

## **GOVERNMENT RETAIL BONDS**

### **1. Consideration:**

In the framework of government securities management, as been stated in the Law No. 24/2002 concerning Government Debt Securities, Ministry of Finance has the right to sell government securities both by an auction and without an auction. The sale of government securities without an auction may be conducted through selling Government Retail Bonds to the public using selling agents. The sale of Government Retail Bonds is in line with the government policy to broaden investor base in order to increase demand and market liquidity. Based on this deliberation, the government issued the Ministry of Finance Regulations concerning The Sale of Government Retail Bonds in Primary Market dated May 16, 2006.

### **2. Legal Basis:**

- Law No. 24 year 2002 regarding Government Debt Securities
- Ministry of Finance Regulations No. 36/PMK.06/2006 regarding The Selling of Government Retail Bonds in Primary Market

### **3. Objectives of the Government Retail Bonds Issuance:**

The objectives of issuing government retail bonds are to finance state budget, diversify financing source, to manage national debt portfolio and broaden investor base.

### **4. General Terms :**

- Government bond shall be government securities which have maturity no less than 12 (twelve) months as defined in Law No. 24/2002 concerning Government Debt Securities.
- Government Retail Bonds is government bond sold to individual of Indonesian citizenship through selling agent with a specified minimum volume.
- Selling agent shall be bank or securities-company appointed by The Minister of Finance to conduct the sale of Government Retail Bond.
- Bank shall be commercial bank as referred to in Act No. 7 Year 1999 concerning Banking as amended by Act No. 10 Year 1998.
- Securities company is a party that engages in the business of underwriter, broker-dealer and/or investment manager as referred to in Law No. 8 Year 1995 concerning Capital Market.

## **5. The Requirements of Investing in Government Retail Bonds:**

- Individual of Indonesian resident, which proven by driving license (SIM) or Personal Identification Card (KTP)
- Minimum investment of IDR 5,000,000.00 (five millions Rupiah) and the multiple of IDR 5,000,000.00 (five million Rupiah).
- Providing saving account in any bank and securities account in any sub-registry.

## **6. Benefits of Investing in Government Retail Bonds:**

- Safe and secure, since the coupon payment and principal secured by law.
- Provide interesting benefits, since the coupon rate is higher than bank interest rate (in primary market) and the potential of capital gain in secondary market.
- Transparent and simple of selling and buying procedure.
- Tradable in secondary market based on market price.
- Provide the opportunities for the society to directly participate in National Development.
- Coupon and principal payment conducted in accurate time and online to the investor saving account.

## **7. The Risk Investing in Government Retail Bonds:**

Basically, investing in Government Retail Bonds is free from default risk, that is the condition when the government is unable to pay the coupon and principal to investor. Nevertheless, there is a market risk if transaction is conducted in the secondary Market. There is a possibility of capital loss due to the lower selling price than buying price, whereas this risk could be prevent by not selling the government retail bond until its maturity date.

## **8. The Requirements of Investing in Government Retail Bonds:**

- Individual of Indonesian resident, which proven by driving license (SIM) or Kartu Tanda Penduduk.
- Minimum investment of IDR 5,000,000.00 (five millions Rupiah) and the multiple of IDR 5,000,000.00 (five million Rupiah).
- Providing saving account in any bank and securities account in any sub-registry.

## **9. Procedure of Investing in Government Retail Bonds:**

### **a. Investment in Primary Market**

- Open a saving account in any bank and securities account in any sub-registry.
- Fill out the order form from the selling agent appointed by the Government by attaching copy of KTP or driving license (SIM)
- Deposit cash fund to selling agent special account and delivering the cash fund transfer to the selling agent accordance with the ordering amount.
- Received Government allocation amount from selling agent based on the applicable regulations.
- Received certificate of securities ownership from selling agent.
- Received residual fund transfer in case the ordering amount is higher than received amount.

### **b. Investment in Secondary Market**

- The purchase of Government Retail Bonds through stock exchange mechanism should be conducted through securities company.
- The purchase of Government Retail Bonds through over-the-counter mechanism could be conducted through securities company or banks.

## **10. Coupon and Principal Payment Mechanism:**

The Government through Bank Indonesia will transfer the cash fund to the sub-registry with the same amount of coupon payment and/or principal of Government Retail Bonds . The sub-registry will then transfer the cash fund to the investor saving account on the maturity date of Government Retail Bonds coupon and/or principal payment.

The party recorded as Government Retail Bonds holder on sub-registry, 2 (two) days prior to the Government Retail Bonds coupon and/or principal payment date, shall has the right of Government Retail Bonds coupon and/or principal.