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Indonesia Stock Exchange

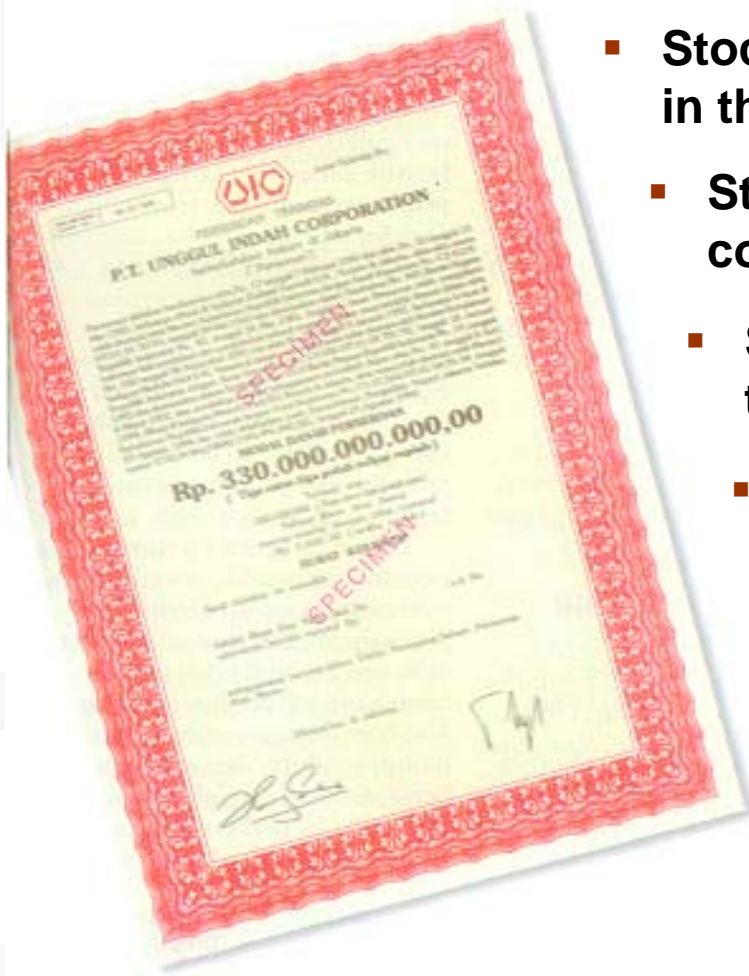
Bursa Efek Indonesia

# How To Become A Stock Investor



**The Indonesia Stock Exchange  
Corporate Secretary / Corporate Communications  
2008**

# Stock as a Choice of Investment



- **Stock is one form of capital assets traded in the Capital Market**
- **Stock is a share of ownership in a company**
- **Shareholders have the right to attend the General Meeting of Shareholders**
- **Shareholders have the chance to receive dividend**
- **Stock is a liquid asset, so it is easier to trade**



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# Benefits of Investing in Stock

## The benefits of investing in stock:

### 1. Dividend

A dividend is a portion of a company's profit paid to shareholders.

Example: PT Bank Mandiri Tbk pays to its shareholders IDR 500 for every share that they have as a dividend. Marry owns 5,000 shares (10 lots) of PT Bank Mandiri. So, the amount of dividend Marry will receive is IDR 2,500,000 (tax excluded).

### 2. Capital Gain

Capital gain is the profit a person will receive when he sells his share at higher price than its purchase price.

Example: When James bought the stock of PT Bank BCA Tbk, it was only IDR 3,000 per share. Several years later, the stock reached the price of IDR 4,000 per share, and he decided to sell them. So, James received a profit of IDR 1,000 for every share that he sold.



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# Risks of Investing in Stock

## The risks of investing in stock:

### 1. Not Receiving Any Dividend

Basically, dividend is paid from the company's profit. So, if the Company suffers a loss, there will be no dividend paid to its shareholders.

### 2. Capital Loss

Capital Loss is the reverse of Capital Gain. It is the situation when the stock is sold for a price that is lower than its original purchase price.

Example: An investor bought PT ABC Tbk's stocks for IDR 3,000 per share and sold the stocks several months later when the stock price fell to IDR 2,500 per share. The investor suffers a Capital Loss of IDR 500 for every share that he sold.

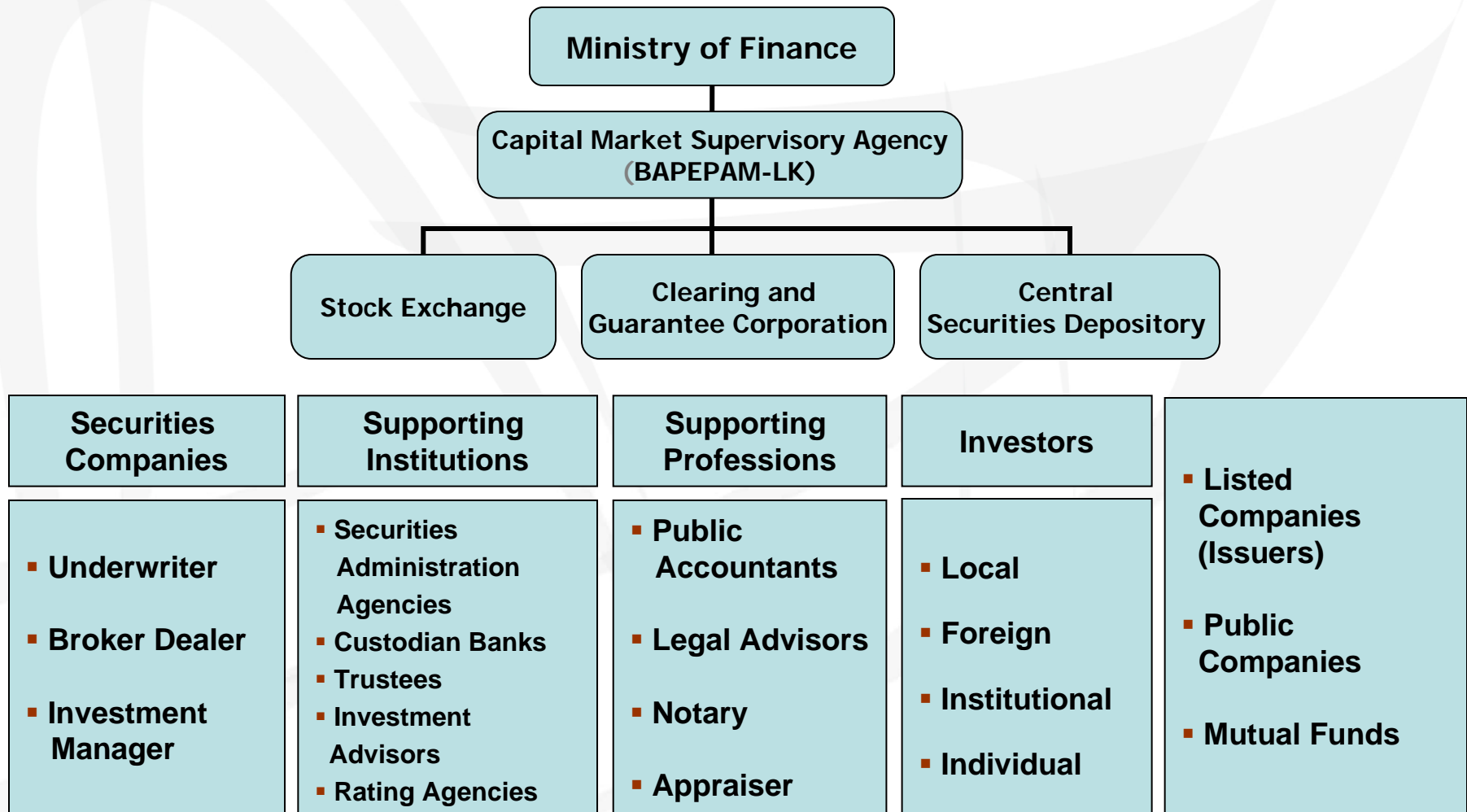


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# The Structure of Indonesia's Capital Market



# Purchasing a Stock

**Basically, there are 3 ways to purchase a stock:**

1. Through the Primary Market, or when a Company holds an Initial Public Offering (go public)
2. Through the Secondary Market, or when the stock is traded in the Exchange
3. Through the Mutual Funds

- To trade in the Secondary Market, you have to become a client in a Brokerage or Securities Firms listed in the Exchange.
- There are about 120 Securities Firms listed in the Indonesia Stock Exchange that can help you with your investment.



**PT ABC Sekuritas**  
Member of IDX



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# The First Step To Become An Investor



Open an account in a Securities Firm



PT ABC Sekuritas  
Member of IDX

1. Submit a copy of valid ID card
2. Fill in the agreement form provided by the Securities Firm
3. Transfer a sum of money as a deposit to the Brokerage's account. The sum of the deposit vary from firm to firm. Some firms may require you to have a minimum of IDR 50 million as a deposit, and some other may be lower.
4. After your account has been approved, you are ready to make a deal!!!



We are investors



We are investors



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# The Process of Transaction



## Purchase Order:

1. Determine which stock to buy
2. Determine how much stock (in lot unit) to buy
3. State the price

## Sell Order :

The process of stock sell order is the same as its purchase process!!!

## Transaction and Settlement:

1. The broker will forward the order to the Floor Trader in the Exchange Trading Floor
2. When the order matches, the Dealer will give a confirmation to his client ( 1 x 24 hours )
3. The settlement will take 3 days after the transaction, or usually known as T + 3.

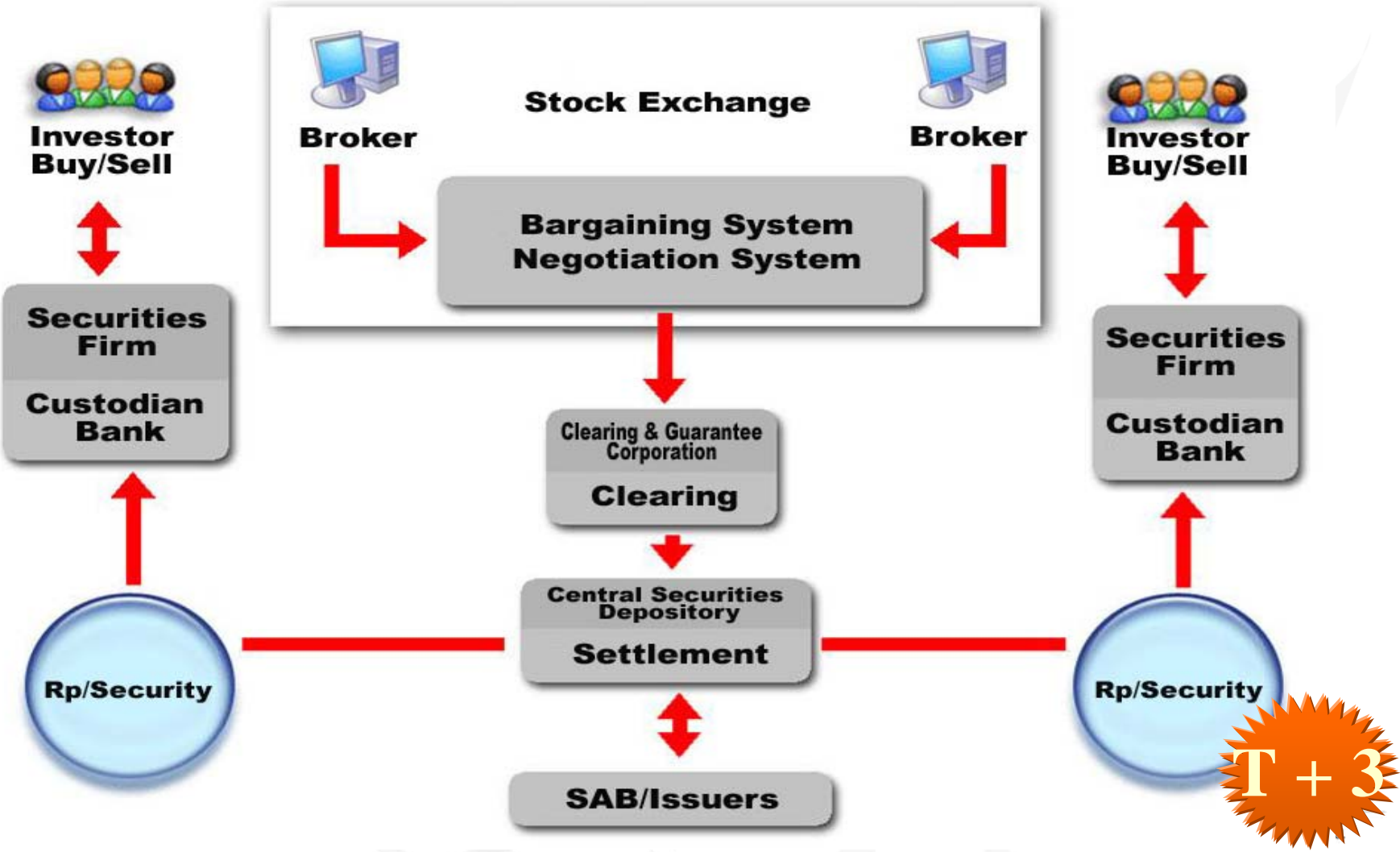


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# Transaction Scheme



# Transaction Fees

- Only brokers can execute the purchase and sell orders!!!
- Stock transaction involves many parties, such as Brokers, Stock Exchange, Clearing Guarantee Corporation, and Central Securities Depository.
- The Clearing Guarantee Corporation and Central Securities Depository are institutions that facilitate transaction settlement.
- There is a broker fee charged on every purchase and sell transaction.

## Transaction Fees:

1. The fee charged for stock sell is usually 0.25% to 0.3% of the transaction value.
2. The fee charged for stock purchase is usually 0.35% to 0.4% of the transaction value.
3. The fee for stock sell is 0.1% more expensive because it is subjected with 0.1% of Income Tax
4. Every brokerage firm have different policies of its broker's fee.



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# The Fluctuation of Stock Price

## What factors influence the stock price?

- The fluctuation of a stock price is determined by the supply and demand of the stock.  
Higher Demand → Higher Stock Price and vice versa.
- Other factors that influence the stock price:
  - ✓ Bank Interest Rate Shift
  - ✓ Inflation Rate
  - ✓ Indonesian Rupiah Exchange Value
  - ✓ The company's Performance, such as the number of products sold, income, dividend, etc.
  - ✓ Non-Economical factors, such as the social and political situation.

- ◆ A stock price can fluctuate everyday.
- ◆ A stock price does not change if there is no transaction of the stock.



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# Observe the Market Condition



Stock A increased  
3 points !!



Sell..!!

## There are several ways to observe stock market:

- Ask for information and recommendation from your Broker. A broker will inform you about the market condition and give recommendation of potential stocks to buy or sell.
- Actively observe the market by yourselves through various media. Besides relying on the information given by your Broker, you can actively observe the market condition from the television, internet, daily newspapers, and radio.



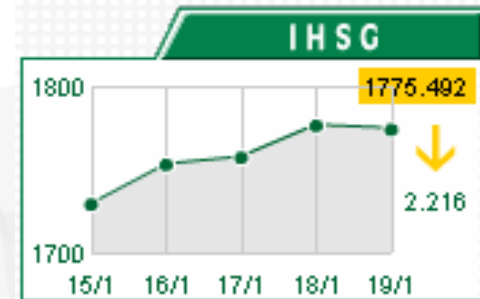
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# Stock Price Indices

- Stock Index indicates the trend of the market movement
- A rising index means there is a general increase of stock prices in the Exchange.
- On the contrary, falling index means there is a general decrease of stock prices in the Exchange.
- Index is an important indicator for the Capital Market participants.



## Indonesia Stock Exchange's Indices:

- Jakarta Composite Index (JCI)
- Sector Index
- LQ 45 Index
- JII (Jakarta Islamic Index) Index
- KOMPAS100 Index
- Main Board Index and Development Board Index
- Individual Index



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# Happy Investing..!!!



For further information, please contact:

**Indonesia Stock Exchange**

**Corporate Secretary / Corporate Communications**

Phone. [62-21] 5150515 Fax. [62-21] 5150330

Toll Free. 0800-140-2820 (office hours)

Email: [webmaster@idx.co.id](mailto:webmaster@idx.co.id)