

**ANALYSIS ON COMPREHENSIVE COMPLAINT MANAGEMENT SYSTEM TO
INDONESIAN CAPITAL MARKET AND FINANCIAL INSTITUTIONS
SUPERVISORY AGENCY (BLK)**

By

Kusuma, Chandra

THESIS

Submitted To
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

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Committee in charge:

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ABSTRACT

ANALYSIS ON COMPREHENSIVE COMPLAINT MANAGEMENT SYSTEM TO INDONESIAN CAPITAL MARKET AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY (BLK)

By

Chandra Kusuma

Indonesian Capital Market and Financial Institutions Supervisory Agency (BLK) is a unit of Echelon I under Ministry of Finance, Indonesia, which function are to regulate and supervise daily bustles in capital market along with formulate and implement policies and technical standardizations in financial institutions area. As such public institutions, BLK is not only contending with investors and financial institutions, but also public generally, either as stakeholders or shareholders.

Roughly, many complaints are received by BLK in the past years until presently. *How many complaints received last year? What kind of complaints received the most? Do people satisfy with the performance of capital market and financial institutions practices?* BLK cannot answer those questions. If consented to go further, let us ask: *Which brokers/financial institutions should be under tight supervision? Is there any sturdy basis to produce blacklisted brokers/financial institutions? What is the current trend of violation of laws and regulations in capital market and financial institutions area?* The answers are the same, no answer.

Designing a comprehensive and centralized complaint management system could be one of the answers. Complaints are one of valuable sources of information. They should be collected

from the public, administered and processed. It is considered necessary that BLK keeps records of complaints that are made in the consistent and efficient method. A systematic system of complaints handling and their outcomes is required to enable agencies to monitor the progress of complaints and identify repeated complaints which in the end generally practical for formulation of public policies. There is also an issue of inefficient bureaucracy practices happening in complaint management system in BLK.

This thesis is inscribing and developing the hypotheses of comprehensive and centralized complaint management system in BLK using qualitative research with comparison study especially from those closely related with complaint management; in the form of comparative international complaints management system with 10 (ten) comparable institutions from 8 (eight) countries: Australia, Hong Kong, Malaysia, Singapore, South Korea, Japan, United States and United Kingdom.

The main part of the thesis would consist of the typical features that all the comparable institutions have for their better performances in comprehensive complaint management system, including centralized recordkeeping, process map, criteria, recording the analysis and decision, and value of communication. The last part of the thesis, which also considered another main part of the thesis, is the recommendations and conclusions that should be applied to BLK in order to advance its complaint management system. It is hoped that by following such flow, the recommendations are strongly sustained by not only prior literatures and studies, but also complaint management best practices of the similar institutions in the world.

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Initially, I should firstly convey my feeling of thankfulness to Korea, Korea Development Institute (KDI) School by giving me the opportunity to gain more knowledge from such a reputable university and respected Professors, especially in the field of Public Policy; and also POSCO as my scholarships sponsor. In this acknowledgement, I also would like to express distinctively my gratitude to parties underneath the entire process of finishing this thesis as following:

1. My parents and older brother for giving me the support morally in order to finish the thesis;
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To close this acknowledgement, I do hope that this thesis would be advantageous to enrich the knowledge in the field of Public Policy in general and Government Reform distinctively in Korea, Indonesia and any countries in the world.

KUSUMA, Chandra

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ABBREVIATIONS LIST

ASIC	Australian Securities and Investments Commission
APRA	Australian Prudential Regulation Authority
ACCC	Australian Competition and Consumer Commission
Bapepam	Indonesian Capital Market Supervisory Agency
BLK	Indonesian Capital Market and Financial Institutions Supervisory Agency
CHISSD	Complaint Handling and Information Services Sub Division
CMSD	Complaint Management Sub Division
DISD	Development and Information Services Division
DJLK	Directorate General of Financial Institutions
EB	Enforcement Bureau
FSC	Hong Kong Securities and Futures Commission
FSS	Korea Financial Supervisory Service
IAPR	International Affairs and Public Relations Division
Japan FSA	Japan Financial Supervisory Agency
MAS	Monetary Authority of Singapore
NA&A	National Assessment and Action
SOP	Standard Operating Procedure
SC	Securities Commission of Malaysia
TB	Technical Bureaus
UK FSA	UK Financial Service Authority
US SEC	US Securities and Exchange Commission

CHAPTER I

INTRODUCTION

A. BACKGROUND

Indonesian Capital Market and Financial Institutions Supervisory Agency (BLK) is a unit of Echelon I under Ministry of Finance, Indonesia, which function are to regulate and supervise daily bustles in capital market along with formulate and implement policies and technical standardizations in financial institutions area. As such public institutions, BLK is not only contending with investors and financial institutions, but also public generally, as either stakeholders or shareholders.

Approximately, many complaints are received by BLK in the past years until presently. How many complaints received last year? What kind of complaints received the most? Do people satisfy with the performance of capital market and financial institutions practices? BLK cannot answer those questions. If consented to go further, let us ask: Which brokers/financial institutions should be under tight supervision? Is there any sturdy basis to produce blacklisted brokers/financial institutions? What is the current trend of violation of laws and regulations in capital market and financial institutions area? The answers are the same, no answer. In addition to that, complaints are handled by each of the technical bureaus within BLK each with different procedures. For instance, complaints that are related to securities companies or illegal bank practices would have different bureaucracy procedures. Hence, it is often tough to track the records and the development of particular cases once it is handled in technical bureau.

Designing a comprehensive complaint management system could be one of the answers. Complaints are one of valuable sources of information. They should be collected from the public, administered and processed. It is considered necessary that BLK keeps records of complaints that are made in the consistent and efficient method. A systematic system of complaints handling and their outcomes is required to enable agencies to monitor the progress of complaints and identify repeated complaints which in the end generally practical for formulation of public policies. There is also an issue of inefficient bureaucracy practices happening in complaint management system in BLK.

B. OBJECTIVES

By such phenomenon depicted in the preceding section, it is in the purpose to inscribe the thesis in this area and developing the hypotheses of comprehensive complaint management system in BLK. Generally, it is hoped that the outcomes of the thesis could be considered as one of additional insights into a comprehensive complaint management system by which one of critical matter in government institutions, especially those customer-oriented. Distinctively, the thesis would be useful as a base for government reform actions in BLK. This thesis is also submitted to fulfil one of the requirements to be graduated from Korea Development Institute (KDI) School of Public Policy and Management, Master of Public Policy (MPP) Program.

C. METHODS AND STRATEGIES

Thesis is going to be conducted by qualitative research, by which exploratory and inductive in nature, based on the reasons to become more experienced with the phenomenon

interested in and investigating complex and sensitive issues. Methods used are consists of direct observation, interview and case study. The object of the research would be Indonesian Capital Market and Financial Institutions Supervisory Agency (BLK) with comparable complaint management system best practices in the world for the case study.

Data is going to be obtained by in-depth interviews, including both individual interviews (e.g., one-on-one) as well as group interviews (including focus groups). Interviewees would consist of officials from BLK and comparable institutions, especially those closely related with complaint management; in the form of comparative international complaints management system from Australia, Hong Kong, Malaysia, Singapore, South Korea, Japan, United States and United Kingdom. The data will be recorded in a wide variety of ways, including stenography, audio recording, video recording or written notes. The purpose of the interview is to probe the ideas of the interviewees about the phenomenon of interest. In addition to that, there surely is a content analysis ,by which written documents are analyzed; including newspapers; magazines; books; websites; memos; transcripts of conversations; annual reports, and presentations.

D. CONTENT SYSTEMATIC

The thesis would initially in Chapter II explicate the prior literatures and studies distinctively to complaint and complaint management as part of the field researched. The latter Chapters are going to include the current condition of BLK's complaint management system (Chapter III) which then followed by the comparison study of complaint management best practices of the similar institutions in the world (Chapter IV). In order to explicate better for further discussion, Chapter III also provides the frame with typology of complaints

received by BLK and specific issues that complaints management system in BLK should deal with. The result of the comparison study in Chapter IV later on suggested the typical features that all the comparable institutions have for better performances.

The last part of the thesis, which also considered being the main part of the study, is the recommendations and conclusions that should be applied to BLK in order to advance its complaint management system. It is hoped that by following such flow, the recommendations are strongly sustained by not only prior literatures and studies, but also complaint management best practices of the similar institutions in the world. The final conclusion would be that it is apparent that such comprehensive complaint management system ultimately is able to provide retort all the preceding questions asked in the earlier part of this Chapter.

CHAPTER II

THEORETICAL FRAMEWORK

A. COMPLAINT

1. DEFINITION OF A COMPLAINT

To facilitate auxiliary indulgent throughout the thesis, it is indispensable to place a plain definition on what a complaint is. By doing so, it is going to internalize the premeditated idea that complaint is one of the most valuable and strategic sources/idea which an institution could base its actions on. There have been many literatures associated with definition of a complaint, yet the most prominent are coming from the books of *Complaint Management: The Heart of CRM* (Stauss and Seidel, 2004) and *A Complaint is A Gift* (Barlow and Moller, 2008).

In simplest terms, complaints are statements about expectations that have not been met. They are also, and perhaps most importantly, opportunities for an organization to reconnect with customers by fixing a service or product breakdown. In this way, complaints are gifts customers give to business. Everyone will benefit from carefully opening these packages and seeing what inside.¹

Broadly defined, complaints are articulations of dissatisfactions that are expressed toward firms and/or third-party institutions with the aim of making the provider aware of the behavior that is subjectively experienced as harmful, receiving compensation for adverse effects suffered; and making a change in the criticized behavior. A relatively broad conceptual understanding, which includes

¹ Barlow, Janelle and Moller, Claus. *A Complaint is A Gift*. Berrett-Koehler Publishers, Inc., San Fransisco, 2008, p. 22.

a differentiation of various types of complaints, is expressed in this definition:

- *Complaints are a matter of articulations, that is, verbal or written statements.*
- *From these statements emerges the understanding that the complainant is dissatisfied. This is not, however, dependent on whether the customer uses the term “complaint”. The extent of dissatisfaction is also unimportant. All statements that show that the performance or the behavior of the firm does not fully comply with the customer’s expectations are complaints as defined here.*
- *Complaints may be brought not only by customers, but also by members of the interest groups, who, for example lament damage to the environment from ecologically harmful production process. Moreover, criticism is not expressed only by individuals but also by institutions, such as associations or the media, who demand a general solution for problems, independent of a specific individual case.*
- *Complaints place the affected party in direct opposition to the firm itself. Dissatisfied customers can, however, choose an indirect path by turning to a third-party institution (for instance, arbitrators, administrative bodies, or the media) as an “advocate” of their interests. In such cases, the third party institution approaches the firm in the customers’ name or informs the public.*
- *The dissatisfaction of the affected person does not necessarily have to be related to product deficiencies or other aspects of the market offering (such as price). The sociopolitical behavior of the firm can be further object of complaints.²*

² Stauss, Bernd and Seidel, Wolfgang. Complaint Management: The Heart of CRM. American Marketing Association, Thomson Business and Professional Publishing, 2004, p.16.

Further, Stauss and Seidel also identified 5 (five) major prejudices and the introduction on the commentary that contradicts them as summarized below.

Table 1. Prejudices and Comments Regarding Complaints

No.	Prejudice	Comment
1.	“Our customers are satisfied. The low number of incoming complaints proves it!”	“Wrong! Low complaint numbers are not a meaningful indicator of customer satisfaction!”
2.	“The number of complaint should be minimized!”	“Wrong! The number of unsatisfied customers should be minimized. The percentage of unsatisfied customers who complain should be maximized!”
3.	“Customers who complain are adversaries!”	“Wrong! Customers who complain are partners!”
4.	“The majority of customers who complain are either grumblers or grouzers!”	“Wrong! The vast majority customers are not grumblers or grouzers!”
5.	“Complaints only lead to greater costs!”	“Wrong! Complaints are not associated solely with costs, but instead provide opportunities for higher revenue and profits. Ignoring complaints, on the other hand, only lead to greater costs, never to higher revenue!” ³

2. THE IMPORTANCE OF COMPLAINTS

Complaints are exceptionally powerful tool which can be used by managers/leaders in order to improve the overall performance of the organizations/institutions. Such notion would distinctively attest to be applied for both firms and government institutions. There has also been a wide range of literatures and researches accentuating the importance of complaints, including the explanation upon the

³ The concept can also be associated to Transaction Cost Economics, particularly in the government institutions. As Stauss and Seidel further explained in the book; complaints are perceived by firms as threats because they are exclusively regarded as a cost factor. Costs are generated during the processing of complaints just as they are when customer demand (Such as product returns or reimbursements) is fulfilled. Indeed, these costs must be examined in relation to the benefits that can be achieved. The critical information that is contained in complaints gives firms the chance to identify and remove errors, thereby constantly improving themselves and reducing costs. The costs of processing complaints then are investments in future business.

concept of Golden Complaint (Harari, 1999) and complaint opportunities (Boden, 2001).

Considering the frequency at which organizations lose customers, it must be easy to be stupid. Jeffrey Pfeffer, in his book What Were They Thinking?, says that when companies do stupid things, like driving customers away; it's primarily because they aren't looking at feedback. They just take position and act without considering the impact of their decisions.⁴

Smart leaders use complaints for much more than simply turning around unhappy customers. They use them as fuel to improve current operations and enhance product and service quality. They use them as critical segments in their training and development efforts. They analyze them to glean subtle clues about what customers might expect in the future. They scrutinize them for clues to potential breakthroughs in their products or services. Most important they use complaints to stay perpetually grounded to the market place and connected to the market place.⁵

A complaint from a consumer is an overt manifestation of dissatisfaction. Although complaints also serve as customer feedback about a product, service or company performance, their impact on corporate policy and public relations may range from negligible to extremely significant.⁶

Boden, in her book *Handling Complaints Pocketbook*, has identified 5 (five) major opportunities related to complaints; by which most of them could be plainly related to the context of complaints received in public sector field or government institutions:

⁴ Pfeffer, Jeffrey. *What Were They Thinking? Unconventional Wisdom about Management*. Harvard Business School Press, Boston, 2007.

⁵ Harari, Oren. *The Power of Complaints*. In *Management Review*, July-August 1999, p. 31-34.

⁶ Resnik, Alan J. and Harmon, Robert R. *Consumer Complaints and Managerial Response*. American Marketing Association. In *Journal of Marketing*, Winter 1983, p.83.

- 1) *Evaluate how well you are doing;*
- 2) *Identify weak points in your systems and processes and put them right;*
- 3) *See situations from the customer's point of view;*
- 4) *Improve customer satisfaction; and*
- 5) *Create long-term loyalty-handling disgruntled customers well often leaves them feeling more positive about your organization than before.*⁷

Who is the customer of government institutions services? The citizens. Burney⁸ explained that agencies are required to measure their performance and justify the use of public funds. Complaints data is one of the ways of measuring and justifying the use of public funds. An efficient complaints system, supported by relevant data, will raise the perception of transparency and accountability in the public eye.

It is also reasonably imperative to be explicated here regarding common delineation of complaints, external and internal complaints (Boden, 2001); later related to the issue of inefficient bureaucracy practices happening in complaint management system in BLK.

When we ask a colleague to define the customer and they will probably say "someone who buys from us", i.e.: the external customer. What about internal customers? What about colleagues, other departments, branches, suppliers? They are equally as important and deserve to have their problems and complaints taken seriously. External consumers sense if there is a good working atmosphere, a coordinated approach to customer service, teamwork and high morale. It gives

⁷ Boden, Angelena. Handling Complaints Pocketbook. Management Pocketbook Ltd., UK, 2001, p. 17.

⁸ Burney, Ishaq is one of the members of Complaint Management Project Team at Australian Securities & Investment Commission (ASIC), Australia.

*them confidence to stay with you.*⁹

Applied to public service, such internal complaints can be associated with the issue of whistleblowers, person who alleges misconduct.

B. PRECEDING STUDIES ON COMPLAINT MANAGEMENT

This section is going to be the most fundamental frameworks for deciding and attesting the later hypothesis about which kind of complaint management system best suited in BLK, bearing in mind the current situation and condition existed. Fornell and Wernerfelt have defined what complaint management is by contrasting it with warranties and guarantees.

A warranty is a limited provision which usually states that a product, if covered, will be brought to working order at the expense of the seller. Complaint management is a more general undertaking. First, complaining consumers may receive different levels of compensation-not exactly what it takes to bring the product back to working order. Second, an important element of complaint management is efforts to facilitate voicing of complaints. One of the most visible signs that many firms are using to facilitate complaining is the installation of toll-free 800 numbers. It has been estimated that there are more than 200 million calls relating to customer problems annually and that 14 percent of these are complaints (TARP 1984¹⁰). Third, while warranties and service contracts may be restricted to a subset of a firm's buyers, complaint management typically applies to all customers. Fourth, complaint management is often tied to efforts relating to quality improvement. For example, a major hotel chain is using complaints for quality control of individual outlets. There are of course many issues to consider in setting up a complaint management function (e.g., responsibilities,

⁹ Boden, Angelena. Handling Complaints Pocketbook. Management Pocketbook Ltd., UK, 2001, p. 86.

¹⁰ TARP. 800 Numbers for Customer Service: A Profile. Technical Assistance Research Providers, Washington, D.C., 1984.

activities, organizational relationships, complaint processing methodology, etc.). Many of these issues are discussed in Hansen and Schoenheit 1986¹¹; Fornell 1976¹², 1987¹³; Fornell and Westbrook 1984¹⁴; and TARP 1986¹⁵.

Subsequent to conferring what it means by complaint management, the next discussion is supposed to be on the model of the complaint management system. Thus, later part of this section is dedicated to the best practices of complaint management as most of literatures explicated the importance of several features to be embedded in the complaint management system. Stauss and Seidel plainly defined in general 3 (three) foremost related aspects to complaint management as (1) human resources, (2) organizational, and (3) technological.¹⁶ Nevertheless, the literatures put more accentuation on the factors of organizational structures, processing and assessment criteria as described in the afterward paragraphs.

The alternative organizational structures are frequently limited to the extremes of centralized and decentralized complaint processing. In the case of purely centralized complaint management, a central complaint unit single-handedly administers all the tasks. Customers who complain to decentralized units (branch offices or subsidiaries) are consistently referred to the central complaint location, or complaints received at decentralized location are immediately forwarded to the head

¹¹ Hansen, W. and I. Schoenheit. Consumer Affairs Departments. A Report on Their Development in the United States and Their Transferability to the Federal Republic of Germany. Journal of Consumer Policy, 1986, p. 445-468.

¹² Fornell, C. Consumer Input for Marketing Decisions-A Study of Corporate Departments for Consumer Affairs. New York: Praeger, 1976.

¹³ Fornell, C. Corporate Consumer Affairs Departments: Retrospect and Prospect. In Scott, E. Maynes (Ed.), Research in the Consumer Interest: The Frontier. Ann Arbor: Association for Consumer Affairs, 1987.

¹⁴ Fornell, C. and R. A. Westbrook. The Vicious Circle of Consumer Complaints. Journal of Marketing, (Summer), 1984, p. 68-78.

¹⁵ TARP. Consumer Complaint Handling in America: An Update Study. Contract HHS-I00-84-0065, Washington, D.C., 1986.

¹⁶ Stauss, Bernd and Seidel, Wolfgang. Complaint Management: The Heart of CRM. American Marketing Association, Thomson Business and Professional Publishing, 2004.

*office. Purely decentralized complaint management implies that complaint cases are independently processed by the decentralized sales units without the involvement of the head office. If complaints are received at the central level, they are forwarded to the proper organizational units, and the complainants are then referred to these units. This ideal type of dichotomy, however, unduly simplifies the complex decision problem, because for many firms it is either absolutely necessary or more efficient to establish a solution with centralized and decentralized elements—a dual complaint management system. The decision regarding the design of the organizational structure of complaint management must be made in accordance with the specific corporate environment, which can vary widely from firm to firm.*¹⁷

Four of the five best-practice companies centralized their complaint process and believes this is a key factor to their success. In fact, two of the partners attribute their success in the complaint area directly to the centralization of their complaint centers.¹⁸

*Complaint management can be viewed as a problem of information processing within the organization. Information processing models of organizational communication and decision making proceed from three basic assumptions: (1) the tasks of the organization present uncertainties, (2) these uncertainties can be reduced by increasing the amount of information available, and (3) information can be managed by formal design, that is, by creating formally specified individuals and groups to deal with problems.*¹⁹

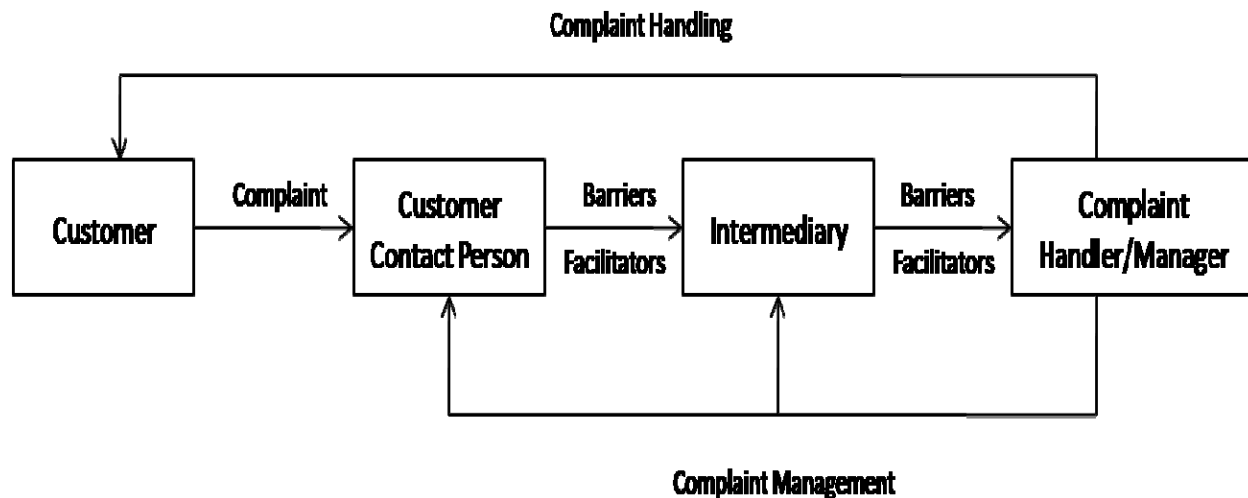
¹⁷ Stauss, Bernd and Seidel, Wolfgang. *Complaint Management: The Heart of CRM*. American Marketing Association, Thomson Business and Professional Publishing, 2004, p. 249.

¹⁸ APQC's *Complaint Management & Problem Resolution Consortium Benchmarking Study*. An APQC White Paper, 1997.

¹⁹ Gilly, Mary C.; Stevenson, William B.; and Yale, Laura J. *Dynamics of Complaint Management in the Service Organization*. American Council on Consumer Interests. In *Journal of Consumer Affairs*, Vol.25, No.2, 1991, p. 299-300.

Formal design can be used to direct information about problems in several ways. For example, organizational units can be created to focus expertise on specific tasks. However, this approach leads to the creation of barriers between units. Managers have the primary role in crossing these barriers and coordinating across units. Under conditions of interdependence that might overwhelm the usual managerial networks of information flows between units, or when organizational decision makers want to coordinate functions across a particular task, specialized boundary spanners are appointed.²⁰

Figure 1. Information Flows about Consumer Complaints



Ozsayin²¹, in her Complaint Management Manual, explicated that assessment criteria should be developed in order to help us exercise the discretion (i.e. to help us decide whether we need to take action or not). Due to high volume of complaints received, we cannot investigate or take action on every complaint. Thus, criteria will help us manage the limited

²⁰ Galbraith, Jay R. Organization Design, Reading, MA: Addison-Wesley, 1977.

²¹ Ozsayin, Ceyda is one of the members of Complaint Management Project Team at Australian Securities & Investment Commission (ASIC), Australia.

resources that we have and focus on regulatory priorities; such a way that it will increase the efficiency in dealing with complaints and accountability. Nevertheless, there should also be a consistency in outcome/decisions; the same criteria are applied to every complaint. Meanwhile, Stauss and Seidel also coined a similar concept that is the categorization of complaint information, as one of the most essential responsibilities of complaint management.²²

C. STUDY DELINEATION

In the preceding 2 (two) sections, the thesis has been explicated the theoretical frameworks for complaints and the related preceding studies on complaint management. Complaints are exceptionally powerful tool which can be used by managers/leaders in order to improve the overall performance of the organizations/institutions. Based on preceding studies on complaint management, it can also be identified the 3 (three) majors characteristics related to complaint management: (1) organizational structures, (2) processing and (3) assessment criteria. This thesis differs itself on the research of complaint management area in terms of its comparative study method and the object of the research (government institutions/organizations).

As part of its comparative study method, the thesis accomplished comparative international complaints management system from countries of Australia, Hong Kong, Malaysia, Singapore, South Korea, Japan, United States and United Kingdom. There has never been research in complaint management area which using comparative study involving 10 (ten) comparable government organization/institutions in 9 (nine) different countries

²² Stauss, Bernd and Seidel, Wolfgang. Complaint Management: The Heart of CRM. American Marketing Association, Thomson Business and Professional Publishing, 2004, p. 64-65.

(including Indonesia). Performing such comparative analysis, the thesis has in due course arrived of the archetypal characteristics used in complaint management system. Thus, later part of thesis has lucratively identified those characteristics in diverse sections as: (1) centralized recordkeeping system, (2) consistent process map, (3) criteria, (4) recording analysis and decisions, and (5) value of communication. The result of the comparison itself can be evidently seen in the form of table identifying particular country, centralized contact points, range of actions, response time and key features as suggested in the section of preceding studies on complaint management.

In addition to that preceding delineation, the object of the research also differs as for the most part of the preceding studies on complaint management mostly have focal point upon private firms/organizations related to their products/services. The objects of the research in this thesis are governmental institutions/organizations by which in developing countries, like Indonesia, are differentiated with lack of inadequate underneath infrastructures and superfluous bureaucracies. Complaint management, especially in Indonesia, is currently not considered as an important area for government institutions/organizations; thus, there have been almost no efforts of government reform efforts addressed to improvements of complaint management system. On the contrary, the earlier part of this Chapter has already identified the importance of complaints and the complaint management. By preferring its objects to government institutions/organizations, this thesis would be useful as a base for government reform actions, starting from proposing a comprehensive complaint management system in BLK. Distinctively, government institutions/organizations used in here are typically the equivalent in terms of the services they provide to their constituents (public); those are capital market and/or financial institutions.

CHAPTER III

COMPLAINTS MANAGEMENT SYSTEM IN INDONESIAN CAPITAL MARKET AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY

A. OVERVIEW OF BLK

In line with Strategy and Policy Roadmap of Ministry of Finance 2005-2009, Indonesian Capital Market Supervisory Agency (Bapepam) and Directorate General of Financial Institutions (DJLK)²³ took initial step to integrate monitoring function of financial services sector by merging those two institutions. In 2005, Government of Indonesia approved a merger of Bapepam with DJLK with the enactment of Presidential Decree No. 62 and 63 Year 2005. The merger of those two units subsequently produces a single unit called Indonesian Capital Market and Financial Institutions Supervisory Agency (BLK).

Based on Minister of Finance Regulation Number 131/PMK.01/2006 concerning Ministry of Finance Organization and Job Description, Indonesian Capital Market and Financial Institutions Supervisory Agency has duties to supervise the daily activities of capital market and execute the policies and technical standards in financial institutions area, in accordance to policies which have been set by the Ministry of Finance and based on regulations. Bapepam-LK has duties to supervise the daily activities of capital market and execute the policies and technical standards in financial institutions area, in accordance to policies which have been set by the Minister of Finance and based on regulations. In performing the duties Bapepam-LK has the following functions:

1. Capital market rule making;
2. Capital market law enforcement;

²³ Both Bapepam and DJLK are previously Echelon I units under the Ministry of Finance.

3. Monitoring of Persons who obtain business licenses, approvals, registrations from the agency and other institutions in capital market area;
4. Ratification of company disclosure principles for Issuers and Public Companies;
5. Settlement of appeal by Persons imposed sanctions by Stock Exchange, Clearing and Guarantee Institution, and Custodian and Settlement Institution;
6. Ratification of accounting provisions in capital market area;
7. Preparation of policies formulation in financial institutions area;
8. Execution of policies in financial institutions area in accordance with the current regulations;
9. Formulation of standards, norms, criteria and procedures guidelines in financial institutions area;
10. Providing technical guidance and evaluation in financial institutions area; and
11. The execution of agency administration.

BLK organization is led by 1 (one) chairman as an Echelon I officer under the Ministry of Finance who supervises 13 of Echelon II units (consists of one Secretariat and 12 Bureaus) that are responsible for supervision of capital market, pension fund, insurance, nonbank financial institution and venture capital company. There are 12 bureaus within Bapepam-LK i.e.: Regulation and Legal Counsel Bureau, Research and Information Technology Bureau, Enforcement Bureau, Investment Management Bureau, Market Institutions and Transactions Bureau, Services Sector of Corporate Finance Bureau, Real Sector of Corporate Finance Bureau, Accounting Standards and Disclosure Bureau, Financing and Guarantee Bureau, Insurance Bureau, Pension Fund Bureau, Internal Compliance Bureau (Appendix 1).

Complaint management system in BLK is still decentralized to each of the Bureaus characterized of lack of coordination, integration and communication among existing bureaucracies. Later part of this Chapter is going to explicate plainly the differences among complaint management practices even among Bureaus. The focus would be on Complaint Management Sub Division, Secretariat which one specific unit of Echelon IV related to complaints for capital market (ex-Bapepam); and Complaint Handling and Information Services Sub Division, Development and Information Services Division, Pension Fund Bureau which considered to be the most comprehensive and sophisticated among all units in BLK which received and processed complaints. Another important point later explicated is upon the newly created Internal Compliance Bureau which dealing with internal complaints (e.g. whistleblowers) instead of external complaints.

It is also imperative to overview the means of communications used in BLK; those are Memo and Nota Dinas. Both terms could be used interchangeably in practice, as they are different on which units using them; Memo is for ex-DJLK, meanwhile Nota Dinas used in ex-Bapepam. The terms refer to the only formal communication in the form of written among same level units (e.g. between Head of Sub Divisions) or to higher level units (between Head of Sub Division to Head of Sub Division). There are no other formal communications available and permissible other than Memo and Nota Dinas. Such forms of communications is what eventually added to the time of complaints resolution average days as much portions of the time consumed spent on superfluous formal forms of bureaucracies.

The importance of this overview is to hassle that BLK as a government institution of Echelon I unit under Ministry of Finance is providing services to the public. In the sense of exercising its functions, BLK would receive any complaints from the customers (the public)

regarding the capital market and financial institutions issues. Hence, it is imperative to have a comprehensive complaint management system, which is going to record, process and resolve the complaints received. Not only it would be useful for information management purposes (such as identifying trends, reporting, etc.), but also to measure the performance of BLK in supervising the capital market and financial institutions.

B. COMPLAINT TYPOLOGY IN BLK

Initially, the thesis would distinguish the differences between complaint and information inquiries, as both of them often misunderstood by the consumer who lodges a complaint to BLK. For such purpose, let the thesis reinstates the definition of complaint as stated in preceding Chapter that complaints are articulations of dissatisfactions that are expressed toward firms and/or third-party institutions with the aim of making the provider aware of the behavior that is subjectively experienced as harmful, receiving compensation for adverse effects suffered; and making a change in the criticized behavior. It is apparent that there should be forms of articulations of dissatisfactions which in the case made by the consumers (complainant) to one of the supervisees under BLK. Meanwhile, in the absence of such conditions, information inquiries are only requesting kinds of answer or clarification upon certain matters that are unclear for the consumer requested.

To illustrate better the delineation, following is the examples happening in BLK. On April 24, 2006, attorney of Mr. Suherman reported via email that there was unfairness misuse of client identity used by Ms. Sasdawati acting as the Director of PT. Bhakti Securities. In such case, Mr. Suherman dissatisfied with the feat taken by the company where he invested his money through, by which that particular company is one of the supervisees of BLK

(securities companies). In contrast, there was an information inquiry on September via website asking the existence and status of PT. Jasabanda Garta (also one of supervisees of BLK). Nevertheless, there are no articulations of dissatisfactions included in the later case; therefore such cannot be classified as a complaint. In addition to that, the easier example is like the one happened in August 22, 2006, via website asking update on BLK website data.

Now that there have been distinction ahead complaints and information inquiries, later discussion should also be addressed to general dissection of complaints in BLK, external and internal. The external complaints are those made by consumers (public) or institutions upon the acts of supervisees under the authority of BLK. Although it is noted that the external complaints can be made by either consumers (public) or institutions (e.g. other supervisees), yet most complaints are made by consumers (public), which further on unerringly as assumed throughout the thesis. On the other hand, the internal complaints are those related to the performances, acts and behaviors of BLK employees in carrying out their duties and responsibilities as civil servants. The current practice is that any parties can made internal complaints, either consumer (public), institutions (supervisees) or even internal whistleblowers. The complaints should be made and processed to the newly created Internal Compliance Bureau (in later part of this Chapter, there is a sole discussion vis-à-vis the Bureau). Aside of the subject of the complaints, internally or externally, the repentant fact that complaints currently are not properly recorded and filed, treated in different process among Bureaus and consumed longer time for responses.

Breaking down the complaints received by BLK based on the subject of complaints received, it somewhat looks like table proceeding.

Table 2. Complaints Span per Bureau

No.	Bureaus	Complaints Span
1.	Secretariat	All complaints that are related to Capital Market (Complaint Management Sub Division-CMSD)
2.	Securities Transactions and Institutions	Securities Exchanges, Clearing and Guarantee Institutions, Custodian and Settlement Institutions, Securities Companies that operate as broker dealer in secondary market, Custodian Banks that operate as custodian in secondary market, Securities Administration Bureaus that are involved in secondary market activities
3.	Investment Management	Investment Fund, Investment Manager, Investment Advisor, Securities Companies that operate in investment guarantee
4.	Services Sector of Corporate Finance	Reporting obligations, Registration Statements, or Public Offerings of Securities other than Investment Fund Units, that are conducted by the following parties: 1) Issuers or Public Companies of services sector 2) Securities Companies that are involved in underwriting or Public Offering activities of services sector 3) Capital Market Supporting Professionals in according with their responsibilities and jobs related to providing opinion to Public Company or Issuer of services sector
5.	Real Sector of Corporate Finance	Reporting obligations, Registration Statements, or Public Offerings of Securities other than Investment Fund Units, that are conducted by the following parties: 1) Issuers or Public Companies of real sector 2) Securities Companies that are involved in underwriting or Public Offering activities of real sector 3) Capital Market Supporting Professionals in according with their responsibilities and jobs related to providing opinion to Public Company or Issuer of real sector
6.	Financing and Guaranteeing	Finance Companies
7.	Insurance	Claim rejection (dispute over the terms of the policy/interpretation coverage), dispute over the amount of claimable loss, delay in paying claim, other disputes (delay on policy issuance, etc.), loose contact with insurance company
8.	Pension Fund	Retirees, Pension Administrators, Active Participants,

		Lawyers, Labor Unions, Consultants, etc.
9.	Internal Compliance	Monitor and review how BLK handle the complaints, BLK employees conduct or unsatisfied stakeholders towards BLK performances
10.	Enforcement	Fraud, market manipulation, insider trading, and referral from Bureaus (ex-Bapepam)

The explanations on selected bureaus are followed in the last part of this chapter (CMSD, Pension Fund, and Internal Compliance) to better illustrate that there are differences in the way Bureaus pertaining recordkeeping, process and criteria upon complaints. Nevertheless, there is a need to explain on Enforcement Bureau upon the span of referral from Bureaus (ex-Bapepam). If the head of Technical Bureau considers that administrative sanction should be imposed should be imposed to the wrongdoer, then such decision and all related information obtained as well as recommendation that should impose administrative sanction must be recorded and immediately referred to the Head of enforcement Bureau. Later, the Head of Enforcement Bureau or the appointed staff must review documents as mentioned above, discuss them with the respective Head of Technical bureau, and make some conclusion whether or not to impose the sanction. It should also be acknowledged that the practice is different when it comes to ex-LK Bureaus whereby they can impose sanction without even having the case referred to Enforcement Bureau (EB).

To better illustrate the process of referral to EB, following is the real case example in Services Sector of Corporate Finance Bureau. Denny Azani and Partners, and Advocate and Legal of Ir. Wahyudi Pranata (WP), lodged a complaint dated December 1, 2006. WP previously made an agreement in December 1998 with PT Surya Semesta Internusa Tbk. (PT SSI) as a listed company. WP agreed to buy share of PT Alpha Sarana (PT SA) and PT SSI should pay all the liabilities of PT SA by corporate guarantee. Nevertheless, PT SSI did not

pay the liabilities of PT SA; thus WP through his lawyer lodges a complaint to BLK. After assessment of the complaint, there were indications on violation of Capital Market Law and imposition of sanctions. Thus, Services Sector for Corporate Finance Bureau sent a referral letter to Enforcement Bureau along with all supporting documents as evidences as of December 18, 2006.

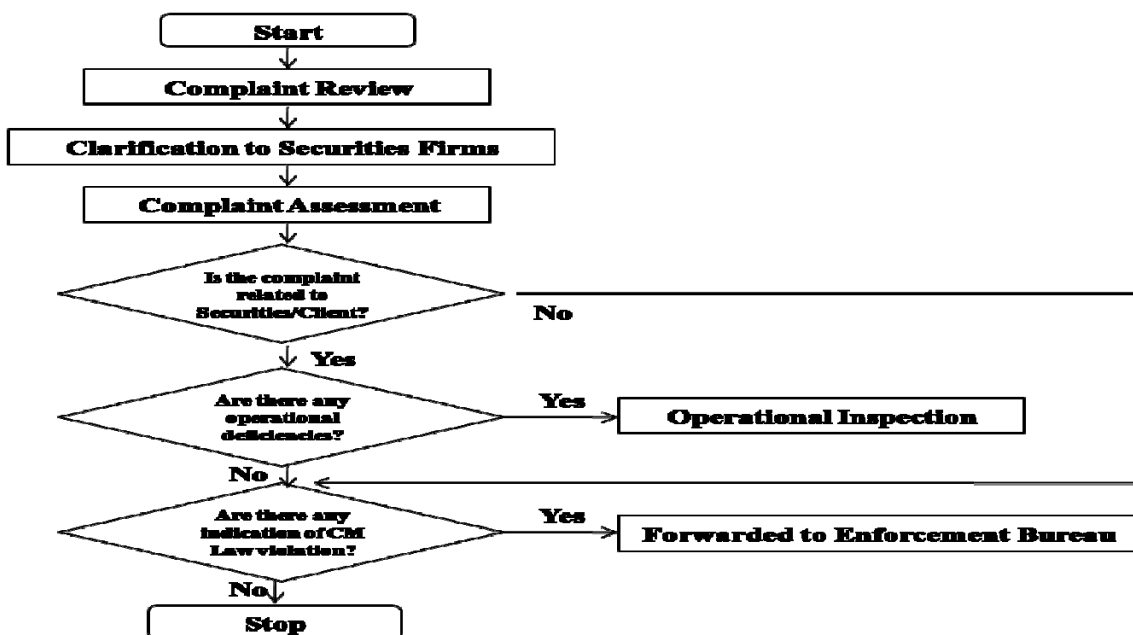
C. COMPLAINTS MANAGEMENT ISSUES IN BLK

1. INCOHERENT COMPLAINTS PROCESS AND DECISION

As beforehand explicated, complaint management system in BLK is still decentralized to each of the Bureaus characterized of lack of coordination, integration and communication among existing bureaucracies. Complaints are received, processed and assessed in each of the related Bureaus. If there were complaints vis-à-vis lump sum payments from an annuity product, then the complainants would directly go to the Pension Fund Bureau. As well, if there are complaints on investment scheme wrongdoings, then they will probably go directly to Investment Management Bureau. In other word, there are no single window for receiving, recordkeeping and assessing the incoming complaints. The problems of such practices lies on there are different practices of processing complaints. Complaint management system in BLK, as a matter of fact, is supported by the existence of Standard Operating Procedure (SOP), Rule Number II.H.1 (Appendix 2). Nevertheless, the rule itself is only applicable to ex-Bapepam Bureaus, not to ex-LK Bureaus; making inconsistencies in processing complaints. Even within ex-Bapepam Bureaus, the practices are not always consistent.

In order to illustrate better the condition of different practices among Bureaus, following is the comparison between recordkeeping and processing of complaints for Market Institution and Transaction Bureau with Services Sector of Corporate Finance Bureau. In Market Institution and Transaction Bureau, complaints are recorded in the form of File Keeping, which consists of incoming and outgoing letters on complaint. Meanwhile, progress handling of complaint is recorded in Informal Meeting Sheet of Complaint (Appendix 3). Upon the process, the complaint concerning the violation or dispute with securities firm is accepted by the Bureau by which later clarifies the case in complaint to related securities firms in order to get the information of the problem. Based on the clarification, the Bureau assesses the indication of violation or deficiencies conducted by securities firms. If there are any operational deficiencies, then Bureau will conduct operational inspection; while indication of violation of Capital Market Law will be forwarded directly to the Enforcement Bureau.

Figure 2. Process of Handling Complaints in Market Institution and Transaction Bureau



Comparing the practices as explicated in beforehand paragraph above, there are much simpler recordkeeping and process happening in Services Sector of Corporate Finance Bureau, showing the incoherent in the complaint process in general. All incoming complaints are not registered in the Bureau, yet at the Chairman Secretary (treated as the same as other usual incoming letters). In addition to that, there is no clarification stage in the assessment of the complaint as the Bureau only discusses internally on accounting disclosure aspect or some time invites a lawyer or accountant or expert for discussion with BLK. If there is an indication the complaint to be a serious complaint subsequently it will directly be sent to Enforcement Bureau with supporting documents available from the Bureau.

The next analysis is on the adequacy of process within Bureaus related to decision. In the absence of adequate recordkeeping as practiced in Services Sector of Corporate Finance Bureau, it would be dreadfully difficult to track back the processed complaints. Such track back is important in the sense that there are going to be complaints which may need to refer back to the previous decision upon the same subject (this advantage would be elaborated further in Identified Benefits section of Chapter IV). There are complaints which can be easily resolved since there are already records on how the previous similar complaint being dealt with. For instance, it happens a lot where staffs need to go all over again for internal discussion just for the same subject of complaint. Later on, it may as well related to the next 2 (two) previous section.

2. ACCOUNTABILITY AND TRANSPARENCY

The issues of accountability and transparency are not only happening specifically to complaint management system in BLK, yet they happen in the current situation of

government institution generally. According to World Bank, Indonesia's push to improve governance and reduce corruption has continued to pay off across the board and with measures on Voice & Accountability, Control of Corruption and Government effectiveness improving substantially over the last several years.²⁴ Though it is reported so, there still many areas needed of improvement, one of them is within the scope of this thesis. However, this section is going to explicate more on 2 (two) most related aspect to it; those are corruption and disclosure of information, both internally among Bureaus in BLK and externally to the consumers and capital market and financial institutions as supervisees.

In complaints addressed to BLK, the consumer (individual public) makes the complaint, which against capital market and financial institutions under the supervision of BLK. The relationship of BLK towards the consumer (individual public) is most likely a one-time relationship regarding his/her specific complaints. Alternatively, BLK and its supervisees are more in a long-term relationship between the supervisor and its supervisees. Such type of long-term relationship is prone to the practice of corruptions based on 2 (two) assumptions: (1) BLK has every reason to keep the records of particular companies based on political or strategic reasons, and (2) the companies have every reason to loom the supervisor for their own interest on the basis of long-term relationship they have.

The first assumption made repeatedly happened in the context of Indonesia's decision-making process; the latest case for instance is the decision to suspend the trading

²⁴ World Governance Indicators 2008. In World Bank Indonesia Update, July 2008. Available at: <http://siteresources.worldbank.org/INTINDONESIA/147270-1161222970783/21846394/210708en.htm>. Date of Access: December 29, 2008.

in Bakrie Group²⁵'s shares. Despite of the complaints about the partial suspension from the market, the central government still interferes to keep the shares suspended; though the market has been opened completely after 2 (two) days of suspension caused by the global financial crisis.²⁶ In addition to that, people usually want to have a better deal easier to negotiate with) with others who believed to be in long-term relationship with them.

When two parties intend forging a relationship, they will likely interact more positively and engage in beneficial communication. They will share and exchange information about their respective goals that leads to an improvement, in their mutual understanding of each other's business perspectives. The collaborating parties are more likely to expand the scope of their discussions even further. This open venue of communication will enable them to create more valuable agreement options, and as a result, this will enhance and improve their mutual trust and cooperation. When two parties approach the negotiations from the perspective of forming relationships, they do so by building the level of trust through an open line of communication. Generally, the agreement reached will likely offer both parties a partnership that presents more possibilities, in creating mutual value that enhances the partnership agreement.²⁷

Why the consumers would wants to know what happen to their complaints?

Consumers need to know what happen to their complaints for them to monitor the

²⁵ Bakrie Group conducts business in agriculture, real estate, trade, shipping, banking, insurance, media, manufacturing, construction, and mining. Aburizal Bakrie, lately announced as Indonesia's richest man and currently The Coordinating Minister for People's Welfare, is the oldest of four siblings and was the Chairman of the family enterprise from 1999 to 2004. The Bakrie family was able to maintain control over the conglomerate and the government (Available at: http://en.wikipedia.org/wiki/Aburizal_Bakrie. Date of Access: December 30, 2008)

²⁶ More news and information available at: www.thejakartapost.com.

²⁷ Forging Negotiation Relationship. Available at: <http://www.negotiations.com/articles/negotiation-relationship/> Date of Access: December 30, 2008.

progress of the complaints they made. In order to satisfy such claim, organizations/institutions dealing with complaints should have disclosure of information, especially in the evolution of the complaints. The problem for government institutions in Indonesia is that they do not encompass satisfactory system to ensure the customers can track what happen to their complaints. Worse, at the first place they sometimes do not even know whether their complaints already received by the organizations/institutions; the absence of Acknowledgement Letter practice. As later explicated in next Chapter, Acknowledgement Letter is important to inform the customers that their complaints have been received and processed; as well as explaining what will happen to the complaints (disclosure of information).

The most imperative point to be made in this section is on how the complaint management system would surmount the problem explicated beforehand (corruption and disclosure of information). Briefly, by having comprehensive complaint management system as practiced in comparable organizations/institutions through its centralized recordkeeping, consistent process map and criteria will provide accountability and transparency to the customers about the process of handling complaints. Thus, it will result in apt disclosure of information, monitoring and lastly reduce the possibility of corruption practices within the organizations/institutions (details are provided in the Identified Benefits section of Chapter IV).

3. RESPONSE TIME

Currently, there are now specific regulations that regulate the response time for government organizations/institutions to response a complaint, both preliminary and

formal responses. Preliminary responses usually include the Acknowledgement Letter that the complaints have been received and processed; meanwhile formal responses are related to the resolution of the complaints. Response time is important to the customers as it is commonly one of the features to measure the performance of an organization/institution, including BLK. Therefore, the absence of legal basis to provide responses upon complaints could be considered one of the weaknesses in BLK complaint management system. It happens frequently where even a simple complaints, such as misinterpretation of Capital Market Law, took even 1 (one) month to produce formal response (remember the addition of superfluous bureaucracies).

The problem of longer response time in Indonesia is primarily related to means of internal communications within government organizations/institutions. The only means of formal communication allowed for government organizations/institutions is written forms of letter (Memo/Nota Dinas); absence of email or other electronic forms of communication. Consequently, it will longer time to produce a letter since it should be even approved up into Echelon II level. Another problem is the one related to the access of previous complaints with similar subject and track back of a complaint. Since there is no adequate databases system available in BLK, then it would be difficult to perform track back of a complaint, including all files, information and materials related to that particular complaint. Later in Chapter IV, it can be found that mostly comprehensive complaint management system is supported with good means of communication (avoiding superfluous bureaucracies), externally and internally.

Précis the discussion on the complaint management system in BLK, below is the summary table. In later section, the thesis is going to explicate in details the units within

BLK dealing with complaints (Complaint Management Sub Division, Pension Fund Bureau and Internal Compliance Bureau).

Table 3. Summary of Complaint Management System in BLK

No	Category	Current Condition
1.	Unit	<ul style="list-style-type: none"> • Complaint Management Sub Division (CMSD), International Affairs and Public Relations Division, Secretariat. • Each of TB
2.	Database	No Centralized Complaint Database
3.	Recordkeeping	In CMSD and each TB.
4.	Process Map	Complaints are not all registered and do not follow the same process. CMSD and each TB have different process in handling complaints.
5.	Criteria	<ul style="list-style-type: none"> • CMSD has only one criterion: Jurisdiction. • Each TB has its own criteria differently, e.g. Insurance Bureau only handles complaints if the claims higher than Rp300 million for Life Insurance and Rp500 million for General Insurance.
6.	Assessment	Assessment format not standardized but is reflected on <i>Memo</i> for ex-LK and <i>Nota Dinas</i> for ex-Bapepam.
7.	Internal Communication	Intranet Site, <i>Memo</i> , <i>Nota Dinas</i> (more formal communications).
8.	External Communication	<ul style="list-style-type: none"> • E-Complaint Form; • Email; • Webpage (www.bapepam.go.id).
9.	Resources	<ul style="list-style-type: none"> • In CMSD : one Head of CMSD and one staff • No branches • Limited infrastructure

D. COMPLAINT MANAGEMENT SUB DIVISION

Complaint Management Sub Division (CMSD) is one of Echelon IV units in BLK; under the International Affairs and Public Relations Division (IAPR Division-Echelon III), Secretariat (Echelon II). In accordance with Minister of Finance Decree No. 466/KMK.01/2006, CMSD has the conscientiousness to perform the complaints settlement materials preparation and coordination with related units in complaints settlements; noted that such scope of works at present do not embrace both capital market and financial institutions,

yet only limited to capital market related complaints.

Complaints are received by CMSD either via website, letter, phone or face to face report to complaint officer available in the office (currently only consists of one Head of Sub Division and one Staff). In 2006, the record shows that there were 52 (fifty two) complaints received (the number was only number of complaints received in CMSD alone; apart from other bureaus). The number could be further broken down to 32 (thirty two) or around 61.53% are solved within internal CMSD, meanwhile the other 20 (twenty) or around 38.46% are forwarded to TB. There has been recordkeeping mechanism available manually by matrix that updated on monthly basis, though it is not sophisticated (Excel format) and not integrated to complaint database for the entire BLK's complaint management system (see Recapitulation of Capital Market Complaints FY2006²⁸ as below); noted that the records show that most complaints were done through website (more than 50%). In the absence of integrated system of recordkeeping and comprehensive management system, it can only answer one question as prescribed in Chapter I that is *how many complaints received this year?*; making it as worthless information for decision-making process.

Table 4. Recapitulation of Capital Market Complaints FY2006

Period	Logging						Management		
	Total	Website	Direct / Phone	Letter	Mass Media	CC from TB	In Process (CMSD)	Forwarded to TB	Forwarded to Other Institutions
Jan	7	0	6	0	1	0	2	5	0
Feb	12	7	2	1	1	1	5	7	0
March	1	0	1	0	0	0	1	0	0
April	2	2	0	0	0	0	2	0	0
May	5	5	0	0	0	0	1	4	0
June	6	2	2	2	0	0	6	0	0
July	2	2	0	0	0	0	2	0	0

²⁸ There are no records available FY2007.

Aug	3	2	1	0	0	0	2	1	0
Sept	4	4	0	0	0	0	4	0	0
Oct	4	0	1	1	0	2	3	1	0
Nov	3	0	0	3	0	0	1	2	0
Dec	3	1	1	1	0	0	3	0	0
Total	52	25	14	8	2	3	32	20	0
%							61.53	38.46	0

Complaint management procedure distinctively for CMSD is regulated through BLK Chairman’s Decision Letter No.KEP-71/BL/2007 dated April 30, 2007 (Standard Operating Procedure No.53). The particular SOP explicated that a complainant submits complaint whether in writing or directly in person to IAPR Division. There are times when complaint letters are addressed directly to Chairman or associated Head of Bureau, thus such should be forwarded to Executive Secretary whom later disposes them to Head of IAPR Division, then to Head of CMSD. In the case that the corresponding case is needed for further coordination, then the process is prolonged much more; starting from concept letter from Staff to other forms of superfluous bureaucracy procedures (please refer to Appendix 4). The most important controversy derived from the SOP is the part where associated TB in maximum 5 (five) work days after receiving forwarded letter should be able to provide responses or data/information by which TB has all the constraints in order to fulfill this procedure.

In internal CMSD itself, Head of CMSD conducts verification on minimal requirements fulfillment of the complaint (complainant identity and complaint materials). As if there are needs for more information and additional data, not only Head of CMSD could inquire the complainer to inclusive and or conduct clarification on complaint materials, but also test out whether the substance of complaint is associated with the authority of BLK. Later if the complaint is related to the authority of BLK, Head of CMSD disposes the complaint to his/her staff. Otherwise, Head of CMSD informs in writing to the complainer as regards to the

substance of the complaints that is not within the authority of BLK, which also can include the suggested referral to other institutions within the complaint's jurisdiction.²⁹

E. PENSION FUND BUREAU

Complaint management system applied in Pension Fund Bureau, through its Complaint Handling and Information Services Sub Division (CHISSD), Development and Information Services Division (DISD), could be considered to be the most comprehensive and sophisticated among all units in BLK, which received and processed complaints. It is such because of the recordkeeping system (database) and complaint processing. Prior to elucidate the 3 (three) reasons, it is better to have an impression upon what Pension Fund Bureau does. Not only the Bureau is legalizing, supervising, and developing and servicing Pension Funds, but also it monitors management and investment of pension contribution from civil servants through its Evaluating and Analyzing Pension Program for Civil Servants Division. Legalizing Pension Funds includes the activities of establishment and winding up of Pension Funds which relies on Pension Funds Institutions Division. Analysis and on-site examination, which included in supervising activities, are performed by Analysis report and Examination Division. Distinctively, it is the DISD which responsible for data statistic inquiries, education, socialization, policies development and complaint handling; the subject of this section.

Table 5. Recapitulation of Pension Funds Complaints FY2006

No.	Types of Complaints	Amount
1.	Letter/Fax	107
2.	In-Person	18
3.	Phone	N/A
4.	E-mail	N/A

²⁹ As previously discussed in Chapter II that assessment criteria should be developed in order to help us exercise the discretion, Jurisdiction is the only criterion used by CMSD in assessing incoming complaints. In later part of the paper, it can be glimpsed that each TB and its complaint management system have different criteria applied.

Despite the fact that the Bureau is the most comprehensive and sophisticated among all units in BLK, which received and processed complaints, it still cannot produce the most reliable information as their outcome. During 2006, it has received 107 (one hundred and seven) complaints by letter and 18 (eighteen) in-person varying to retirees, pension administrator, active participants, lawyer, labor unions, research students and consultants acting as complainants. Typically, complaint handling handles the problems related to benefit payments, contributions, institutions, pension administrators and others (complaints classification).

Nevertheless, the above recapitulation only shows number of complaints received by letter and in person, in the absence of recording those via phone and email. Despite of that asserted weakness of the recordkeeping system, it has been a model to start with on how to record the complaints through Guest Book, Temporary Paper, and Database. Guest Book is what usually used to record in-person-type of complaints, meanwhile temporary paper records letter, email and phone-type of complaints. That information from Guest Book and Temporary Paper are subsequently recorded directly to database by authorized staff. Nevertheless, Guest Book and Temporary Paper have never been practiced consistently for each of incoming complaint, thus rooting incomplete reporting eventually. Type of information provided by each of the record system is summarized in table below. It is important to bear in mind that such comprehensive record system solitary applies to Pension Fund Bureaus, without any integration with the rest of other Bureaus in BLK. Therefore, exclusivity of information do happens among bureaus, adding more problems to the superfluous bureaucracy.

Table 6. Pension Fund Bureau Recordkeeping System

Information	Guest Book	Temporary Paper	Database
Numbers	V	V	V
Dates	V	V	V
Types of Complaints	-	-	V
Reference No.	-	-	V
Complainants	V	V	V
Pension Fund Complained	V	V	V
Complaint Classification	-	-	V
Summary of The Complaints	V	V	V
Responses Letter	V	V	V
Responsible Personnel	-	V	V

Related to the complaint processing, Pension Fund Bureau divided the process into 3 (three) different processing scheme derived from how the complaints are received; by letter, in person or by phone call. For complaints received by letter, it should be initially go to Head of Bureau, by which then disposes them to Head of DISD. If it were complaints related matter then Head of DISD would directly hand-over the letters to Head of CHISSD. Later if the complaint is related to the authority of Pension Fund Bureau, Head of CHISSD disposes the complaint to his/her staff; as such it applies the criteria in complaints assessment. Otherwise, Head of CHISSD informs in writing to the complainer as regards to the substance of the complaints that is not within the authority of BLK³⁰, which also can include the suggested referral to other institutions within the complaint's jurisdiction. Staff who processed the complaint needs to record the information to the database simultaneously based on the information from Temporary Paper by which in average it would take around 15 (fifteen)

³⁰ Head of SRSD only drafts the complaints response letters by which then the drafts should be approved by Head of Head of DISD and signed by Head of Bureau. It includes a long process of bureaucracy until signed by Head of Bureau through means of Memo or Nota Dinas as explained in the first part of this Chapter. Furthermore, as previously discussed in Chapter II that assessment criteria should be developed in order to help us exercise the discretion, Jurisdiction (whether or not it relates to the authority of Pension Fund Bureau) is also the only criterion used by SRSD in assessing incoming complaints.

days for the staff to process a complaint. The days themselves do not include the bureaucratic process of drafting the complaint response letter which should be approved by Head of Head of DISD and signed by Head of Bureau, making it almost takes around 25 (twenty five) days to a complete feedback for a complaint to complainant.

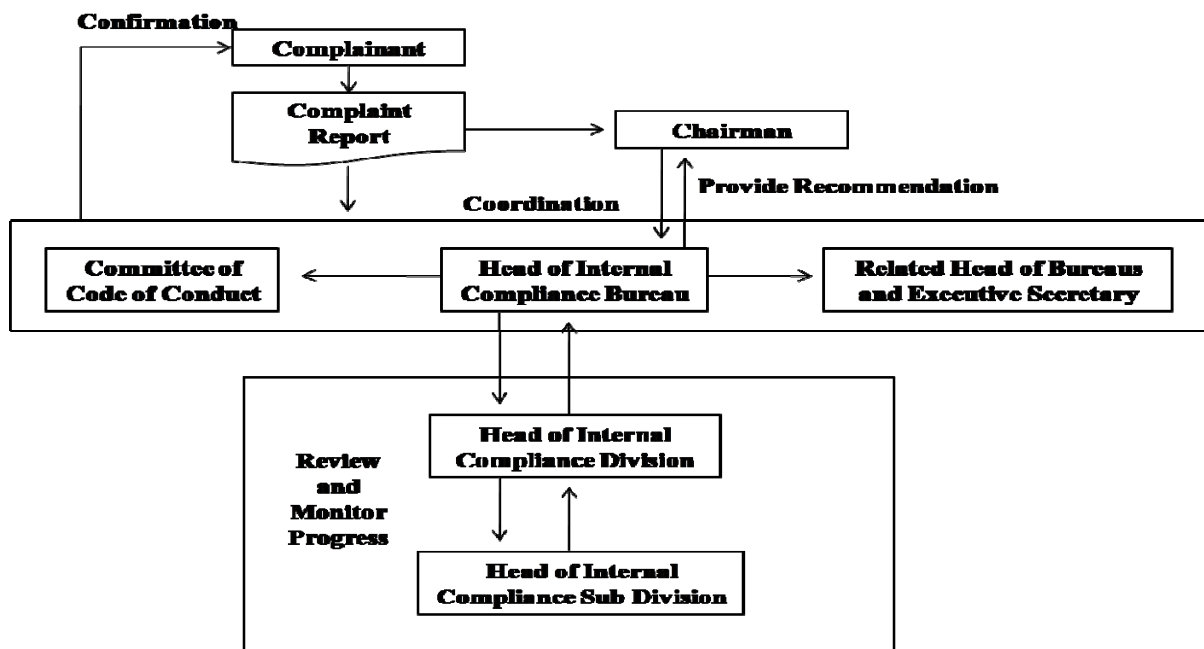
Complaints that are received in person or by phone call are just diminutively assorted in terms they go directly to DISD, without having through head of Bureau disposition. Nevertheless, the bureaucratic process for complaint response letter is tranquil identical, approved by Head of Head of DISD and signed by Head of Bureau. Information are recorded initially at the Guest Book (for complaints in person) and Temporary Paper (for complaints by phone calls), by which then Staff who processed the complaint needs to record the information to the database simultaneously. Nowadays, the human resources available are 1 (one) Head of CHISSD and 3 (three) staffs.

F. INTERNAL COMPLIANCE BUREAU

Internal Compliance Bureau was just established in December 27, 2006, and had completed the organization structure and staffs in April 17, 2007. It was established under Ministry of Finance Rule Number 131 dated December 22, 2006, has main duty to review and to assess the compliance of Secretariat and 11 (eleven) Bureaus within BLK in executing their duties and give them recommendations. The objective of the establishment was to assure that all Bapepam-LK internal operational activities are within Bapepam-LK regulatory jurisdiction and executed accordingly to Standard Operating Procedures. Hopefully, this will assure that the decision making process has considerate all existing and potential risks and how to manage them. In order to perform such function, the Bureaus could receive internal

complaints related to the performances of BLK (units, officials, etc.). Internal Compliance Bureau has also conducted some activities such as improving technical knowledge and skills of the staff concerning internal audit, drafting internal audit manual and developing internal control standard at Bapepam-LK.

Figure 3. Internal Compliance Bureau Process Map



Number of complaints received by Internal Compliance Bureau is not pertinent FY 2006-2007 since there were no internal complaints made during the years. Nevertheless, the most likely types of complaints received would be pigeonholed as complaints to external parties under BLK supervision (conduct monitoring and review the progress of how BLK handle complaints from the public) and complaints to internal parties within BLK (related to BLK employees conduct or discontented stakeholder towards BLK performance). Complaints can be received by CMSD, in order to monitor the progress of Bureaus/Secretariat handling

the complaints. They can also be submitted directly to Internal Compliance Bureau via email, letters, and phone or in person; in relation to BLK employees conduct. There are 4 (four) Divisions available and 12 (twelve) Sub Divisions available distinctively to each of the field supervised (Appendix 5). Thus, the complaints are also going to be recorded and monitored in related Internal Compliance Divisions, which oversee those matters.

The same bureaucracies' flows applied as well in here as beforehand explained for CMSD and Pension Fund Bureau. For complaints to internal parties within BLK, the process consists of first, coordination with related Head of Bureaus, Executive Secretary and Committee of Code of Conduct (if it related with the alleged violation of Code of Conduct); and second, review, evaluate and monitor the progress in handling the complaints (Figure 3).

G. THE PERSISTENCE PROBLEMS IN COMPLAINT MANAGEMENT SYSTEM

The increases in the attentiveness of the magnitude of the complaint management system in Bapepam-LK has just been started at least for the last 2 (two) years. Such is rooted from 2 (two) foremost points: the prolongation of the bureaucracy reform currently happening in all level of the Ministry of Finance and the augmentation of the indulgent of the Indonesian society on investments and capital market industry as a result of enhanced investor education. Bureaucracy reform in the Ministry of Finance is intended to serve the public better. As part of such efforts, all level of Ministry of finance has the needs to dedicate a special channel that relates to the public complaints, including in Bapepam-LK. Investor education is one effort simultaneously performed by parties in the capital market industry, including Bapepam-LK, Stock Exchange, Clearing and Guarantee Institution, Securities Central Depository Institution, Securities Companies and others Financial Institutions. Programs were formulated to aim at

all level of educational backgrounds, all strata of society as well as all over Indonesia. As a result of such effort, the understanding of the public to investments has increased, expecting that there are going to be more complaints coming. The complaints that come in themselves are not just ordinary complaints as it was in the past time. Yet, with the additional investors and more complicated products available, complaints are expected to be more multifaceted and sophisticated, necessitating an enhanced system of complaint management.

Although the magnitude has been started in years, yet still there have been not much of changes happening in the existing complaint management system in Indonesia. There could be many reasons to the condition. The most plausible ground would be on the enthusiasm of the internal bureaucracy in Bapepam-LK to acclimatize the farthest alteration in the organizational structure and the supporting complaint management system. As later about to be explained, the comprehensive complaint management system is going to be better suited with the changes of the level in the organizational structure of Bapepam-LK. Currently, complaint management is handled through CMSD, by which only the level of Echelon IV (Sub Division). Having such structure, CMSD does not have much of a room to freely act and decide. It is also one of the root of human resources problem happening in CMSD (remember that CMSD currently only has one Head of Sub Division and one staff). Envisage if the level could be upgraded to at least to Echelon III (Division), CMSD would be having more power to deal with complaints and the related technical bureaus, as well as more human resources to support the newly proposed Division. To better compare in this matter, the best model of the organizational structure of a complaint management may be served by the Securities Commission (SC), Malaysia. The model itself is feasible to be implemented and copied to Bapepam-LK case, based on the analysis that Malaysia is sharing the same organizational

culture as well as society background with Indonesia. As a matter of fact, historically, both Malaysia and Society are rooted from the same base of culture, which is Malay.

In SC Malaysia, the complaint management system is handled by an organization of a level of Echelon II (Bureau)-Securities Industry Development Center (SIDC), thus, there has been so much resources allocated to it. Though it is not really called as a bureau, yet the authority given to the unit is somewhat exceed other Echelon II units. In addition to that, the structure itself is quite distinctive compared to any other Echelon II level in SC Malaysia as it is responsible directly to the Chairman without having through convoluted scrutinizes. The most respectable authority it has probably on coordinating power. SIDC has the authority to call related bureaus in relation with complaint matters and coordinate. This authority has given so much preference to the complaint management system as there could be many cases by which the complaints are forwarded to the technical bureaus. Thus, such coordination, controlled by SIDC, could give enhanced handling in complaint management as a result that the process and the responsible technical bureaus are easily monitored and coordinated. The Chairman, for the purpose of policies, can also easily track certain complaints that become public attention by the report SIDC provided. In such a way, SC Malaysia has cut the line of bureaucracies in its complaint management system to the level of giving more effective and efficient service to the public. Later, it can also be concluded that this is not happening in Bapepam-LK, as the line of bureaucracies really limits the move of CMSD and, thus, limits the service of complaint management system to the public.

CHAPTER IV

COMPARATIVE INTERNATIONAL COMPLAINTS MANAGEMENT SYSTEM

A. CENTRALIZED RECORDKEEPING SYSTEM

1. IDENTIFIED BENEFITS

Agencies are required to measure their performance and justify the use of public funds. Complaints data is one way of measuring and justifying the use of public funds. An efficient complaint system, supported by relevant data, will raise the perception of transparency and accountability in the public eye. Every agency is going to need to record every complaint that comes in regardless of the methods used. Thus, by having such records, the agency is going to be able to scrutinize the advancement of the complaints and recognize repeated complaints. Nevertheless, there is going to be one major obstacle on doing such; that is which details the agency needs to record. The details themselves are going to later act as the level of analysis appropriateness.

Recordkeeping is one of the most essential elements in having comprehensive complaint management system. The most obvious benefit of recordkeeping is measuring the workflow of the whole organization and the individual units/bureaus. It can be not only used to judge the level of transparency in handling complaints leading to increased public profile of the organization, but also it is important for business planning purposes and making management decisions. Human resources planning is dependent on how much there is to do. Business improvement depends on recordkeeping. How can you improve when you do not know what you are improving on?

Data collection resulted from the recordkeeping system enables entities to prepare standardized reports in predetermined templates on complaints trends and assist in the production of reports by other areas of the organization. At Australian Securities and Investments Commission (ASIC), National Assessment and Action (NA&A), for instance, serves as the backbone of all complaints reporting and is often called upon to assist in providing data for incorporation into reports produced by other directorates. The overall objective is to produce standard report for management and external stakeholders. What happen next is that the agency should be imaged by the public and stakeholders to be seriously handling complaints coming in to the agency; the advancement of the delivery of public service.

Specific purposes of recordkeeping in general would be associated with identifying trends and complaint tracking. Identifying trends is repeatedly used for observing complete and persistent tribulations, which defined as being “caused by failures in the product design, delivery system or organizational policies or procedures”. It is recommended that complaints be classified or categorized such problems can be identified and rectified. Thus, data collection will serves as an important source of intelligence. A regulator can see what companies the consumers complain about more often and report the company to the relevant TB for inquiries. Moreover, recordkeeping also allows an organization to track how complaints are progressing through the organizations, what technical bureau the complaint is being handled by and who the action officer is. By such, it enables the complaint managers to provide an up-to date status at any stage of the complaint to senior management and complainants. For instance, if BLK Chairman wants to know the status or outcome of any complaint, he can refer his

inquiry to CMSD. CMSD can then answer the query by a quick check of the records kept by CMSD.

The next important part that should be integrated in this section is the identified benefits of centralizing the recordkeeping system. By having centralized division for recording complaints, the recordkeeping will be focused in 1 (one) bureau only, thus easier for the organization to train and develop the right skills in data entry and statistics. If only single bureau is doing the data entry, it will be entered in consistent manner. There will be less risk of entry of data in different formats or different spellings. It will also be easier of an organization to maintain quality over the database on an ongoing basis. Organizations can adopt a data entry procedure and then manage it centrally. Any other bureaus or senior management that want to access the data will have one point of contact where they can address all their data inquiries; and the data will be presented in a consistent manner.

2. THE PRACTICES

There are several principles applied related to best practices of centralized recordkeeping as follow:

1) Comprehensiveness

Data collected should capture as much as information as is foreseen to be required. If the status is in doubt, the data should be better recorded.

2) Clarity and Consistency

The data collected should be easy to interpret so that it is easy to input and easy to understand for target audience like senior management. It should consistently entered,

e.g. if dates are entered in the format DD/MM/YY then the format should not be changed to MM/DD/YY.

3) Logical

It is tailored to the needs of the organizations to ensure better data keeping and easy to understand layout. This will also ensure that the data is presented in a better way and is easier to follow and understand e.g. Name of Complainant and Contact Details should be placed close together in the layout and entry.

4) Simplicity

This element is vital to the success of the data recording sheet. If the data is entered in a very complex framework initially, it will limit the usefulness of the data at a later stage. The needs should first be analyzed based on the data collected over time and then developed into a more complex tool.

The ideal combination of data recording techniques incorporates a combination of structured fields and unstructured fields. Structured fields are designed for simple input so that data entry is not reliant on a few individuals' knowledge only. The idea is to make data entry simple and capture the required data at the same time. Examples of structured data entry options include Yes/No Options and Dates. Entries from structured fields can then be utilized to deal with and prepare more detailed analysis e.g. time from receipt of complaint to be responded by TB. Meanwhile, unstructured field is intended for some data that may not be uniform and therefore a certain element of freedom in inputting the data has to be provided. Such data can be collected by recording the information in free text fields, e.g. Summary of the Complaint. Vary generally; the details to be recorded can be summarized in the following categories as shown in the table.

Table 7. Archetypal Information Provided in Recording Data

Categories	Archetypal Information
Details of Complainant	<ul style="list-style-type: none"> - Full name of complainant; - Address details-so response can be sent to the right address; - Other contact details, such as phone number or email address; - Zip code/Postcode/State (if available); - Relationship with organizations (e.g. customer, employee, etc.).
Details of Complaint	<ul style="list-style-type: none"> - When complaint received (date, time and place for walk-ins); - Description of complaint; - Money involved (loss suffered); - Remedy sought; - Other agencies contacted.
Details of Subject	<ul style="list-style-type: none"> - Subject organization (e.g. insurance company or Pension Funds); - Organization Reference Number (if available); - Product or service complained about; - If complainant raised concerns with subject.
Operational Details	<ul style="list-style-type: none"> - Name of Bureau that the complaint was referred to; - PIC for the complaint referred to in TB; - Outcome of complaint; - Date when complaint was finalized/closed; - Date response provided; - Responding Bureau/Officer
Any Other Relevant Information	Free text field-for other comments, e.g. special instructions from the management.

There are also several other issues needed to be deemed regarding classification for easier analysis of data, maintaining: Who? Where? When?, storing: IT and physical storage, and disposal: How long to keep? Classification involves developing short form codes to classify data for quicker analysis. It is not only to ensure the consistent handling of matters across the board, but also guard against human error in data entry. Above all,

classifications enhance data accuracy and improve the quality of both the data and the outcomes achieved. Vis-à-vis to maintaining, storing and disposal of data, the key concern would be on access towards the data. The recordkeeping practices in many countries suggested that it might need to limit access to data entry to a few authorized staff to ensure consistency in data-entry. While other staffs may be able to view the data, they will not be able to edit or enter new data. Nevertheless, the most prominent challenge for all the organizations identified is on the quality control and review of data. The simplest solution done is usually by ensuring that quality control on the data is maintained right from the start.

Table 8. International Complaints Management Framework-Comparative Table

Country-Org./Inst.	Centralized Complaints	Contact Points	Range of Actions	Response Time	Key Features
Australia-APRA	Contact Centre	<ul style="list-style-type: none"> • Contact Centre Hotline • Online Form 	<ul style="list-style-type: none"> • Contact Centre receives enquiry (if by phone, consumer will be directed to website to make a written complaint) • Referral straight to appropriate office 	<ul style="list-style-type: none"> • Acknowledge within 2-5 days • Preliminary response within 15 days 	<ul style="list-style-type: none"> • Emphasis on intelligence gathering • No specific complaints or consumer department, yet complaints/enquiries are handled by a central contact point
Australia-ACCC	Infocentre	<ul style="list-style-type: none"> • Infocentre Hotline • Online Form • Letter by Post, Fax, Email 	<ul style="list-style-type: none"> • Infocentre receives and registers complaint/enquiry • Analysis/review by Infocentre • Provide general advice or referral to appropriate office 	<ul style="list-style-type: none"> • Formal response within 30 days 	<ul style="list-style-type: none"> • Emphasis on consumer education and complaints handling • Information available in multiple languages
Australia-ASIC	National Assessment and Action	<ul style="list-style-type: none"> • Hotline • Online Form • Letter by Post, 	<ul style="list-style-type: none"> • NA&A receives and registers complaint/enquiry 	<ul style="list-style-type: none"> • Acknowledge within 2-5 days 	<ul style="list-style-type: none"> • Emphasis on intelligence gathering

	(NA&A)	Fax, Email	<ul style="list-style-type: none"> • Analysis/Review by NA&A • Provide general advice or referral to appropriate office 	<ul style="list-style-type: none"> • Preliminary response within 15 days 	<ul style="list-style-type: none"> • Emphasis on consumer education and complaints handling • Information available in multiple languages
Hong Kong-SFC	Complaints Control Committee (CCC)	<ul style="list-style-type: none"> • Investor Hotline • Online Form (via InvestEd portal) • Letter by Post, Fax, Email 	<ul style="list-style-type: none"> • InvestEd receives and registers complaint/enquiry • Analysis by CCC • Referral to appropriate office 	<ul style="list-style-type: none"> • Preliminary response within 2 weeks 	<ul style="list-style-type: none"> • Emphasis on consumer education and complaints handling
Malaysia-SC	Complaints Department (CD)	<ul style="list-style-type: none"> • Hardcopy Form (available via website) 	<ul style="list-style-type: none"> • CD receives and registers complaint/enquiry • Analysis/Review by CD • Provide general advice or referral to Investigations Department 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Emphasis on complaint handling
Singapore-MAS	Consumer Issues Division (CID)	<ul style="list-style-type: none"> • Online Form (via Money Sense portal) • Letter by Post, Fax, Email 	<ul style="list-style-type: none"> • CID receives and registers complaint/enquiry • Analysis/Review by CID • Provide general advice or referral to appropriate office 	<ul style="list-style-type: none"> • Preliminary response within 2-3 weeks 	<ul style="list-style-type: none"> • Emphasis on consumer education and complaints handling • Dispute resolution through the Financial Industry Dispute Resolution Centre
South Korea-FSS	Consumer Protection (CP)	<ul style="list-style-type: none"> • Online Form • Letter by Post, Fax, Email 	<ul style="list-style-type: none"> • CP receives and registers complaint/enquiry • Analysis/Review by CP • Provide general advice or referral 	<ul style="list-style-type: none"> • Formal response within 15 days 	<ul style="list-style-type: none"> • Emphasis on consumer education

			to appropriate office		
Japan-JFSA	Securities Exchange Surveillance Commission (SEDC)	<ul style="list-style-type: none"> • Online Form 	<ul style="list-style-type: none"> • SEDC receives and registers complaint/enquiry • Analysis • Investigation • Regulatory Action including civil and criminal investigate powers 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Emphasis on market surveillance and complaints handling • Wide powers of civil and criminal investigation, including the power to impose penalties
United States-SEC	Office of Investor education and Assistance (OIEA)	<ul style="list-style-type: none"> • Online Form • Letter by Post, Fax, Email 	<ul style="list-style-type: none"> • OIEA receives and registers complaint/enquiry • Analysis by OIEA • Provide general advice or referral to appropriate office 	<ul style="list-style-type: none"> • Preliminary response within a few days of receipt 	<ul style="list-style-type: none"> • Emphasis on consumer education and complaints handling • Information available in multiple languages • Formal complaints via online form are forwarded to the company/firm in question. Should the complainant choose not to have the complaint forwarded, it is then recorded by OIEA • Whistle blowing information/complaints referred to Office of Investigative Assistance

United Kingdom-FSA	FSA handles complaints only in relation to unfair contract terms or misleading advertising	<ul style="list-style-type: none"> • FSA Consumer Helpline • Direct correspondence with either Financial Promotions Department or Unfair Contract Terms Unit 	<ul style="list-style-type: none"> • Receives and registers enquiry • Investigation if complaint is in relation to unfair contract terms or misleading advertising • If complaint is not in relation to the above, the provide general advice only 	• N/A	<ul style="list-style-type: none"> • Emphasis on consumer education • FSA does not handle individual complaints. Complainants are encouraged to approach independent complaint handling schemes such as the Financial Service Ombudsman
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B. PROCESS MAP

1. IDENTIFIED BENEFITS

One of important features derived from the comparison study is the subsistence of a consistent complaint management process. It means that all complaints follow the same process, regardless of the issues raised in the complaint or the way in which the complaint is made. The system itself is flexible to allow for different action required to address the issues raised in the complaints. In addition to that, it is not only complaints are registered to allow for tracking of complaints (as beforehand explained in Centralized Recordkeeping section), but also there is communication with complainants. There are many reasons why a consistent complaint management process is important. As it has been identified by scrutinizing the model, it is important for 3 (three) different groups-the organization/institution, complainants and capital market generally.

As for the organization/institution, it can increase efficiency of the organization. Such is achieved by the means of increased capacity of the organization/institution to deal

with an increased number of complaints as a result that complaints are handled in the same way allowing complaints to be tracked efficiently. By having a consistent complaint management process, it allows complaints to be registered and allocated in a more efficient way. Thus, it facilitates the identification of trends, reporting to the senior management, improved accountability and public profile for the organization/institution.

To the point of view of the complainants, they will understand the process used by the organization/institution to handle their complaint. Public usually feel that their government is unaccountable because of the inexistence of transparency. Thus, having consistent process, which people would easily comprehend, will provide the portrayal to the public on how their government is liable on its works. Public will feel more confidence that their complaint will be properly considered by the organization/institution instead of merely being part of formality. The earlier paragraph also accentuate on how the complaints will be dealt with consistently increasing the efficiency. Such increases in efficiency will then improve the response time to complainants. Response time to complainant is usually what the complainant observes at the first place, as they would feel more satisfied if the response time could be reduced without any superfluous bureaucracies.

Overall, more consistent approach to handling complaints may more effectively affect and improve the behavior of the companies in the capital market industry by the improved of the public profile of the organization/institution. Companies are now more sentient of their practices since they can suppose that the supervising agency is really performing its jobs well. They will believe that when they do wrongly, customer could easily go to BLK to lodge a complaint on them by which BLK has more enhanced system

of complaint management leading to efficient feat of their authority over capital market and financial institutions industry.

2. THE PRACTICES

Conceding that there are differences among organizations/institutions on their practices, the archetypal complaint management process commonly includes the following features:

a. Register

The archetypal policy is to register all complaints received, regardless of the amount of information provided and whether the complainant provides their contact details or the complaint is lodged anonymously. The complaints are usually received everyday and registered in daily basis by administration staff. When registered, the complaint is given a unique activity ID number generated by the database, though several practices also show it can be in the form of numerical order. According to ASIC, there are few reasons for giving every complaint a unique activity number as following:

- 1) To assist in tracking the progress of a complaint (ASIC receives over 12,000 complaints every year, thus giving them a unique number makes it easier to locate a complaint in the system);
- 2) To record the number of complaints received. This allows ASIC to measure the number of complaints received and to generate reports to senior management about complaints received.

b. Allocate

Once the complaints are registered, the Manager reviews all the complaints received by which allocates the complaints to staff. The way in which complaints are allocated

will reflect the structure of the complaints management process. For instance, in BLK where complaints are dealt with by the relevant TB, this may mean ensuring that the complaint is allocated to the correct TB. There are many factors considered when allocating complaints to staffs, including issues raised in the complaint, the workload of staffs and whether the issues has been previously considered. The importance of having a Manager to perform this role is that they have an awareness of the complaints being received and may give some instructions about how to handle complaint. For instance in BLK, where each TB deals with complaints, this may mean ensuring that the complaint is allocated to the correct TB.

c. Acknowledge

One of the important features in best practices, which currently BLK does not perform, is the acknowledgement letter. Characteristically, once a complaint is registered and allocated to a staff member, an acknowledgement letter should be sent to the complainant. This letter usually includes the complainant with the name of the staff member responsible for assessing their complaint, their contact details and the unique ID number of the complaint. It is an important part of the process because it informs the complainant that their complaint has been received by the organization/institution and is being considered. In some practices, it is also an opportunity to provide the complainant with information about how the organization/institution will handle their complaint.

d. Inquiry

This is the archetypal practices in the level of staffs. Once the staff member receives the complaint, they will make any necessary inquiries to assist in their assessment of

the complaint. Initial inquiries are very important because the staff member can find out whether the organization/institution has received any previous complaints about the company or person and whether the complaint raises similar issues. As previously been discussed, a consistent complaints management process assists in ensuring that similar complaints are handled in a similar way. Such inquiries usually include:

- Search on internal databases;
- External intelligence searches;
- Contact the complainant for more information;
- Write to the company;
- Conduct a site visit or inspection of the company, etc.

Evidently, the types of inquiries made depend on the nature of the complaint, yet the process of making inquiries is the archetypal consistent element in the process.

e. Assessment

Once the necessary inquiries have been made, the staff member will write an assessment of the complaint. The information recorded in the assessment will vary depending on the issue raised in the complaint, nevertheless an assessment is written for all complaints.

f. Approval

Once the staff member has completed their assessment for a complaint, this will be given to the Manager for approval. In BLK, the Manager may be the one the same level as Head of Sub Division (Echelon IV). It is also important to be reminiscent that at BLK, approval is required from the Head of Sub Division (Echelon IV), Head of

Division (Echelon III) and the Head of Bureau (Echelon II) making them a superfluous flows of bureaucracy.

g. Action

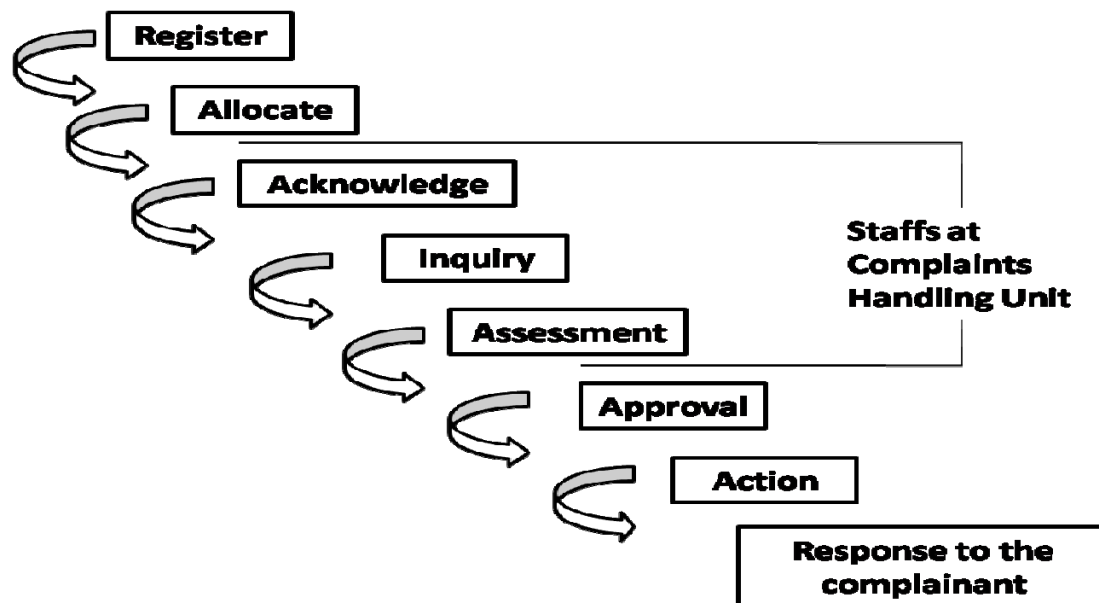
Once the manager has approved the assessment of the complaint, the staff member will take any further action that needs to be taken in relation to the complaint. As has been discussed beforehand, it is very important to have a consistent complaints management process. The process, however, also needs to be flexible to address different issues raised in complaints and to make sure that complaints are dealt with in the right way. A complaint that is not within the organization/institution's jurisdiction may only require that a letter be sent to the complainant advising them that the issues raised are not within the jurisdiction and possibly giving them the contact details for the right organization/institution. In the other hand, a complex complaint about a Pension Fund may require a letter to be sent to the company requesting information from them about the issues in the complaints as well as obtaining information. Hence, the action taken depends on the issues raised in the complaint, yet once again the process remains consistent.

h. Response to the Complainant

Finally, the final step of an archetypal complaint management process is to provide the complainant with a written response. Once consideration of the complaint has been finalized, and any appropriate action taken, the staff member will send the complainant a final response letter. The information on the letter will depend on what the organization/institution has done with the complaint. Over again, however, the element of the process must be consistent-a response is sent to the complainant. Even

particularly in ASIC practices, where it has written to a company about the issues raised in a complaint, it may also send a final letter to the company to advise the company of ASIC's decision in relation to the complainant.

Figure 4. Archetypal Flows of a Consistent Complaints Management Process



C. CRITERIA

1. IDENTIFIED BENEFITS

Under the law, typically organizations/institutions researched have the discretion³¹ to decide whether it will take further action in relation to a complaint or not.

In order to help exercise better the discretion, usually an organization/institution develops its own criteria, i.e. to help deciding whether there is a need to take action or not. Due to

³¹ The word has two main meanings:

1. To determine guilt or innocence;
2. To determine sentencing.

(Available at: <http://en.wikipedia.org/wiki/Discretion>, Date of Access: Dec 25, 2008)

the high volume of complaints received, especially for advanced institutions (such as ASIC, US SEC, Korea FSS, etc.), they cannot investigate or take action in every complaint.

Criteria help the organization/institution to manage the limited resources that it has and focus on the regulatory priorities. It is not only increasing the efficiency in dealing with complaints, but also improving accountability. Consistency in outcomes/decisions because the same criteria are applied to every complaint-2 (two) similar complaints should have the same outcome/decisions because the same criteria have been applied. Thus, consistency in such message to the public will eventually improve the public profile of the organization/institution.

2. THE PRACTICES

Below are the lists of typical criteria used in the organizations/institutions researched:

- a. Is the complaint within jurisdiction?
- b. Is there any evidence available to substantiate the misconduct?
- c. Are significant funds at risk? (Identifying appropriate amount as a threshold)
- d. How many people may be affected? (Identifying appropriate number of people affected by alleged misconduct as a threshold)
- e. Seriousness of the alleged offence-what is the penalty that is applicable (e.g. large fine or jail)?
- f. Is the conduct/issue a regulatory priority area?
- g. Is there any regulatory benefit in taking action?

D. RECORDING THE ANALYSIS AND DECISION

This part of the chapter is dedicated to the identification of the practice of recording the steps taken in reaching the decision regarding a complaint. The common practice is using a standard template in the form of Memo (Assessment) for recording analysis and decisions at the organization/institution. Since the staff member creates an official record of the decisions, the analysis behind the decision and steps taken in reaching the decision, afterward if another staff member want to look at the analysis and decision of a complaint they can refer to the Memo (Assessment). This creates a permanent reference document for the complaint, e.g. if a staff member A who handled the complaint leave BLK and a new staff member B is asked to look into the old complaint, then he will be able to do it. Other staffs are able to benefit from the assessment of one staff member analysis of an issue (knowledge resource). Such records create a precedent for similar decisions in the future; 2 (two) complaints with similar facts and issues need to be analyzed in a similar manner.

Envisage as well a circumstance where the decision is challenged by the complainant or revisited by management, there is a clear record of the reasoning and work that has gone into reaching a decision. In such case, the record serves as additional protection for the staff and reflects that they have performed their duties in relation to the complaint. BLK and any other organization/institution, which deal with complaints, are likely to received more than one complaint regarding the same issue. In such cases if a complaint has been analyzed once, the next time the same issue is raised; the staff can refer to the record of the previous complaint and does not need to conduct fresh research. In general, a record of analysis and decision in a complaint creates greater accountability in the organization/institution. It creates

an expectation that a complaint has to be taken seriously and the issues raised by the complainant needed to be appropriately analyzed.

Distinctively to technical area, Memo not only can be useful for consistency checks, but also assist in reviewing. Recording of analysis and decisions also keeps a permanent record for checking data (consistency checks). In reviewing the complaints data, for instance, CMSD may have to refer back to the record of the analysis and decision to check the consistency of the data. In addition to that, a record of the analysis and decisions will assist the heads of sub-division or bureau in reviewing the response to the complainant. Therefore, an accompanying memo outlining BLK's analysis and decision, for instance, will assist in reviewing all the factors involved in the complaint.

Another unique practice arriving from the organizations/institutions researched is that the use of File Notes, which are a note or record of conversation held between staff and complainant regarding any aspect of the complaint. ASIC, as one of the advocates for File Notes, asserted that in addition to the benefits that recording of analysis and decisions provide, recording of communications with complainants and public in File Notes can have other benefits as well. Some definite benefits are related to permanent record, evidence of conversation, accountability and assistance in reviewing.

Making a file note of conversations makes a permanent record of the conversation. If the staff member is on leave and someone else is required to deal with the complaint, the file note will assist other staff members in understanding what communications may already have taken place with the complainant. The File Notes will also serve as the staff member's version of the conversation. Envisage if the complainant challenges what was said to them in a conversation, the staff member could use the file note to prove their version of the

conversation. Not only that, if discussions with the complainant are recorded, the file note of the conversations ensures that inappropriate advice is not provided to the complainant. Hence, staffs are able to be accountable for their communications with complainants. Lastly, such records will provide the Heads of Sub Divisions and Head of Bureaus with the full picture in reviewing and approving complaints decisions.

E. VALUE OF COMMUNICATION

In order to understand better the value of communication, this section segregates communications into 2 (two) major division, internal and external. As for internal communication, it is necessary to agree expectation between CMSD and each TB so that everyone is aware of their responsibilities in relation to the handling of complaint. Superior internal communication is important for the CMSD and each TB to be aware of their responsibilities in the complaint management process and what is expected from them when handling a complaint. Hence, it ensures that complaints are more easily tracked in the organization and reports contain up to date and correct information.

Typically, for comparative organizations/institutions there are several tools applied for their internal communication processes either one of them or simultaneously, including intranet network, protocol and regular meetings. Intranet network is the one related to the process of information sharing among units within an organization/institution to ensure appropriate access to all information provided in internal databases. Protocol contains a SOP-like between complaints handling units, commonly about the process for the referral of complaints. In addition to that, there are also regular meetings of all complaints handling units

(held quarterly). Whatever the forms of internal communication are, the most important thing would be how to ensure the most effectual communication within the organizations/institution.

Special attention here should be addressed to the time consuming of the superfluous bureaucracy process of Memo and Nota Dinas in BLK. Repeating what has been discussed in earlier Chapter III, the only formal communication in the form of written among same level units (e.g. between Head of Sub Divisions) or to higher level units (between Head of Sub Division to Head of Sub Division). There are no other formal communications available and permissible other than Memo and Nota Dinas, including for information or data inquiries among bureau. Such forms of communications is what eventually added to the time of complaints resolution average days as much portions of the time consumed spent on superfluous formal forms of bureaucracies. Therefore, it is imperative to have good intranet network and protocol to assist the implementation of comprehensive complaint management system as also later mentioned in recommendations part of the thesis.

On the other hand, external communication is imperative in the sense that not only complainants know how to contact at the organizations/institutions if they want to lodge complaints, but also complainants have a better understanding of what complaints the organizations/institutions can deal with and how they will treat the complaints. Thus, by providing adequate access and information to the public related to accountability and transparency, the final objective would also arrive at the advancement of the public profile of the organizations/institutions.

Typically, for comparative organizations/institutions there are several tools applied for their internal communication processes either one of them or simultaneously, including the complaint form, the acknowledgement letter and brochures. Complaint form is useful as it

helps the complainant give the information needed to assess their complaints and provides the complainant with additional information about what will happen with their complaints. Thus, at minimum, it usually includes the information about the complainant, the subject and their concerns. The Acknowledgement Letter confirms that the complaint has been received properly by the organization/institution. It may also confer an opportunity to provide additional information to the complainant about how their complaint will be handled.

Additional means of external communication are through complaint brochures and organization/institution's external website. To illustrate better, the thesis will take particular model from ASIC as examples. ASIC's complaint brochures have been printed in several languages, including English, Japanese, Chinese, etc. The brochures not only gives the complainant more information about what complaints ASIC can deal with and how ASIC will handle their complaint, but also contains details of additional information that ASIC can provide. In its external website (www.asic.gov.au), ASIC designs it to provide information to the regulated community including all public documents produced by ASIC, how to contact ASIC, what ASIC does and electronic lodgment of information to ASIC.

CHAPTER V

RECOMMENDATIONS AND CONCLUSION

In Chapter IV we have already identified several features on best practices of comprehensive complaint management system as the result of comparison study among 10 (ten) comparable institutions from 8 (eight) different countries with BLK. Those characteristics include: (1) centralized recordkeeping system, (2) consistent process map, (3) criteria, (4) recording analysis and decisions, and (5) value of communication. As acknowledged, such features currently are not subsisting within BLK complaint management system. Accordingly, the characteristics identified served as the base for further discussion on the best recommendations proposed to BLK.

Having framed the best practices of complaint management system, the thesis later on proposes its recommendations towards BLK using the characteristics identified. The recommendations include: (1) centralized recordkeeping, (2) consistent process map, (3) criteria, (4) standard template and (5) other recommendations. The last point distinctively dealt with the problem of lack of infrastructures and superfluous bureaucracies as part of the subject in value of communication. The recommendations may look a tad bit different in practice compared to other organizations/institutions as the thesis trying to linkage the features derived from Chapter IV with existing conditions and infrastructures available at BLK. For instance, though organizations/institutions are applying criteria in assessing their complaints, yet the kind of criteria used may differ one to other depending on the needs of each of the organization/institution.

A. CENTRALIZED RECORDKEEPING

Many complaints are received by BLK as a supervisory agency of Capital Market and Financial Institution. Most complaints are related to the matters in jurisdiction of BLK. Complaint Data is important information that will determine the perception of transparency and accountability of the agency in the public. It is considered necessary that BLK keeps records of complaints that are made in the consistent and efficient method. By having a recordkeeping system that is consistent and efficient, it is expected that the agency is going to be able to scrutinize the advancement of the complaints coming in as well as classify the repeated complaints.

Considering the benefits as beforehand explicated in Chapter IV, the recommendations to advance BLK complaint management system would be to apply centralised recordkeeping of complaint received by BLK, in CMSD. As a regulator, BLK receives many complaints related to matters of capital market, non-bank financial service institution, and related profession. Since issues raised in complaint vary and may relate to several units (bureaus), it is indispensable to keep the record of the complaints in centralised method instead of keeping the record separately in different bureaus. CMSD staff may register any complaint issues from other sources (newspaper, internet, and other media resources). For centralised complaints recording, CMSD will need sufficient server or computers to store all the records. Besides that, CMSD also need filing cabinets and systematic process for storing hardcopy of complaints. To keep the safety of the complaints records when it is in digital form, CMSD also will need the Disaster Recovery System (DRS) such as Antivirus, Back Up and Firewall. In developing the systematic recordkeeping of complaints, the following spreadsheet would be proposed as recordkeeping tool:

Table 9. Proposed Recordkeeping Spreadsheet for BLK

Field/Item	Description	Notes
ID/Complaint Number	Indicate the referral complaint for following handling process. Considering that there are two ways to receive the incoming complaint in the BLK, directly received by CMSD and directly received through TB, the ID/Complaint Number is diversified in two ways also. Complaints received directly by CMSD, the ID/Complaint Number could be L-XXX/YYYY. On the contrary, complaint received directly by TB, ID/Complaint Number could be TL-XXX/YYYY.	L-XXX/YYYY TL-XXX/YYYY
Entry Date	Date when the complaint is recorded in CMSD	DD/MM/YYYY
Sources	Types of how the complaint received by BLK.	<ul style="list-style-type: none"> • letter • phone/fax • walk-in • email form
Reference Number	Reference number of the complainant's letter	
Date of Complaint	Date of the complaint (letter, phone/fax, walk-in, or email form);	DD/MM/YYYY
Administrator	Person or staff who key-in the complaint data in the spreadsheet	
Complainant	Name of complainant	
The Address and Contact Number	Address and contact number of the complainant	
Subject	Name of company or person whose the product or service complained about or concerned;	
Summary of Complaint	Description of complaint	Brief description
Related Bureaus	Tracking detail by indicating the TB that related to the complaint	
Status of Complaint in CMSD	Status of handling tracking of complaints in CMSD.	<ul style="list-style-type: none"> • "New" for incoming, • "In Process" for complaints that is still being handled by CMSD,

Field/Item	Description	Notes
		<ul style="list-style-type: none"> • "Done" for complaints that have already finalized in CMSD;
Action Taken by CMSD	Decision made by CMSD in finalizing the complaint handling. It could be the decision to send the response to the complainant directly by CMSD, or the decision to refer the complaint to TB for follow up.	<ul style="list-style-type: none"> • Finalized by CMSD • Refer to TB
Date of Action Taken by CMSD	Date of CMSD letter for finalizing or referring complaints	DD/MM/YYYY
CMSD Note	Free text field for making a notes for related complaint in CMSD	Brief description
Person In Charge (PIC) in TB	Name of person (staff) handling the complaints in TB	
Status of Complaint in TB	Handling tracking of complaints in TB	<ul style="list-style-type: none"> • In Process • Done
Action Taken by TB	Decision made by TB in handling the complaint.	<ul style="list-style-type: none"> • Referring to Enforcement Bureau (EB) when there is an indication of violation of Capital Market Law. • Referring to Other Bureau/ External Body when the complaint is not in the TB's jurisdiction. • Finalised in TB by sending the respond to the complainant.
Date of Action Taken by TB	Date of the letter for referring and finalizing the complaints in TB.	DD/MM/YYYY
TB Note	Free text fields for making notes of related complaints in TB	Brief description
Team Coordinator in Enforcement Bureau (EB)	Name of Team Coordinator who handle the complaints in EB	
Status of Complaint in EB	Handling tracking of complaints in EB	<ul style="list-style-type: none"> • In Process • Done
Action Taken by EB	Possible action when the indication	<ul style="list-style-type: none"> • Warning Letter

Field/Item	Description	Notes
	of violation is proved.	<ul style="list-style-type: none"> • Fines • Business Activity (BA) Restriction • BA Suspension • BA Revoke • Approval Cancellation • Registration Cancellation • Referral to Prosecutor.
Date of Action Taken by EB	Date of letter of taken actions	DD/MM/YYYY
EB Notes	Free text field for make a note for related complaint in EB	Brief description.

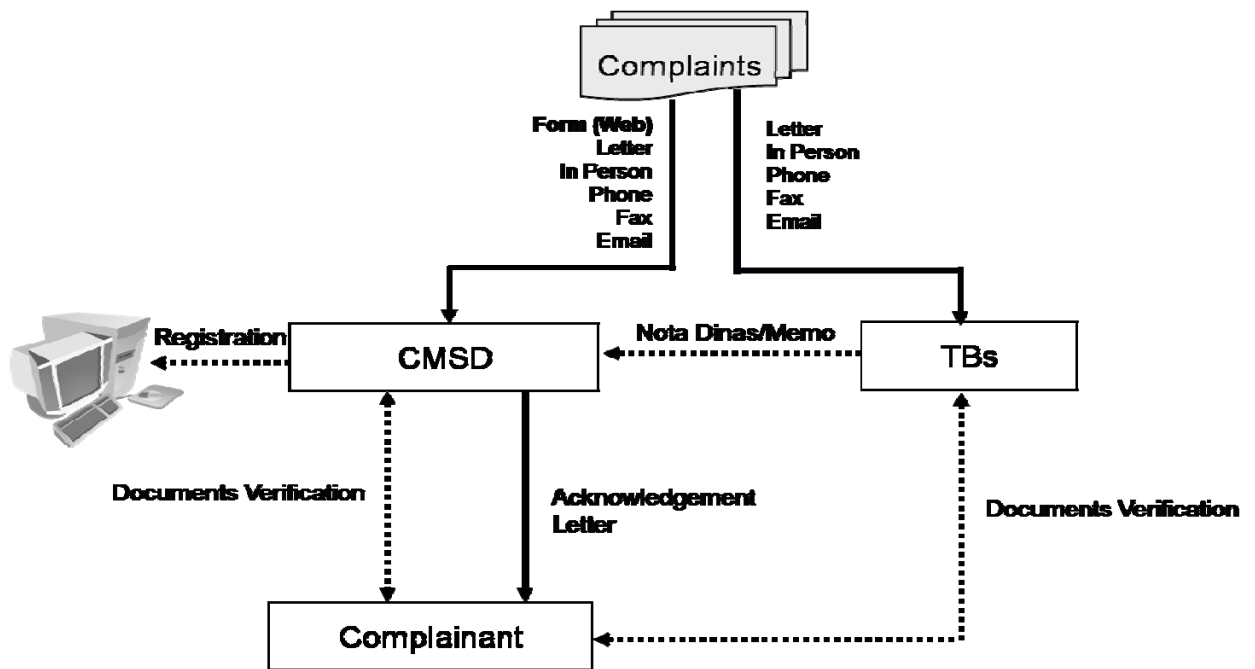
As it has been identified in the preceding Chapter that the most prominent challenge for all the organizations identified is on the quality control and review of data, then there are several things needed to be prepared by BLK to control the quality and review of data as following:

- 1) Data Entry Training for Staffs-Staff responsible for data entry may need further training in data entry in the system. Staff responsible for the development of the data keeping tool may be able to provide this training. A data entry manual or policy may assist in this regard.
- 2) Scheduled Reviews of Data-Quality checks at regular time intervals will need to be conducted to ensure that the data entry procedure is being complied with.
- 3) Consistency Checks-As part of quality checks, consistency checks on the data can be done to ensure that procedures are consistent with the past data, e.g. a data entry procedure may change rendering past data redundant.

- 4) **Audit Trail**-An audit trail may need to be maintained to keep track of the complaints data. This is to guard the data from human error or manipulation. One suggested option may be to record the initials of the registration officer conducting the data entry function.
- 5) **Regular Reviews**- The agency should be able to create a system to review its complaint management system for at least each 2-3 years in order to guarantee the validity and the efficiency of the system.

It is also imperative to identify the IT tools that may be utilize for the complaint management system, especially the recordkeeping system. BLK should utilize the use of integrated database, which is going to be administered in CMSD and shared through the utilization of intranet network for TBs. Thus, units other than CMSD may not be given the authority to input, administer and modify the complaint data, yet they can sort information they would like to gather through BLK intranet.

Figure 5. Proposed Recordkeeping Scheme



In the above figure, it is apparent that there are still possibilities of complaints coming directly to TBs instead of CMSD. Nevertheless, in such circumstances, the copy of the complaints should be sent to CMSD through Memo/Nota Dinas to be registered and inputted to the database. Although it has been explicated that the existence of Memo/Nota Dinas is one of the devotees for existing superfluous bureaucracy, yet for the time being this is the only means of formal communication available; thus integrated to the recommendation.

This recommendation has actually been implemented partially in BLK by the existence of simple recordkeeping by CMSD and the practice in Pension Fund Bureau as explicated in the earlier part of this thesis. However, due to the merger of ex-Bapepam and ex-LK the current practice of recordkeeping does not synchronize among the two. The biggest defy to implement such recommendation in the past is the non-existence of applicable procedures to record keep applied to all Bureaus within BLK. Thus, it is as well stated later on the section of other recommendation to revise Standard Operating Procedure (SOP) to be applied consistently for both ex-Bapepam and ex-LK Bureaus. In addition to that, another challenge of recordkeeping is also related to communication among Bureaus as it has been repeated over again in this thesis that the internal communication happening in BLK is involving superfluous bureaucracy. Therefore, improving internal communication of BLK is an integral part of all the recommendations explicated in this Chapter.

B. PROCESS MAP

Due to the merger of BLK that started in late 2006, it is realized that complaint-handling process in BLK varies between bureaus and so there is a need to implement

consistent complaint management process in BLK. Table shown below is about Mapping Process that will be dealt in CMSD and TB:

Table 10. Proposed Process Map for BLK

Received By	Complaint Management Process	Notes
CMSD	Allocated within CMSD	
	Registered	
	Send acknowledgement letter to complainant (include complaint received by TB)	Sending the acknowledgement letter will give the complainant information about their complaint
	Pre Assessment	CMSD will finalize the complaint or refer to TB based on the criteria in CMSD. See Section Criteria
	Action Taken	<ul style="list-style-type: none"> Finalized Refer to TB
	Send the response letter to complainant	
Notes: In the long term, CMSD can deal with simple question raised by the complainant for Capital Market and ex LK Issues. Nevertheless, the “simple” here need to define in consultation with TB.		
Received By	Complaint Management Process	Notes
Technical Bureau	Allocated within TB	
	Send copy of complaint to CMSD to be registered and send acknowledgment letter if complaint received by TB	<ul style="list-style-type: none"> If complaint not within TB's jurisdiction send complaint to correct TB and cc to CMSD In the long term when we've already had good IT infrastructure and database we could input the data from each bureau and it can be seen in the mainframe database
	Inquiry	Request more documents from complainant or subject
	Assessment	
	Approval	
	Action Taken	Finalized or refer to EB (for Capital Market)
	Response to complainant	

Received By	Complaint Management Process	Notes
	Send copy of response letter to CMSD	In the long term when we've already had good IT infrastructure and database we could input the data from each bureau and it can be seen in the mainframe database

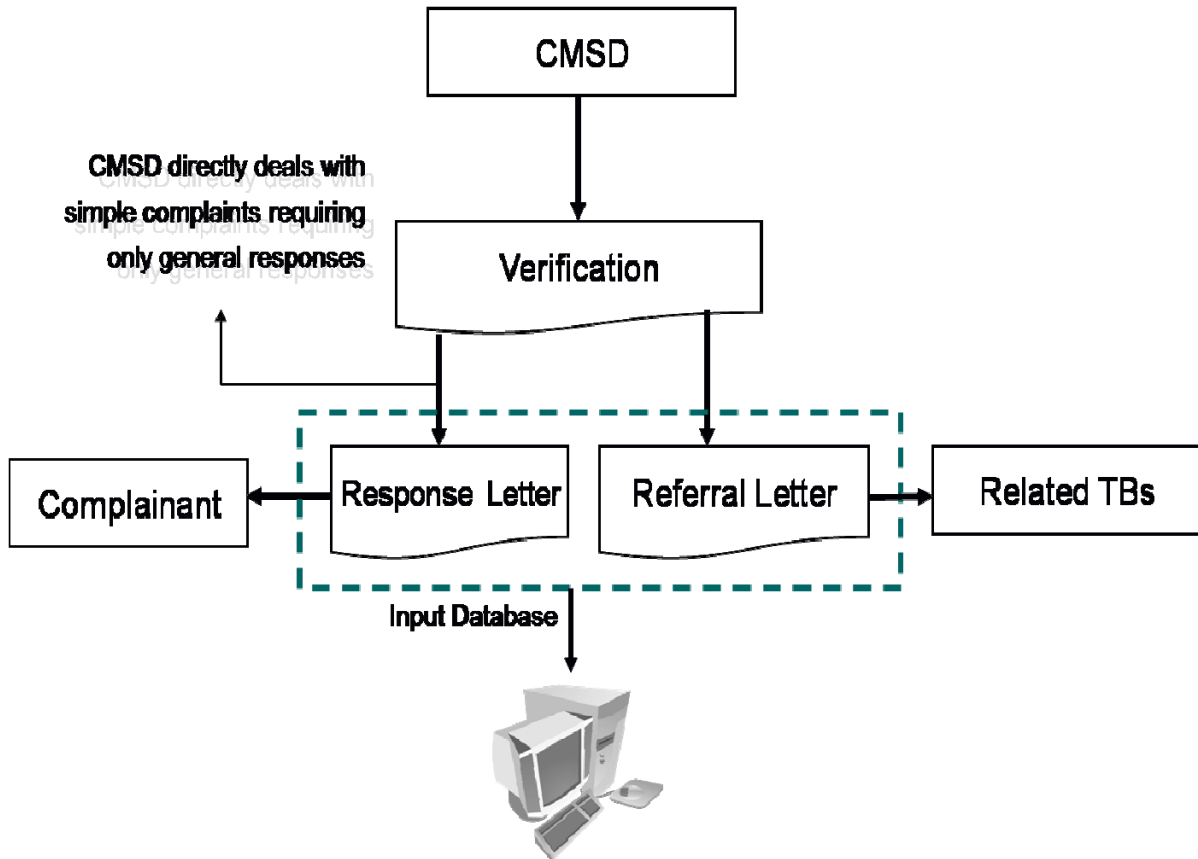
Notice that in the end of the process map, TB should also send copy of response letter to CMSD if the complaints are settled in TB. Such is also accommodated in recordkeeping system in CMSD by reserving the field for Actions Taken in CMSD (see Table 9).

In the table above, CMSD can deal with simple question raised by the complainant for Capital Market and ex-LK Issues, yet other that the complaints will be forwarded directly to related TBs after centrally recorded in CMSD (as described in Figure 5). This relates to the aspect of (1) organizational structure of the complaint management system and (2) resources available to support the system. Organizational structure of complaint management system would adopt centralized recordkeeping system, thus all complaints will go through and firstly record in CMSD before forwarded to TBs; making such structure the combination of centralized and decentralized complaint management system. Currently, there are only 1 (one) Head of CMSD and 1 (one) staff available in CMSD, which absolutely lack of human resources if BLK want to have a completely centralized system. Hence, the best available alternative would be to give the authority of centralized recordkeeping and allocation to CMSD, while the authority to resolve complex complaints is tranquil going to lie on each TB.

Process map is actually available in the past within BLK. The only problem with each of the process map is that the dissimilarity of the practice caused by differences in applicable SOP. For instance, Rule II.H.1 is only applicable to ex-Bapepam Bureaus, though the merger

has already taken place few years back. Meanwhile, for each of the ex-LK Bureaus, there are also different types of treatment regarding complaints management.

Figure 6. CMSD Workflows in the Proposed Complaints Management System



C. CRITERIA

BLK should develop criteria about the complaints. The criteria are needed for filtering the complaint and helping the staff in each bureau to handle the complaint consistently. As shown in table below, there are 2 (two) different criteria each for CMSD and TB, shimmering the organizational structure model adopted as explained in preceding section (the combination of centralized and decentralized complaint management system). The existence of these

criteria as well describe the authority belong to each unit, CMSD and TB. For instance, if in the preliminary assessment CMSD finds that the complaint relates to possible violation of capital market and financial institution related law, CMSD needs to refer it immediately to related TB. Hence, the authority of CMSD, with the consideration of its limited resources, is merely up to preliminary assessment. Such restriction as well applies to TB, for instance, if after assessment TB decides there is a critical reason to refer the complaint to the EB, it will do this (only for ex-Bapepam Bureaus). Hence, the authority of TB is merely up to assessment; meanwhile enforcement action later will be performed by EB. Considering the legal basis of BLK and the best practices illustrated in the preceding Chapter BLK have to standardize its criteria as follow:

Table 11. Proposed Criteria in Complaints Assessment for BLK

No.	Criteria	Y	N	Notes
CMSD				
1.	Is the complaint within Bapepam dan LK's jurisdiction?			Having received complaint, CMSD needs to assess whether complaint is within Bapepam dan LK's jurisdiction or not. If it is not within Bapepam dan LK's jurisdiction, CMSD may inform complainant to send the complaint to other agency that handles those matters and may send copy of complaint to TB for consideration. If the complain is within Bapepam dan LK's jurisdiction, CMSD needs to refer to related TB except simple capital market matters.
2.	Is there any sufficient supporting document?			CMSD needs to check whether there is sufficient document that supports the complaint. CMSD may ask for supporting documents for their preliminary assessment. If CMSD decides

No.	Criteria	Y	N	Notes
				that there is no sufficient supporting document available to support the complaint, CMSD may recommend "No Further Action" to complainant after consultation with related TB and send response to complainant with cc to related TB. However, since all complaints are registered, CMSD can make its own judgement whether to follow up the complaint that is not supported by sufficient supporting document if there are many similar complaints.
3.	Is there a need to make enquiries to subject (company or person)?			CMSD needs to assess whether there is a need to make enquiry to the subject (company or person) under Bapepam dan LK's supervision or not. If it is considered that the complaint does not need such enquiries, i.e. if the complaint is a simple matter of misunderstanding the investor about regulation, it could be handled directly by CMSD with a consultation with related TB. If, on the other hand, CMSD considers that there is a need to make enquiry to subject (company or person), CMSD needs to refer the complaint to related TB.
4.	Is there any possible violation of capital market and financial institution related law?			If in the preliminary assessment CMSD finds that the complaint is related to possible violation of capital market and financial institution related law, CMSD needs to refer it immediately to related TB.
Technical Bureaus				
Criteria for TB vary one another. If the referred complaint does not meet the criteria in TB, TB may reject the complaint and immediately inform CMSD.				
1.	Is the complaint within Technical Bureau's Jurisdiction?			Having received the complaint, either through CMSD or directly

No.	Criteria	Y	N	Notes
				<p>from the complainant, TB must assess whether the complaint is within the TB jurisdiction or not. If the complaint is not within Bapepam dan LK's jurisdiction, TB will send the complaint to CMSD for registration and response to the complainant. If TB considers that the complaint is not within the TB's jurisdiction, the TB has to send the complaint to correct TB and cc to CMSD.</p>
2.	Is there any sufficient evidence?			<p>As part of the assessment, the TB needs to check whether there is any sufficient evidence to support the complaint. If the TB considers that there is no sufficient evidence to support the complaint, TB may recommend "No Further Action" and send final response to the complainant with cc to CMSD. TB can make its own judgement whether to follow up a complaint that is not supported by sufficient evidence.</p>
3.	Is there any alleged violation of capital market and financial institution related law?			<p>As part of the assessment, TB needs to assess whether the issue are related to possible violation of capital market and financial institution related law. If the TB considers that there is no alleged violation of the capital market and financial institution related law, TB may close the complaint.</p>
4.	Is there any critical reason to refer the case to Enforcement Bureau / or other criminal investigator (police)?			<p>If, after assessment, TB decides there is a critical reason to refer the complaint to the EB, it will do this (only for ex-Bapepam Bureaus). For complaint related to ex-LK Bureaus, TB can directly impose administrative sanctions. In addition, for</p>

No.	Criteria	Y	N	Notes
				criminal matters, TB to send response letter to the complainant suggesting the complainant to report directly to the Police.
5.	Other Specific Criteria (if any)			Particular Bureau might have specific criteria to handle the complaint. For example, in Insurance Bureau, it specifies the minimum amount of claim to be handled.

D. STANDARD TEMPLATE

BLK need to develop a standard template form to record the analysis, decision and reason for recommendation. The template should be applicable to all of the Bureaus. This template in the end will mainly serve as tools for keeping the accountability and transparency of BLK as well as reducing the time for complaint processing by allowing easier track back to previous complaints made with the same subject. Staff could easily refer to the materials, analysis and decisions previously taken as they are well recorded in the same manner. Presently, template has similar content that is known as “Nota Dinas” in ex-Bapepam Bureaus and as “Memo” in ex-LK Bureaus. The recommendation for a standard guidance to write Memo or Nota Dinas is as follow:

Table 12. Proposed Standard Template for BLK

No.	Item	Description
1.	Summary of Complaint	Referring to the complainant’s letter number, date, subject, and a brief explanation of critical point and any other relevant information of the complaint.
2.	Relevant Provision /Regulatory Issue	Relevant law and/or implementing regulations of Capital Market and Finance Institution, Insurance, and Pension Fund that related to the complaint issues.
3.	Analysis (incl. Previous	Based on the description of the complaint,

No.	Item	Description
	Complaints and Criteria)	data analysis (previous complaints), evidence evaluation, and analysis related to relevant law and/or regulation.
4.	Recommendation/Conclusion	Recommendation as a final decision to take an action, or no further action, regarding the alleged violations of the law and/or implementing regulations. Action taken may include referring to Enforcement Bureau or other actions authorized by TB.

E. OTHER RECOMMENDATIONS

At the last part of Chapter IV, the comparative research moreover emphasized the importance of encompassing good communication, either internally or externally. Such is true, especially in BLK whereas needed much of improvements in the area of communication. The recommendations following are in integral part of the main recommendations made beforehand (recordkeeping, process map, criteria and standard template). Following are as well identified as the barriers facing BLK why it has not had a comprehensive complaint management system up until now. It is expected that removing barriers by implementing these other recommendations to support the main recommendations above will eventually being the first step stone for BLK to have a comprehensive complaint management system. Thus, in addition to recommendation above, we propose some other recommendation as follow:

1. Improve Internal Communication

As it has been previously acknowledge that it is necessary to agree expectation between CMSD and each TB so that everyone is aware of their responsibilities in relation to the handling of complaint. Superior internal communication is important for the CMSD and each TB to be aware of their responsibilities in the complaint management process and what is expected from them when handling a complaint. Hence, it ensures that complaints

are more easily tracked in the organization and reports contain up to date and correct information. There are several ways to improve the internal communication for BLK complaint management system, including improving intranet site for database sharing and revising Standard Operating Procedure (SOP) to be applied consistently for both ex-Bapepam and ex-LK Bureaus. By implying consistent process based on SOP and shared database, it will also fasten the process of complaint resolution.

2. Update Job description

The job description for handling complaint is needed to be updated. As explicated in the Ministerial Decree, CMSD handle complaint limited in Capital Market only, while other sub division in Pension Fund Bureau also handle complaint related in pension matters only (as well as other ex-DJLK Bureaus). There should be a long-term plan to better amalgamate ex-Bapepam and ex-DJLK so that both could collaborate in the complaint management process. As for the short term, the adequate possible tool to create such would be by Chairman Decision through revised Standard Operating Procedure (SOP).

3. Update Complaint Form

The form should be easy to fill in, in written form and use standard form for every kind of complaint. The complaint form should be in such ways because it helps the complainants to give the information you need to assess their complaints, including information about the complainant, the subject and their concerns/issues. It will also provide the complainants with additional information about what will happen with their complaints, as it is one form of external communication to the complainants.

4. Socializations

BLK has to socialize complaint management to public and build awareness to response every complaint. The form of socializations could be practice not only through website (www.bapepam.go.id), but also by fabricating brochures specifically about complaints. The brochures are going to give the complainant more information about what complaints the organization/institution can deal with and how to handle the complaints. In addition to that, it can also contain the details of additional information the organization/institution wish to provide. Concurrently, socializations are what enhancing the organization/institution's public profile.

F. CONCLUSION

The thesis has emphasized the importance of complaint management system as one of critical matters in government institutions, especially those customer-oriented, including BLK. Nevertheless, as also has been identified, there are issues related to the practice of current complaint management system in BLK; those are inherent complaints decision and process, accountability and transparency and response time. Complaint management system in BLK is still decentralized to each of the Bureaus characterized of lack of coordination, integration and communication among existing bureaucracies. The problem for government institutions in Indonesia is that they do not have adequate system to ensure the customers can track what happen to their complaints. In addition to that, there are now specific regulations that regulate the response time for government organizations/institutions to response a complaint, both preliminary and formal responses.

In order to formulate the best prescription for BLK, the thesis has done a comparison study to comparative international complaints management system from Australia, Hong Kong, Malaysia, Singapore, South Korea, Japan, United States and United Kingdom. The result of the comparison study suggested the typical features those institutions have: (1) Centralized recordkeeping, (2) Consistent process map, (3) Criteria, (4) Recording of analysis and decision, and (5) External and internal communication. Whilst the tools and characteristics are slightly different from one to others, yet those 5 (five) features do exist in the comparable institutions; exactly what BLK are needed to improve.

Thus, the last part of the thesis has arrived with the recommendations towards the improvement of complaints management system in BLK. A systematic record of complaints and their outcomes is required to enable BLK to monitor the progress of complaints and identify repeated complaints. Due to the merger of BLK that started in late 2006, it is realized that complaint-handling process in BLK varies between bureaus and so there is a need to implement consistent complaint management process in BLK. BLK furthermore should develop criteria about the complaints. The criteria are needed for filtering the complaint and helping the staff in each bureau to handle the complaint consistently. In addition to that, BLK need to develop a standard template form to record the analysis, decision and reason for recommendation which applicable to all of the Bureaus. Lastly, there are also some other recommendations that related to improve the communication strategy.

Reviewing the beginning of the thesis, there are a lot of questions asked to the complaint management system outcomes in BLK, such as How many complaints received last year? What kind of complaints received the most? Do people satisfy with the performance of capital market and financial institutions practices? BLK cannot answer those questions. If

consented to go further, let us ask: Which brokers/financial institutions should be under tight supervision? Is there any sturdy basis to produce blacklisted brokers/financial institutions? What is the current trend of violation of laws and regulations in capital market and financial institutions area? The answers are the same, no answer. As it is also explicated that the thesis' main objective is to identify comprehensive complaint management system model for BLK. Throughout the discussion in comparison study and derived recommendations, it is apparent that such comprehensive complaint management system ultimately is able to provide retort all the preceding questions asked.

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Minister of Finance Decree No. 131/KMK.01/2006 concerning Organization and Workflow for Vertical Institution within Ministry of Finance.

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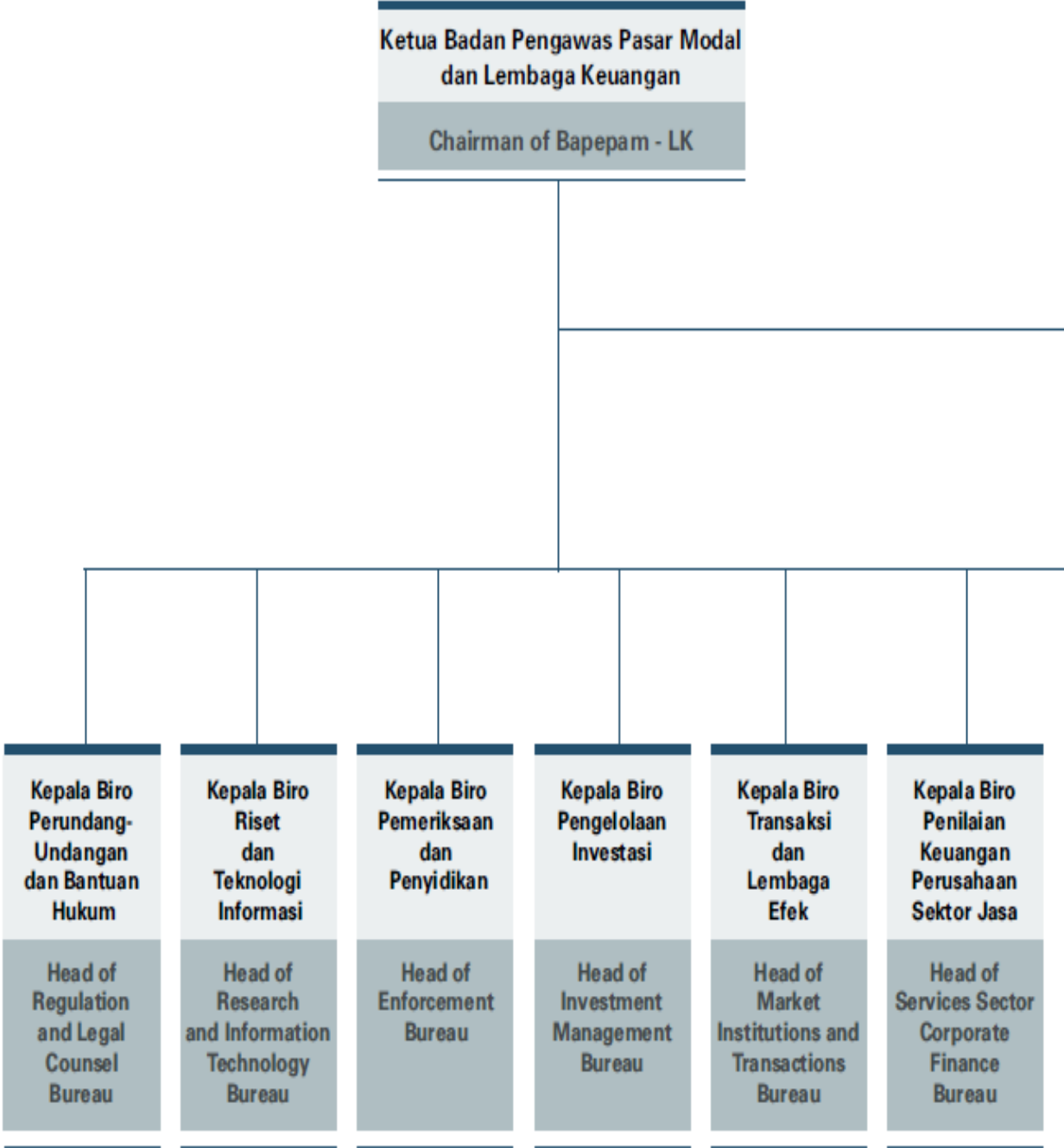
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www.fss.or.kr

APPENDIX 1 BLK ORGANIZATIONAL STRUCTURE



Sekretaris Badan

The Executive Secretary

**Kepala Biro
Penilaian
Keuangan
Perusahaan
Sektor Riil**

Head of
Real Sector
Corporate
Finance
Bureau

**Kepala Biro
Standar
Akuntansi
dan
Keterbukaan**

Head of
Accounting
Standards
and Disclosure
Bureau

**Kepala Biro
Pembiayaan
dan
Penjaminan**

Head of
Financing and
Guarantee
Bureau

**Kepala Biro
Perasuransian**

Head of
Insurance
Bureau

**Kepala Biro
Dana
Pensiun**

Head of
Pension
Fund
Bureau

**Kepala Biro
Kepatuhan
Internal**

Head of
Internal
Compliance
Bureau

APPENDIX 2 KEP-16/PM/1998

**MINISTRY OF FINANCE OF REPUBLIC OF INDONESIA
CAPITAL MARKET SUPERVISORY AGENCY**

DUPLICATE OF

DECISION OF CHAIRMAN OF CAPITAL MARKET SUPERVISORY AGENCY

NUMBER: Kep-16/PM/1998

CONCERNING

**GUIDELINES FOR RESPONDING TO REPORTS OR COMPLAINTS CONCERNING
ALLEGATION OF VIOLATION AND FOR CONDUCTING TECHNICAL INVESTIGATION**

CHAIRMAN OF CAPITAL MARKET SUPERVISORY AGENCY,

- Considering : that with the enactment of Law Number 8 Year 1995 concerning Capital Market and Government Regulation Number 46 Year 1995 concerning Capital Market Formal Investigative Procedures, it is deemed necessary to enact Decision of Chairman of Bapepam concerning Guidelines for Responding to Reports or Complaints concerning Allegation of Violation and for Conducting Technical Investigation;
- In view of :
1. Law Number 8 of 1995 Concerning Capital Market (Statute Book Year 1995 Number 64, Supplement to the Statute Book Number 3608);
 2. Government Regulation Number 46 of 1995 Concerning Capital Market Formal Investigative Procedures;
 4. Minister of Finance Decree Number 503/KMK.01/1997 dated 7 October 1997 concerning Organization and BAPEPAM Working Procedures;

HAS DECIDED:

- To enact : **DECISION OF CHAIRMAN OF CAPITAL MARKET SUPERVISORY AGENCY CONCERNING GUIDELINES FOR RESPONDING TO REPORTS OR COMPLAINTS CONCERNING ALLEGATION OF VIOLATION AND FOR CONDUCTING TECHNICAL INVESTIGATION**

**MINISTRY OF FINANCE OF REPUBLIC OF INDONESIA
CAPITAL MARKET SUPERVISORY AGENCY**

- 2 -

Article 1

Provisions concerning Guidelines for Responding to Reports or Complaints concerning Allegation of Violation and for Conducting Technical Investigation are regulated in Rule Number II.H.1 as stipulated in the attachment of this Decision.

Article 2

This decision shall become effective since the date of its promulgation.

Enacted in : Jakarta
Date : May 27, 1998
Chairman of Capital Market Supervisory Agency

signed

I PUTU GEDE ARY SUTA
NIP 060065493

Based on the original documents
Executive Secretary

Winarto
NIP 060034302

ATTACHMENT :

Decision of the Chairman of BAPEPAM

Number : Kep-16/PM/1998

Date : May 27, 1998

RULE NUMBER II.H.1 : GUIDELINES FOR RESPONDING TO REPORTS OR COMPLAINTS CONCERNING ALLEGATION OF VIOLATION AND FOR CONDUCTING TECHNICAL INVESTIGATION

Definition:

Technical Investigation is a series of activities performed by Bapepam Technical Bureaus to obtain additional information in relation to allegation of violation against Capital Market Law including its implementing regulations.

1. Information in relation to allegation of violation against Capital Market Law including its implementing regulations may be derived from sources such as :

- a. mass media;
- b. reports or complaints, either oral or written;
- c. information by telephone;
- d. information by facsimile;
- e. Registration Statements;
- f. documents or reports that must be submitted to Bapepam;
- g. routine market surveillance;
- h. routine inspection; and
- i. rumors or gossip.

2. All Bapepam employees must report any allegation on violation against Capital Market Law including its implementing regulations to Executive Secretary or their Head of Bureau.

Any Bapepam officer who receives any report as mentioned above or found by himself/herself any allegation on such violation must inform it to the Head of Bureau whose job description relates with the respective violation.

3. Technical Bureaus that handle allegation on violation against rules and regulations in capital market area are as the following:

a. Securities Transactions and Institutions Bureau handles violations related to:

- 1) Securities Exchanges;
- 2) Clearing and Guarantee Institution;
- 3) Custodian and Settlement Institution;
- 4) Securities Companies that operate as broker dealer in secondary market;
- 5) Custodian Banks that operate as custodian in secondary market;
- 6) Securities Administration Bureaus that are involved in secondary market activities.

b. Investment Management and Research Bureau handles violations related to:

- 1) Investment Fund;
- 2) Investment Manager;
- 3) Investment Advisor; and
- 4) Securities Companies that operate in investment fund guarantee.

- c. Corporate Finance of Service Industry Bureau handles violations related to reporting obligations, Registration Statements, or Public Offerings of Securities other than Investment Fund Units, that are conducted by the following Person :
 - 1) Issuers or Public Companies of service industry;
 - 2) Securities Companies that are involved in underwriting or Public Offering activities of service industry companies; and
 - 3) Capital Market Supporting Professionals in according with their responsibilities and jobs related to providing opinion to Public Company or Issuer of Service Industry.
 - d. Corporate Finance of Manufacturing Industry Bureau handles violations related to reporting obligations, Registration Statements, or Public Offerings of Securities other than Investment Fund Units, that are conducted by the following person :
 - 1) Issuers or Public Companies of manufacturing industry;
 - 2) Securities Companies that are involved in underwriting or Public Offering activities of manufacturing industry companies; and
 - 3) Capital Market Supporting Professionals in according with their responsibilities and jobs related to providing opinion to Public Company or Issuer of Manufacturing Industry.
 - e. Enforcement Bureau handles violations related to fraud, market manipulation, and insider trading.
4. In the event there is any problem arising concerning which Technical Bureau should be responsible for handling any indication of violation, such problem shall be discussed with Regulations and Legal Counsel Bureau which will decide which Technical Bureau should be responsible for handling the case.
5. Once the information regarding any allegation of violation is received, the respective Head of Bureau or any other Person appointed by that Head of Bureau to handle the matter shall record the respective information using Form II.H.1-1.
6. Form II.H.1-1 must have been filled out completely within one day after the information on alleged violation is received and is used as a basis for Technical Bureau in taking further action regarding the violation.
- The form that has been filled out completely must be put into particular directory in Bapepam database system which is integrated into Bapepam Local Area Network.
7. The Head of Technical Bureau or the appointed staff must evaluate the information contained in Form II.H.1-1 in order to determine:
- a. whether the reported event relates to Securities transaction of Issuer or Public Company in which its Registration Statement has been declared effective by Bapepam, or whether the event involves any Person that is required to obtain license, approval, or registration from Bapepam;
 - b. whether it is necessary to take certain action to protect the investors or capital market interest; and
 - c. whether it is necessary to conduct formal investigation and or criminal investigation.
8. If there is a strong allegation that the information received is correct but does not relate to Securities transaction that must be registered with Bapepam or does not relate to any activity that involve any Person required to obtain license, approval, or registration from Bapepam, then the information must be referred to the Enforcement Bureau to be delivered to other government body that has the authority to regulate or investigate such violation.
9. If there is strong indication that the information received is correct and such violation is a conduct that fulfills aspects mentioned in Item 7 Letter a above, then the Head of Technical Bureau or the appointed staff must review the information to determine whether:
- a. such violation can be easily settled between Persons involved; or
 - b. Bapepam should take certain action in relation to that violation.

10. If the Head of Technical Bureau concludes that the violation incurred may be categorized as type of violation as mentioned in Item 9 Letter a, then the respective Head of Technical Bureau must seek for solution that may be accepted by the suspect, victim, and Bapepam itself.

Efforts that may be performed by the Technical Bureau in accordance with facts of finding are including the following:

- a. asks responses from alleged Person involved in the violation;
 - b. orders Issuer or Public Company to provide statement to public in compliance with Disclosure Principle;
 - c. orders Issuer or Public Company to submit Registration Statement;
 - d. orders Issuer to add some more information in the Registration Statement that will be distributed to prospective investors during Public Offering;
 - e. orders certain Person to obtain license, approval, or registration from Bapepam;
 - f. orders certain Person to submit report or any other required document to Bapepam;
 - g. orders Stock Exchange to evaluate facts of certain trading activity and report it to Bapepam;
 - h. orders Stock Exchange to execute investigation on certain Securities Company based on certain reason or basis;
 - i. orders Stock Exchange to revise certain rule or procedure that is under its authority;
 - j. orders Stock Exchange to halt the Securities trading of certain company;
 - k. orders certain Securities Company to increase its Net Adjusted Working Capital;
 - l. orders certain Securities Company to revise any mistake contained in its confirmation letter or in its client account, fulfill its obligation to its client or settle any dispute with its client; and or
 - m. any other effort that is believed is able to settle the existing problem without taking any further serious action.
11. If the Head of Technical Bureau believes that any incurred violation may be categorized as violation as mentioned in Item 9 Letter b, or that Bapepam efforts as described in Item 10 do not successfully solve the problem, and there are some indications that such violation may cause damage to investors or capital market, then Bapepam may take certain action as mentioned in Item 15 below or even impose administrative sanction as governed in provision stated in Article 102 Item (2) of CML in order to discontinue such violation without necessarily accomplishing the Technical Investigation execution on that violation.
12. If the Head of Technical Bureau considers that administrative sanction should be imposed to the wrongdoer, then such decision and all related information obtained as well as recommendation that Bapepam should impose administrative sanction must be noted in Form II.H.1-1 and immediately referred to the Head of Enforcement Bureau.
13. The Head of Enforcement Bureau or the appointed staff must review documents as mentioned in Item 12 above, discuss them with the respective Head of Technical Bureau, and make some conclusion.
- If the conclusion states that there should be administrative sanction imposition, the Head of Enforcement Bureau must inform and discuss it with the Head of Regulations and Legal Counsel Bureau to ensure that:
- a. Bapepam, based on the existing rules and regulations, has the authority to impose such sanction;
 - b. The sanction imposition is consistent with prior sanction impositions against violations that have similar nature and consequences as the violation that is incurring; and
 - c. The sanction imposition is appropriate.
14. If the Head of Regulations and Legal Counsel agrees with sanction imposition recommended by the Head of Enforcement Bureau, then the Head of Regulations and Legal Counsel Bureau should send a formal letter together with recommendation attached to the Chairman of Bapepam to obtain approval.

On the contrary, if the Head of Regulations and Legal Counsel Bureau does not agree with the recommendation made by the Head of Enforcement Bureau, there are two alternatives for further action as follows:

- a. if there is an agreement between the Head of Regulations and Legal Counsel Bureau and Head of Enforcement Bureau that the recommendation needs to be improved, then the recommendation shall be returned to the Head of Technical Bureau to be further proceeded; or
 - b. if there is disagreement between the Head of Regulations and Legal Counsel and Head of Enforcement Bureau, the Head of Regulations and Legal Counsel Bureau must inform it in its formal letter to the Bapepam Chairman by attaching the recommendation made by the Head of Enforcement Bureau. Then it depends on the Chairman discretion policy to decide which recommendation shall be chosen and used.
15. Actions that may be taken by Bapepam as mentioned in Item 11 among other things are as follows:
- a. to halt the Securities transaction of certain company in the stock exchange in relation to undisclosed information;
 - b. to halt Securities transaction settlement;
 - c. to prohibit a certain Securities Company to conduct transaction or receive order or new client;
 - d. to order certain Securities Company to increase its Net Adjusted Working Capital;
 - e. to stop a Securities Public Offering process;
 - f. to stop the process of Tender Offer, Take Over, or business Merger;
 - g. to order Person to stop any advertisement, brochure, or other means of communication or to clarify that statement contained in the advertisement, brochure, or other means of communication is correct;
 - h. to order Person that has not obtained license, approval, or registration from Bapepam to discontinue its activity in Capital Market area; and or
 - i. to asks banks to freeze fund deposited in certain bank account.
16. Administrative sanctions as determined in Article 102 Item (2) of Capital Market Law may be imposed after going through very thorough considerations and based on strong facts or evidences that wrongdoers of such violation must be punished with administrative sanction.
- Sanctions that may imposed include:
- a. fine;
 - b. revocation of business or individual license;
 - c. cancellation of approval from Bapcpam;
 - d. cancellation of registration of Capital Market Supporting Professionals.
17. If actions taken by Bapepam as mentioned in Item 15 above cause any damage to any Person which are not involved in the violation but such action must be taken in order to protect investors and market interest, a settlement should be done immediately to avoid any harm to the Person because of the action taken.
18. If the Head of Technical Bureau decides that Technical Investigation should be discontinued, he should note down the decision together with the reasoning in Form II.H.1-1 and then stop all Technical Investigation activities on the respective case.
- Some reasons that may be used as basis for discontinuing a Technical Investigation are such as that :
- a. the case can be settled using available information;
 - b. event that is reported is not violation against Capital Market Law or its implementing regulations;
 - c. information obtained is not true or there is other information that may prove that the prior information is not true;
 - d. event that is reported is not supported with adequate facts to be proceeded further;

- e. event that is reported has become part of other larger investigation;
 - f. the source of information cannot be trusted;
 - g. the available fund and or human resources is prioritized for more important activity;
 - h. the estimated fund or human resources planned to perform Technical Investigation is not appropriate with the damage caused by the alleged violation; and or
 - i. other reasonable justifications
19. In the case that the Head of Technical Bureau decides that information provided in the Form II.H.1-1 is considered sufficient to perform further action, the respective Head or the appointed staff must perform one of the following action:
- a. filling out Form II.H.1-2 and referring it to the Head of Enforcement Bureau to be delivered to other government body responsible for taking further action;
 - b. filling out Form II.H.1-3 and referring it to the Stock Exchange that has the authority to regulate and supervise Person that is involved in the violation and also order the Stock Exchange to investigate against the violation, to seek for settlement, and to report the result of investigation and settlement performed to the Head of Technical Bureau;
 - c. to initiate the Technical Investigation to obtain necessary information in order to determine whether a violation has occurred and or to make clear any involvement of Person in the violation; or
 - d. to refer the information to the Head of Enforcement Bureau together with copies of Form II.H.1-1 and its supporting reasons and recommendation that a formal investigation should be performed.
20. To determine whether it is necessary to execute a certain action as mentioned in Item 19 Letter a, b, c, or d, Head of Technical Bureau or the appointed staff must choose:
- a. alternative 19 Letter a, if such violation falls under the jurisdiction of other government body;
 - b. alternative 19 Letter b, if Person involved in the violation is exchange member and or employee of exchange member;
 - c. alternative 19 Letter c, if such violation involves Person that is not an Exchange member, and it is believed that the alleged Person and other Person are working together voluntarily, and evidences collected show that there is no need to impose administrative and or criminal sanction to the wrongdoer; or
 - d. Alternative 19 Letter d, if there is any indication that the alleged Person or other Person will not support the execution of investigation process, or it is believed that wrongdoer of such violation should be imposed with administrative and or criminal sanction.
21. In the event that a Technical Investigation should be performed, the Head of Technical Bureau or appointed staff must make preparation of Technical Investigation and begin to administrate the case. Case administration should at least consist of the following activities:
- a. numbering the case consistently together with attachment of Form II.H.1-1 that has been completely filled out;
 - b. preparing Technical Investigation; and
 - c. arranging and keeping letters, reports, notes, articles, cassette recordings, and other documents related to Technical Investigation orderly and consistently so that they will be easily found.
22. Technical Investigation Planning must be prepared based on information contained in Form II.H.1-1 and other information related to Technical Investigation and must be made in accordance with Bapepam Rule Number II.H.2.
23. During a Technical Investigation execution, Investigator may request for information or document from any other Person voluntarily. Investigator may also interview or request for information from the alleged Person or any other Person that is believed could provide information necessary to make clear the violation incurred. The respective investigator must record the interview made and make copy or summary of the interview result, or make notes of information obtained.

24. If during the Technical Investigation process the Head of Technical Bureau decides that the existing evidences do not sufficiently support the allegation of violation and any further action made by Bapepam will not make clearer indication whether there has been violation, then the respective Head of Technical Bureau may close the case and note it in the Form II.H.1-1, and then put the information in the particular directory of Bapepam database integrated to Bapepam Local Area Network.

The respective Head of Technical Bureau must submit report to Bapepam Chairman regarding the matter together with Form II.H.1-1 that is completely filled out as attachment.

25. If the facts of finding show that there is strong indication of violation, there should be immediate effort taken to settle the case by requiring Persons involved to settle the case.

Some examples of effort include:

- a. ordering certain Securities Company to increase its Net Adjusted Working Capital;
- b. ordering certain Securities Company to immediately settle dispute with its client (s);
- c. ordering Issuer or Public Company to make correction on false or misleading information, inform it to public, and return all fund that have been spent by Persons who could prove that they had been damaged by that false or misleading information.

26. If either under Bapepam's request or based on initiative of Person being investigated, the wrongdoer decides to voluntarily make correction in accordance with procedure required by the Technical Bureau that handles the case, and if the Head of Technical Bureau is confident that incurred violation was not conducted intentionally, then the respective Head of Technical Bureau, after discussing it with the Head of Enforcement Bureau, may close that case. If the case is closed because of reason (s) mentioned above, then the Head of Technical Bureau that handles the case must describe settlement that has been taken together with its background reasoning and note it in the Form II.H.1-1 and put the data in the particular directory of Bapepam database integrated into Bapepam Local Area Network. The respective Head of Technical Bureau must also report it to the Bapepam Chairman and attach the form II.H.1-1 that has been filled out to the report.

27. In the case the Technical Bureau in executing its Technical Investigation could not obtain information needed to prove that there has been violation because the involved person (s) is/are not willing to give statement voluntarily, the respective Head of Technical Bureau must refer the case together with its supporting documents to the Head of Enforcement Bureau to seek for approval from Bapepam Chairman to start the Formal Investigation

28. In the case that during the Technical Investigation there are some evidences that are sufficient to prove that there is or there had been a violation, and the Head of Technical Bureau handling the case considers that the person (s) involved does/do not support the settlement offered, then the Head of Technical must refer the case together with its supporting documents to the Head of Enforcement Bureau for further action.

Signed in Jakarta
27 May 1998
Chairman of Indonesian Capital Market
Supervisory Agency

I PUTU GEDE ARY SUTA
NIP 060065493

Copied as appears on the original version
Executive Secretary

Winarto
NIP 060034302

APPENDIX 3 INFORMAL MEETING SHEET SAMPLE

Case Study

Complaint of Securities Firm's Client

By

Agus Saptarina

Investor A files the complaint to Bapepam-LK on October 5th, 2006. The complaint is about the stock transfer, as the order of investor, that is not done by Firm B. Investor A had 16.000.000 shares of PT XYZ (Tbk) kept in Firm B as her broker and custody, and she wanted to transfer those to Firm C on September 18th, 2006. So, She ordered the Firm B to transfer her shares. However, Firm B declined to do the order by the reason that Firm B hadn't yet got the approval from BapepamLK.

The complaint letter was forwarded to TLE Bureau by the Chairman. Based on the instruction of Head of TLE Bureau on the letter, the Securities Compliance Division invited Firm B on October 9th, 12th, and 17th, 2006 to confirm the problem. The confirmation revealed the following information:

1. The Directors of Firm B many times gave inconsistent information regarding the rejection to do the order. The reasons of negative response were follow:
 - a. There was the news in newspaper about go private plan of PT XYZ (Tbk), inspection conducted BapepamLK, and trading suspend by stock exchange on shares of PT XYZ (Tbk). Considering those circumstances, Firm B looked for BapepamLK approval to do the order by sending the following letters:
 - i) By letter Number xxxx dated September 26th, 2006, Firm B request the approval to transfer shares belong to Investor A because of the news of go private plan of PT XYZ (Tbk), inspection conducted BapepamLK, and trading suspend by stock exchange on shares of PT XYZ (Tbk).
 - ii) By letter Number xxxx dated October 4th, 2006, Firm B stated that if there wasn't objection letter from BapepamLK in seven days , Firm B immediately would transfer the shares to Firm C on October 12th, 2006.

During the meeting, Directors of Firm B admitted that they misinterpreted. Based on the rule, the transfer of the client' shares, as the Investor A order, is not needed the approval from BapepamLK.

2. The Directors of Firm B said that Firm B received the information via telephone from tax office that Investor A hadn't paid the tax.
3. The Directors of Firm B received the request from local police by letter Number xxxx dated October 9th, 2006 to block the shares of PT XYZ (Tbk) belong to Investor A.
Article 59 (4) of Capital Market Law state that blocking the client' account only can be done by Central Custody based on the order of BapepamLK or on the request of the Highest Head of local police, Head of Attorney, or High Court used for the interest of civil or crime court.

Based on the explanation, document, and data collected from Investor A and Firm B, BapepamLK by letter Number xxxx signed by Head of TLE Bureau dated November 29th, 2006 charged Firm B to solve the problem of Investor A in seven days. If Firm B could not do the shares transfer in seven days, BapepamLK would suspend the Firm B trading activities.

BapepamLK by letter Number xxxx dated December 8th, 2006 suspended Firm B trading activities since Firm B could not carry out what BapepamLK order. Then, Firm B reported BapepamLK that Firm B had already solved the problem by transferring the shares to Firm C. Bapepam by letter Number xxxx dated December 21st, 2006 nullified the suspend on Firm B trading activities.

However, on March 27th, 2007 the Board of Director of Firm B filed a sue to the police for unpleasent act done by Mr A (Head of TLE Bureau as personal) in suspending the Firm B in corelation to the case above. And the worse part, the police proceed the case and many times call Mr A for investigation.

APPENDIX 4 SOP CMSD

DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
BADAN PENGAWAS PASAR MODAL



Gedung Baru Lantai 3-8
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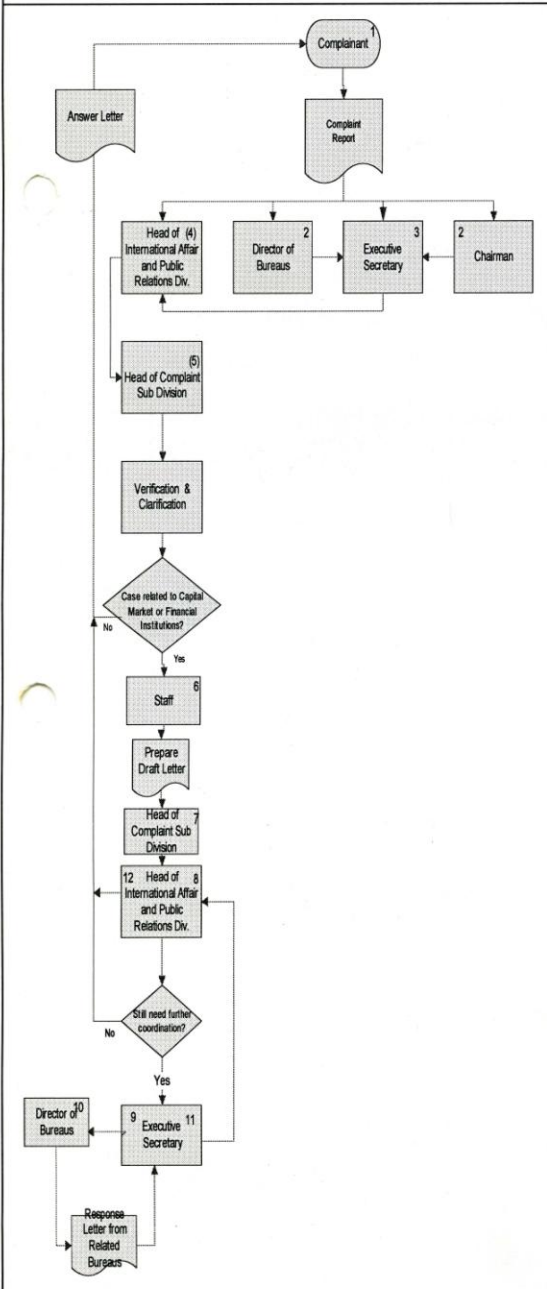
Telepon (021) 3858001
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E-mail : bapepam@bapepam.go.id

Chairman's Decision Letter Number : KEP-71/BL/2007

SOP No. 53	STANDARD OPERATING PROCEDURES	Date:
BL.01		April 30, 2007

COMPLAINTS MANAGEMENT PROCEDURE

FLOWCHARTS	PROCEDURE ELUCIDATION
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- Complainer submits report/complaint (R/C) whether in writing or directly come to International Affairs and Public Relations Division.
- Chairman and associated Echelon II Officials forward R/C to Executive Secretary in case the R/C was addressed to Chairman or associated Head of Bureau.
- Executive Secretary disposes R/C to Head of International Affairs and Public Relations Division.
- Head of International Affairs and Public Relations Division disposes R/C to Head of Complaints Sub Division.
- Head of Complaints Sub Division conducts verification on minimal requirements fulfillment on R/C (complainer identity and complaint material). As if there are needs for more information and additional data, Head of Complaints Sub Division could inquire the complainer to inclusive and or conduct clarification on R/C material. Head of Complaints Sub Division also tests out whether the substance of complaint is related to the authority, major work and function (TUPOKSI) of Bapepam-LK. Head of Complaints Sub Division informs in writing to the complainer as regard to the substance of complaints that is not related to the authority, major work and function (TUPOKSI) of Bapepam-LK, with cc to Executive Secretary and Head of International Affairs and Public Relations Division. If the complaint is related to the authority, major work and function (TUPOKSI) of Bapepam-LK, Head of Complaints Sub Division disposes the complaint to his/her staffs.
- Staffs concept Executive Secretary's letter to the associated bureau (in case need for further coordination) or Head of International Affairs and Public Relations Division's letter to the complainer with cc to Executive Secretary and Head of Complaint Sub Division (if no need for further coordination), and give it to Head of Complaint Sub Division.
- Head of Complaint Sub Division corroborates the concept letter and has the authority to correct it until it has been approved, provides signature, and forwards it to Head of International Affairs and Public Relations Division.
- Head of International Affairs and Public Relations Division corroborates the concept letter and has the authority to correct it until it has been approved, provides signature, and forwards it to Executive Secretary (in case need for further coordination with technical bureaus) or signs it himself/herself (if no need for further coordination).
- Executive Secretary corroborates the concept letter and has the authority to correct it until it has been approved, provides signature, and forwards it to associated bureaus.
- Associated bureau, in **maximum 5 (five) work days** time after receiving Executive Secretary's letter, provides responses or data/information needed to respond R/C to Executive Secretary. If it is needed, associated bureau could inquire direct clarification from the complainer or other related parties in order to settle the R/C. Associated bureau could also directly settle and send letter to the complainer with cc to Executive Secretary and Head of International Affairs and Public Relations.
- Executive Secretary assigns Head of International Affairs and Public Relations to follow up responses from associated bureau.
- Head of International Affairs and Public Relations, using responses from associated bureau, sends formal writing responses from Bapepam-LK to the complainer with cc to associated bureau and Executive Secretary.

APPENDIX 5 INTERNAL COMPLIANCE BUREAU

