisfactory (2)	Very Low (1)	Low	(1) Satisfactory (2)	Very Low (1)
Risk Profile	Very Low (1)			Very Low (1)		

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Analisa	Analysis
<p>- Secara umum, peringkat Profil Risiko Perusahaan untuk semester 2 tahun 2016 berada di level 1 (Sangat Rendah). Hal tersebut dikarenakan <i>inherent risk</i> yang rendah dan kualitas Manajemen Risiko yang memadai di hampir semua jenis risiko.</p> <p>Perusahaan memiliki visi menjadi Perusahaan Efek terdepan dan 3 besar <i>Investment Bank</i> yang berkelanjutan di Indonesia, serta memiliki misi untuk mempromosikan Pasar Modal Indonesia ke kancah global melalui penelitian dan konferensi, dan mengembangkan bisnis <i>Perantara Pedagang Efek</i> di Indonesia</p> <p>- Untuk mencapai visi dan misi tersebut, Perusahaan memutuskan untuk beroperasi dengan tingkat risiko yang rendah, dengan menetapkan <i>risk appetite</i> terendah pada Risiko Strategis dan Risiko Reputasi melalui pemilihan jasa pelayanan yang terbatas pada Perantara Pedagang Efek di Bursa Efek Indonesia dengan penyelesaian secara <i>DVP</i> (<i>Delivery Versus Payment</i>), termasuk kegiatan <i>Advisory</i>, <i>M&A</i> (<i>Merger and Acquisition</i>), <i>ECM</i> (<i>Equity Capital Market</i>), dan <i>DCM</i> (<i>Debt Capital Market</i>), dan hanya menerima nasabah institusi dengan latar belakang yang solid serta rekam jejak reputasi yang jelas dan bersih.</p> <p>Peringkat <i>inherent risk</i> untuk Risiko Operasional dan Risiko Kepatuhan menjadi Sangat Rendah di semester 2 tahun 2016 dikarenakan hasil penilaian <i>Brokerage Office System</i> (BOFIS) per 10 Agustus 2016 dinyatakan memuaskan oleh Bursa Efek Indonesia (BEI) dengan pengecualian 6 temuan untuk diklasifikasi termasuk hash code yang harus segera dikirimkan ke BEI. PT J.P. Morgan Sekuritas Indonesia (JPMSI) telah memberikan klarifikasi dan bukti atas 6 temuan tersebut, dan pada 20 Oktober 2016, BEI menyatakan bahwa JPMSI telah memenuhi standarisasi BOFIS, sehingga pula hash code telah dikirimkan kepada BEI pada 29 Desember 2016.</p> <p>Risiko Reputasi memiliki peringkat <i>inherent risk</i> yang lebih tinggi di semester 2 tahun 2016, dikarenakan terdapat satu kejadian Risiko Reputasi dimana laporan riset yang diterbitkan oleh <i>Global Emerging Market Equity Research</i> yang menurunkan peringkat pasar ekuitas Indonesia secara ganda dari <i>overweight</i> ke <i>underweight</i> telah menarik reaksi negatif dari Kementerian Keuangan Indonesia. Selanjutnya empat kejasama bisnis dengan Entitas Utama sebagai bank persepsi, dealer utama Surat Utang Negara (SUN), peserta lelang Surat Utang Syariah Negara (Sukuk), dan joint lead <i>underwriter</i> untuk menerbitkan global bond dimana JPMSI memiliki peranan penting dalam proses penjaminan tersebut dibatalkan. Tidak ada pengaruh pada ijin usaha JPMSI, akan tetapi Perusahaan tetap mengawasi segala potensi risiko secara ketat.</p> <p>- Berdasarkan analisa yang dilakukan Perusahaan, tidak terdapat eksposur yang material terhadap jenis risiko lainnya. Hal tersebut dikarenakan strategi bisnis dan karakteristik Perusahaan sebagai berikut:</p> <p>- Produk yang terbatas pada Perantara Pedagang Efek termasuk kegiatan <i>Advisory</i>, <i>M&A</i> (<i>Merger and Acquisition</i>), <i>ECM</i> (<i>Equity Capital Market</i>), dan <i>DCM</i> (<i>Debt Capital Market</i>);</p> <p>- Jenis nasabah institusi dengan latar belakang yang solid serta rekam jejak reputasi yang jelas dan bersih;</p> <p>- Penyelesaian transaksi saham secara <i>DVP</i> (<i>Delivery Versus Payment</i>);</p> <p>- Kepemilikan aset likuid berkualitas tinggi yang merupakan sumber utama penyelesaian transaksi, serta akses yang memadai pada sumber pendanaan dari Entitas Utama dan beberapa bank dalam negeri lainnya.</p> <p>- Perusahaan merupakan bagian dari organisasi JPMorgan yang memiliki brand yang solid secara global.</p>	<p>- In general, Firm's risk profile for H2/2016 was at level 1 (Very Low-risk) driven by low inherent risk and a satisfactory risk management quality for almost all of the risk stripes.</p> <p>The Firm has a vision to be a leading securities house and be in a top 3 sustainable investment bank in Indonesia, and has a mission to promote Indonesian capital market to the global arena through research and conferences, and to develop securities brokerage business in Indonesia.</p> <p>- In order to accomplish the vision and mission, the Firm decided to operate at low level of risk, by setting lowest risk appetite to Strategic and Reputation risk through the choices of services that are limited to Securities Brokerage on IDX with DVP (<i>Delivery Versus Payment</i>) settlement, including <i>Advisory</i>, <i>M&A</i> (<i>Merger and Acquisition</i>), <i>ECM</i> (<i>Equity Capital Market</i>), and <i>DCM</i> (<i>Debt Capital Market</i>), and onboarding only institutional clients with a solid background, also a clear and clean reputation track record.</p> <p>The inherent risk level of Operational Risk and Compliance Risk became Very Low in H2/2016 due Indonesia Stock Exchange (IDX) has marked us as satisfied with Brokerage Office System (BOFIS) assessment as per 10 August 2016 with exception of six findings for clarification including hash code that has to be submitted to IDX. JPMSI has provided clarification and evidences on those 6 findings, and on 20 October 2016, IDX stated that we have fulfilled the BOFIS standardization, and the hash code has been submitted to IDX on 29 December 2016.</p> <p>Inherent risk level of Reputation Risk was rated higher in H2/2016, because there was one Reputation Risk event where research report that was released by Global Emerging Market Equity Research that double downgraded Indonesia equity from overweight to underweight has invoked a negative response from Indonesia Ministry of Finance. Furthermore, 4 business partnership as tax payment bank (bank persepsi), primary dealer of Government Bonds (SUN), auction member of Government Syariah Bonds (Sukuk), and joint lead <i>underwriter</i> of global bonds where JPMSI has an important role in the underwriting process had been revoked. There was no impact to JPMSI's business licenses, but the Firm keeps monitoring any potential risk closely.</p> <p>- Based on the analysis performed by the Firm, there is no material exposure on other risk stripes. It is driven by following business strategies and the Firm's characteristics:</p> <p>- Products are limited to securities brokerage including <i>Advisory</i> activities, <i>M&A</i> (<i>Merger and Acquisition</i>), <i>ECM</i> (<i>Equity Capital Market</i>), and <i>DCM</i> (<i>Debt Capital Market</i>) activities;</p> <p>- Institutional type of client with a solid background, also a clear and clean reputation track record;</p> <p>- <i>DVP</i> (<i>Delivery Versus Payment</i>) trade settlement;</p> <p>- The ownership of high-quality liquid asset as main source of trade settlement, and an adequate access to some sources of funds from main entity and other local banks;</p> <p>- The Firm is part of JPMorgan organization that has a solid brand globally.</p>

old

from:

Saerang, Imelda

to:

Wulandari, Retno X; X, Edmond X

cc:

subject:

RE: Risk Profile Report H2/2016 (Market Risk, Strategic Risk, Reputation Risk)

Confirm Retno, thank you

Imelda Saerang | Head of Equity Distribution - Indonesia | J.P. Morgan | The Energy Building 6/F SCBD Lot 11A, Jl. Jend. Sudirman Kav 52-53, Jakarta 12190, Indonesia | T: +62 21 52918451 | imelda.saerang@jpmorgan.com | jpmorgan.com

Alternate contact: Arya Darmawan | T: +62 21 5291 8452 | arya.darmawan@jpmorgan.com

From:

Wulandari, Retno X

Sent:

Friday, January 13, 2017 11:11 AM

To:

X, Edmond X; Saerang, Imelda

Subject:

Risk Profile Report H2/2016 (Market Risk, Strategic Risk, Reputation Risk)

Importance:

High

Hi Edmond and Imelda,

I have finalized the Risk Profile Report for H2/2016 for Market Risk, Strategic Risk, and Reputation Risk based on our discussion this week and further review.

I would appreciate if you could provide your signoff by **end of day today** at the latest.

Kindly advise if you have any questions on the details or other concern.

Thanks & Rgds.

Retno Wulandari | Indonesia Cash Equity Risk Management | J.P.Morgan Securities Indonesia, PT J.P. Morgan | The Energy Building 6th Fl. SCBD Lot 11A, Jl. Jend. Sudirman Kav.52-53 Jakarta 12190 | T: (62 21) 5291 8264 | F: (62 21) 5291 8266 | retno.x.wulandari@jpmorgan.com | www.jpmorgan.com

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new

from:

to:

cc:

subject:

RE: Risk Profile Report H2/2016 (Market Risk, Strategic Risk, Reputation Risk)

Confirm Retno, thank you

Imelda

Alternate

From:

Sent:

Friday, January 13, 2017 11:11 AM

To:

Subject:

Risk Profile Report H2/2016 (Market Risk, Strategic Risk, Reputation Risk)

Importance:

High

Hi

I have finalized the Risk Profile Report for H2/2016 for Market Risk, Strategic Risk, and Reputation Risk based on our discussion this week and further review.

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Kindly advise if you have any questions on the details or other concern.

Thanks & Rgds.

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