BANK INDONESIA REGULATION
NUMBER 6/6/PBI/2004
CONCERNING
THE INTRADAY LIQUIDITY FACILITY
FOR COMMERCIAL BANKS

THE GOVERNOR OF BANK INDONESIA,

Considering:

a. whereas the Bank Indonesia Real Time Gross Settlement (BI-RTGS) system has been launched to minimize risks and particularly systemic risks in the payment system in Indonesia that may arise from failure of interbank payments in the netting system;

b. whereas the BI-RTGS system by nature requires banks to maintain sufficient liquidity at all times in their demand deposit accounts at the central bank to prevent gridlock within the payment system that could jeopardize financial system stability;

c. whereas for the purpose of conducting transactions with Bank Indonesia, including provision of Bank Indonesia funding facilities to Banks, Bank Indonesia has launched the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) that combines the transaction system with the securities administration system;

d. whereas application for the Intraday Liquidity Facility and administration of securities pledged as collateral in support of application …
application for the Intraday Liquidity Facility is made using the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS), which is connected directly to the BI-RTGS system;

e. now therefore it is deemed necessary to enact new provisions for the Intraday Liquidity Facility for Commercial Banks in a Bank Indonesia Regulation;

In view of: 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette Number 3790);

2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette Number 4357);

3. Bank Indonesia Regulation No. 5/15/PBI/2003 concerning the Short Term Funding Facility for Commercial Banks (State Gazette of the Republic of Indonesia Number 99 of 2003, Supplement to the State Gazette Number 4317);

4. Bank Indonesia Regulation No. 6/ /PBI/2004 concerning the Bank Indonesia – Scripless Securities Settlement System (State Gazette of the Republic of Indonesia Number ….. of 2004, Supplement to the State Gazette Number …..);

HAS DECREED …
HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING THE INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANKS.

CHAPTER I
GENERAL PROVISIONS

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. “Bank” is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, conducting conventional banking operations.

2. “Bank Indonesia-Real Time Gross Settlement System,” hereinafter referred to as the BI-RTGS System, is a system for electronic funds transfer among Members in the Rupiah currency with settlement conducted on an individual per transaction basis.

3. “Bank Indonesia - Scripless Securities Settlement System,” hereinafter referred to as BI-SSS, is a system for conducting Transactions with Bank Indonesia, including the administration of these transactions and electronic Administration of Securities, that is connected directly to Members, the Operator, and the BI-RTGS System.

4. “Intraday …
4. “Intraday Liquidity Facility,” hereinafter referred to as FLI, is the funding facility extended by Bank Indonesia to Banks to resolve funding difficulties arising during the operating hours of the BI-RTGS System at certain times due to the value of outgoing transactions in the BI-RTGS system exceeding the balance of the Rupiah demand deposit account of the Bank at Bank Indonesia;

5. Short Term Funding Facility, hereinafter referred to as FPJP, is the funding facility provided by Bank Indonesia to Banks as stipulated in the Bank Indonesia Regulation concerning the Short Term Funding Facility for Commercial Banks;

6. Bank Indonesia Certificates, hereinafter referred to as SBIs, are bearer securities in the Rupiah currency, issued by Bank Indonesia in recognition of short-term debt;

7. Government Securities, hereinafter referred to as GSs, are debt instruments in the Rupiah currency issued by the Government of the Republic of Indonesia as referred to in Act Number 24 of 2002 concerning Government Securities.

8. Interbank Money Market, hereinafter also referred to as PUAB, is the lending and borrowing of funds between one Bank and another Bank.

CHAPTER II

REQUIREMENTS FOR THE INTRADAY LIQUIDITY FACILITY

Article 2

(1) A Bank may apply to Bank Indonesia for an Intraday Liquidity Facility after meeting the requirements established by Bank Indonesia.

(2) The requirements …
(2) The requirements referred to in paragraph (1) are as follows:

a. minimum rating of fairly sound;

b. holding securities in the form of SBI/s and/or GSs that may be secured as collateral;

c. not under suspension as Member Bank of the BI-RTGS and BI-SSSS; and

d. not subject to imposition of sanctions preventing it from obtaining a Short Term Funding Facility.

Article 3

(1) Before a Bank can apply for the Intraday Liquidity Facility, it must first provide a:

a. Loan Agreement for the Intraday Liquidity Facility and pledging of collateral;

b. photocopy of the articles of association of the Bank or power of attorney for a branch office of a Foreign Bank, certified by the Bank as an authentic copy.

(2) In the event of any change in the management of the Bank resulting in change of signing authority for agreements as referred to in paragraph (1), the Bank shall be required to renew and provide an amendment to the agreement.

Article 4

Bank Indonesia has the power to reject or terminate use of the Intraday Liquidity Facility if a Bank no longer meets the requirements referred to in Article 2.
CHAPTER III
REQUIREMENTS FOR COLLATERAL

Article 5

(1) Collateral as referred to in Article 2 paragraph (2) letter b that is pledged to Bank Indonesia must be free of encumbrances, not held in pledge, nor provided in guarantee in any manner whatsoever to any person or other party or to Bank Indonesia, and must not be the subject of any legal case or dispute.

(2) Collateral as referred to in paragraph (1) may not be bought or sold and/or pledged anew by the Bank as collateral.

CHAPTER IV
MECHANISM FOR USE OF THE INTRADAY LIQUIDITY FACILITY

Article 6

(1) Application for the value of the Intraday Liquidity Facility to be used by the Bank and the pledging of securities in support of the Intraday Liquidity Facility shall take place on the BI-SSSS.

(2) For use of the Intraday Liquidity Facility, the Bank must have transferred collateral as referred to in Article 2 paragraph (2) letter b to the pledged securities account in the BI-SSSS before the Bank uses the Intraday Liquidity Facility.

Article 7

(1) The calculation of selling value of SBIs and market value of GSs pledged as collateral by the Bank in support of use of the Intraday Liquidity Facility shall subject to the applicable Bank Indonesia Regulation concerning the Short Term Funding Facility for Commercial Banks.

(2) The maximum …
(2) The maximum value of Intraday Liquidity Facility that may be used by a Bank is the value of collateral as referred to in paragraph (1) transferred by the Bank to the pledged securities account in the BI-SSSS.

Article 8

(1) Use of the Intraday Liquidity Facility shall take place automatically through the BI-RTGS system when the Rupiah demand deposit of a Bank at Bank Indonesia has insufficient balance for an outgoing transaction, based on adequacy of collateral value for the Intraday Liquidity Facility in the pledged securities account in the BI-SSSS as referred to in Article 6 paragraph (2).

(2) Bank Indonesia may restrict the types of transactions for which use of the Intraday Liquidity Facility is permitted.

CHAPTER V
CHARGES FOR USE OF THE INTRADAY LIQUIDITY FACILITY

Article 9

Bank Indonesia may impose interest charges and/or other charges on a Bank for use of the Intraday Liquidity Facility.

CHAPTER VI
REPAYMENT OF THE INTRADAY LIQUIDITY FACILITY

Article 10

(1) Repayment of the Intraday Liquidity Facility shall be executed by the BI-RTGS System in each case of an incoming transaction credited in favor of the Rupiah …
Rupiah demand deposit account of the Bank concerned at Bank Indonesia until the deadline for repayment of the Intraday Liquidity Facility.

(2) Concurrent with repayment of the Intraday Liquidity Facility as referred to in paragraph (1), the Bank may return the pledged securities to the trading account of the Bank concerned.

Article 11

(1) Banks shall settle repayment of the Intraday Liquidity Facility by the deadline for repayment of the Intraday Liquidity Facility stipulated by Bank Indonesia.

(2) In the event that a Bank fails to execute repayment of the Intraday Liquidity Facility by the deadline for repayment of the Intraday Liquidity Facility, the unrepayable value of the Intraday Liquidity Facility shall be treated as a Short Term Funding Facility.

Article 12

In the event that the Intraday Liquidity Facility is treated as Short Term Funding Facility as referred to in Article 11 paragraph (2):

a. the Bank shall be subject to the applicable provisions concerning the Short Term Funding Facility for Commercial Banks; and

b. the collateral for the Intraday Liquidity Facility shall be treated as collateral for the Short Term Funding Facility.

Article 13

If a Bank is unable to repay the Intraday Liquidity Facility because of failure of the BI-RTGS System or BI-SSSS System, repayment of the Intraday Liquidity Facility shall be …
shall be executed automatically by the BI-RTGS System at the first opportunity on the following working day.

CHAPTER VII
SUPERVISION
Article 14
Bank Indonesia may examine any Bank within the framework of supervision of use of the Intraday Liquidity Facility.

CHAPTER VIII
SANCTIONS
Article 15
In the event that the Bank is unable to comply with the provisions referred to in Article 3 paragraph (2), the Bank shall be liable to sanctions in the form of:

a. financial penalty equal to 2 (two) times the interest expense charged to the Bank for the Intraday Liquidity Facility used after the date of change in management of the Bank until the date of resubmission of the agreements for use of the Intraday Liquidity Facility and pledging of collateral as referred to in Article 3 paragraph (1); and/or

b. barring from use the Intraday Liquidity Facility until the Bank resubmits the agreements for use of the Intraday Liquidity Facility and pledging of collateral as referred to in Article 3 paragraph (1).
CHAPTER IX
CONCLUDING PROVISIONS

Article 16

Article 17
With the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 2/26/PBI/2000 dated December 13, 2000, concerning the Intraday Liquidity Facility for Commercial Banks is revoked and declared no longer valid.

Article 18
This Bank Indonesia Regulation shall come into force on February 16, 2004.

Enacted in Jakarta
Dated: February 16, 2004
THE GOVERNOR OF BANK INDONESIA

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 19 OF 2004
DPM
GENERAL REVIEW

During the course of their business, banks commonly experience short-term funding difficulties brought about by mismatch between the inflow and outflow of funds. With the introduction of transaction settlement using the Bank Indonesia Real Time Gross Settlement (BI-RTGS) system, in which payment transactions are settled one by one in real time, there is a strong likelihood that Banks will experience extremely short term funding difficulties. These funding difficulties will arise from mismatch between the timing and/or value of outgoing transactions and incoming transactions. Such difficulties if sustained by one or more Banks sustain without immediate resolution are feared could lead to gridlock in the payment system that would disrupt the smooth operation of the payment system and ultimately destabilize the overall financial system.

To resolve gridlocks in payments as described above, Bank Indonesia deems it necessary to extend funding for extremely short periods during the operational hours of the BI-RTGS System in the form of the Intraday Liquidity Facility for Commercial Banks that must be repaid by the Bank at the end of the same day.

The provision of the Intraday Liquidity Facility is consistent with Bank Indonesia’s task of safeguarding the smooth operation of the payment system as stipulated …
stipulated in Article 15 of Act Number 23 of 1999 concerning Bank Indonesia as amended by Act Number 3 of 2004.

Application for the Intraday Liquidity Facility and securities administration for application for the Intraday Liquidity Facility is made using the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS), connected directly to the BI-RTGS System. The use of the BI-SSSS is expected to expedite the process of application for the Intraday Liquidity Facility and minimize settlement risks.

ARTICLE BY ARTICLE

Article 1
Self-explanatory

Article 2
Paragraph (1)
Self-explanatory

Paragraph (2)
Letter a
“Bank rated fairly sound” is defined as a Bank still in operation.
Letter b
Self-explanatory

Letter c
Criteria for suspension are subject to the applicable Bank Indonesia Regulation concerning the Bank Indonesia – Real Time Gross Settlement and the applicable Bank Indonesia Regulation concerning the Bank Indonesia – Scripless Securities Settlement System.

Letter d …
Letter d
Self-explanatory

Article 3
Paragraph (1)
Self-explanatory
Paragraph (2)
Self-explanatory

Article 4
Self-explanatory

Article 5
Paragraph (1)
Self-explanatory
Paragraph (2)
Self-explanatory

Article 6
Paragraph (1)
Self-explanatory
Paragraph (2)
Self-explanatory

Article 7
Paragraph (1)
Self-explanatory
Paragraph (2)
Self-explanatory

Article 8 …
Article 8

Paragraph (1)
Self-explanatory

Paragraph (2)
Self-explanatory

Article 9

The interest charges for the Intraday Liquidity Facility and other charges
shall be stipulated in a Circular Letter of Bank Indonesia.

Article 10

Paragraph (1)
As long as a Bank continues to use one or more Intraday Liquidity
Facilities, the BI-RTGS System shall automatically apply funds from
incoming transactions for repayment of such Intraday Liquidity
Facilities before settling any other payments.
The process of use and repayment of an Intraday Liquidity Facility
shall continue until the deadline for repayment of the Intraday
Liquidity Facility.
The deadline for use and repayment of the Intraday Liquidity Facility
shall be stipulated in a Circular Letter of Bank Indonesia.

Paragraph (2)
Self-explanatory

Article 11

Paragraph (1)
Self-explanatory

Paragraph (2)
Self-explanatory

Article 12 …
Article 12

In the event that the Intraday Liquidity Facility is treated as a Short Term Funding Facility, the Bank shall not be required to submit a written application for a Short Term Funding Facility in respect of conversion of unrepayable Intraday Liquidity Facility to a Short Term Funding Facility.

If the Bank is using and extending a Short Term Funding Facility, the value of the Intraday Liquidity Facility shall be combined into the value of the Short Term Funding Facility in use by the Bank and the number of days that the Short Term Funding Facility has been used by the Bank.

Article 13

Failure of the BI-RTGS system is defined as failure of the RTGS Central Computer (RCC) rendering all Participating Banks and/or Bank Indonesia unable to send transactions from RTGS terminals (RTs) to the RCC.

Disruption at one or more RTs and/or disruption of the RTGS network rendering one or more BI-RTGS Member Banks unable to send transactions to the RCC shall not be deemed failure of the BI-RTGS System. In the event of such disruption, the BI-RTGS Member Banks shall be required to settle repayment of any Intraday Liquidity Facility within the stipulated deadline.

Failure of the BI-SSSS System is defined as failure of the System Central Computer (SCC) in the BI-SSSS installation, rendering all Banks and/or Bank Indonesia unable to send transactions from system terminals (STs) to the SCC.

Article 14

Examination of a Member Bank having received an Intraday Liquidity Facility may take place during the disbursement period or after the maturity of the Intraday Liquidity Facility.

Article 15…
Article 15
  Self-explanatory

Article 16
  Self-explanatory.

Article 17
  Self-explanatory

Article 18
  Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 4367
DPM