

REGULATION OF MEMBER OF BOARD OF GOVERNORS
NUMBER 23/4/PADG/2021
ON
AMENDMENT TO REGULATION OF MEMBER OF BOARD OF GOVERNORS
NUMBER 20/18/PADG/2018 ON HEDGE SWAP TRANSACTIONS
TO BANK INDONESIA

BY THE BLESSINGS OF THE ALMIGHTY GOD

MEMBER OF BOARD OF GOVERNORS OF BANK INDONESIA,

- Considering :
- a. that Bank Indonesia aims to achieve and maintain rupiah stability;
 - b. that to support rupiah stability requires domestic foreign market exchange deepening, one of which through development of hedge swap transactions to Bank Indonesia in a sustainable manner;
 - c. that to increase the effectiveness of hedge swap transactions to Bank Indonesia, adjustment to reference rate is required;
 - d. that based on the considerations referred to in point a, point b, and point c, it is necessary to adjust Regulation of Member of Board of Governors Number 20/18/PADG/2018 dated 21 August 2018 on Hedge Swap Transactions to Bank Indonesia;
 - e. that based on the considerations as referred to in point

a, point b, point c, and point d, it is necessary to issue Regulation of the Member Board of Governors on Amendment to Regulation of the Member Board of Governors Number 20/18/PADG/2018 on Hedge Swap Transactions to Bank Indonesia;

- Observing : 1. Bank Indonesia Regulation Number 15/17/PBI/2013 on Hedge Swap Transactions to Bank Indonesia (State Gazette of the Republic of Indonesia of 2013 Number 237, Supplement to State Gazette of the Republic of Indonesia Number 5480) as amended several times and last by Bank Indonesia Regulation Number 23/4/PBI/2021 on the Fourth Amendment to Bank Indonesia Regulation Number 15/17/PBI/2013 on Hedge Swap Transactions to Bank Indonesia (State Gazette of the Republic of Indonesia of 2021 Number 85, Supplement to State Gazette of the Republic of Indonesia Number 6674);
2. Regulation of Member Board of Governors Number 20/18/PADG/2018 dated 21 August 2018 on Hedge Swap Transactions to Bank Indonesia;

HAS DECIDED:

To enact : REGULATION OF MEMBER OF BOARD OF GOVERNORS ON AMENDMENT TO REGULATION OF MEMBER OF BOARD OF GOVERNORS NUMBER 20/18/PADG/2018 ON HEDGE SWAP TRANSACTIONS TO BANK INDONESIA.

Article I

Several provisions of Regulation of Member of Board of Governors Number 20/18/PADG/2018 dated 21 August 2018 on Hedge Swap Transactions to Bank Indonesia are amended as follows:

1. The provision of Article 1, is inserted 1 point, namely Point 10 and therefore, Article 1 reads as follows:

Article 1

In this Regulation of Member of Board of Governors:

1. Bank means commercial bank as specified in Law Number 7 of 1992 on Banking as amended by Law Number 10 of 1998 including branch office of foreign bank in Indonesia, but excluding bank that lawfully incorporated in Indonesia and operating overseas.
2. Purchase Swap Transaction by a Bank to Bank Indonesia means exchange of two currencies

through spot selling with termed repurchase simultaneously with Bank Indonesia at a premium or discount and exchange rate prepared and agreed on a transaction date.

3. Hedge Swap Transaction to Bank Indonesia means purchase swap transaction by Bank in foreign currency against rupiah for hedging between the Bank and Bank Indonesia.
4. Underlying Hedge Swap Transaction to Bank Indonesia, hereinafter referred to as Underlying Transactions, means an activity that becomes the basis for Hedge Swap Transaction to Bank Indonesia.
5. Resident means individuals, legal entities, or any other entities that domicile or plan to domicile in Indonesia for at least 1 (one) year, including the Republic of Indonesia's diplomatic representative and staff overseas.
6. Offshore Loan means a Resident's obligation to a non-Resident in a foreign currency.
7. Direct Investment in Indonesia, hereinafter referred to as Direct Investment, means direct long-term investment, not through a capital market, by a foreign investors to conduct business activities within the Republic of Indonesia.
8. Hedging Contract means information from a Bank

submitted to Bank Indonesia containing a plan for the term and amount of Underlying Transaction used as the basis for Hedge Swap Transactions to Bank Indonesia, by means of transactions determined by Bank Indonesia.

9. Daily Report System of Commercial Banks, hereinafter referred to as LHBUS System, means the daily reporting medium of a Bank to Bank Indonesia, including providing of money market information and announcement from Bank Indonesia.
 10. Integrated Commercial Bank Reporting means information compiled and submitted by a reporting Bank to Bank Indonesia in an integrated manner and in a standard format and definition according to the metadata determined by the authorities.
2. Provisions of Article 12 paragraph (2) are amended, and therefore, Article 12 reads as follows:

Article 12

- (1) The type of foreign currency in Hedge Swap Transaction to Bank Indonesia follows the type of foreign currencies announced by Bank Indonesia no later than before the opening of transaction's window time.

- (2) The lowest bid nominal value proposed in a Hedge Swap Transaction to Bank Indonesia and its multiples are announced by Bank Indonesia through LHBUS System, Integrated Commercial Bank Reporting system and/or any other means of information determined by Bank Indonesia, at the highest bid nominal value equals to the Underlying Transaction value.
3. Provisions of Article 13 are amended, and therefore, Article 13 reads as follows:

Article 13

A Hedge Swap Transaction to Bank Indonesia in United States dollar against rupiah uses the spot rate, namely Jakarta Interbank Spot Dollar Rate (JISDOR), on the previous business day.

4. Provisions of Article 14 are amended, and therefore, Article 14 reads as follows:

Article 14

A Hedge Swap Transaction to Bank Indonesia in other foreign currencies other than United States dollar against rupiah uses the spot rate namely, the cross rate

calculated based on the Jakarta Interbank Spot Dollar Rate (JISDOR), on the previous business day.

5. Provisions of Article 15 are amended, and therefore, Article 9 reads as follows:

Article 15

Bank Indonesia announces Hedge Swap Transactions to Bank Indonesia no later than before the opening of the transaction's window time through LHBUS System, Integrated Commercial Bank Reporting system, and/or any other means of information determined by Bank Indonesia.

6. Provisions of Article 17 point f and point j are amended, and therefore, Article 17 reads as follows:

Article 17

The announcement of Hedge Swap Transactions to Bank Indonesia as referred to in Article 15 includes:

- a. period of swap transaction;
- b. swap premium;
- c. transaction date;
- d. transaction window time;
- e. value date or settlement date;
- f. spot rate;

- g. type of foreign currency;
- h. the lowest bid amount and its multiples;
- i. means of submission of Hedging Contract and Hedge Swap Transaction to Bank Indonesia; and/or
- j. other information if necessary.

7. Provisions of Article 32 are amended, and therefore, Article 32 reads as follows:

Article 32

Bank confirms its submission of Hedge Swap Transactions to Bank Indonesia through the means of transactions determined by Bank Indonesia, which include:

- a. type of foreign currency;
- b. nominal value;
- c. period of transaction;
- d. value date;
- e. due date;
- f. spot rate;
- g. forward rate;
- h. swap premium;
- i. a Bank's foreign currency account number with a correspondent bank;

- j. a Bank's rupiah checking account number with Bank Indonesia; and
 - k. other information if necessary.
8. Provisions of Article 34 paragraph (2) are amended, and therefore, Article 34 reads as follows:

Article 34

- (1) Bank Indonesia conducts first leg settlement within 2 (two) business days at the maximum after the date of Hedge Swap Transaction to Bank Indonesia by crediting a Bank's rupiah checking account in an amount equal to the first leg settlement.
 - (2) The value of the first leg settlement as referred to in paragraph (1) is calculated equal to the submitted foreign currency nominal value multiplied by the spot rate specified in the announcement of Hedge Swap Transactions to Bank Indonesia on the transaction date.
9. Provisions of Article 46 are amended, and therefore, Article 46 reads as follows:

Article 46

Bank confirms its submission of extension of Hedge Swap Transaction to Bank Indonesia through the means

of transactions determined by Bank Indonesia, which include:

- a. type of foreign currency;
- b. nominal value of transaction;
- c. period of transaction;
- d. value date;
- e. due date;
- f. spot rate;
- g. forward rate;
- h. swap premium;
- i. netting nominal value in foreign currency and rupiah, if the settlement is made in netting;
- j. a Bank's foreign currency account number with a correspondent bank;
- k. a Bank's rupiah checking account number with Bank Indonesia; and
- l. other information if necessary.

10. Provisions of Article 53 paragraph (2) are amended, and therefore, Article 53 reads as follows:

Article 53

- (1) Bank Indonesia announces the omission of Hedge Swap Transactions to Bank Indonesia as referred to in Article 52 no later than 3 (three) business days

prior to the omission date of Hedge Swap Transactions to Bank Indonesia.

- (2) The announcement as referred to in paragraph (1) is made through LHBUS System, Integrated Commercial Bank Reporting system, and/or any other means of information determined by Bank Indonesia.

- 11. Provisions of paragraph (1) point b, paragraph (2), and paragraph (4) point b of Article 54 are amended, and therefore, Article 54 reads as follows:

Article 54

- (1) A Bank that breaches the obligations relevant to the requirements as referred to in Article 2 paragraph (5), Article 7 paragraph (1), Article 7 paragraph (3), Article 40 paragraph (1), and/or Article 40 paragraph (2) shall be subject to the following sanctions:
 - a. written warning; and
 - b. payment obligation amounting to 0.1% (zero point one percent) of the value of a Hedge Swap Transaction to Bank Indonesia paid in rupiah denomination by using:
 - 1. Jakarta Interbank Spot Dollar Rate (JISDOR) on a business day prior to the

transaction date for the Hedge Swap Transaction to Bank Indonesia in United States dollar against rupiah; or

2. cross rate calculated based on Jakarta Interbank Spot Dollar Rate (JISDOR) on a business day prior to the transaction date for the Hedge Swap Transaction to Bank Indonesia in a foreign currency other than United States dollar against rupiah.
- (2) The highest amount of payment obligation sanction as referred to in paragraph (1) point b is Rp1,000,000,000.00 (one billion rupiah) per Hedge Swap Transaction to Bank Indonesia.
 - (3) The Bank that breaches the provisions for document completeness as referred to in Article 8 and/or Article 40 paragraph (3) shall be subject to sanction of written warning.
 - (4) The Bank that breaches the provisions for settlement as referred to in Article 35 paragraph (1) and/or Article 37 paragraph (1) shall be subject to the following sanctions:
 - a. written warning; and
 - b. payment obligation which is calculated based on:
 1. average effective Fed Fund rate applicable during a delay period plus margin of 200

(two hundred) basis points multiplied by transaction nominal amount multiplied by the number of delay day(s) divided by 360 (three hundred sixty) for payment obligation settlement in United States dollar;

2. average Bank Indonesia 7-Day (Reverse) Repo Rate applicable during a delay period plus margin of 350 (three hundred fifty) basis points multiplied by transaction nominal amount multiplied by the number of delay day(s) divided by 360 (three hundred sixty) for payment obligation settlement in rupiah; or
3. average interest rate issued by the central bank or monetary authority in the relevant country (official rate) applicable during a delay period plus margin of 200 (two hundred) basis points multiplied by transaction nominal amount multiplied by the number of delay day(s) divided by 360 (three hundred sixty) for payment obligation settlement in a foreign currency other than United States dollar.

12. Provisions of Article 55 are amended, and therefore, Article 55 reads as follows:

Article 55

- (1) Settlement of the payment obligation sanction as referred to in Article 54 paragraph (1) point b is applied through debiting the relevant Bank's rupiah checking account at Bank Indonesia within 3 (three) business days at the maximum after the date of sanction imposition letter.
- (2) Settlement of the payment obligation sanction as referred to in Article 54 paragraph (4) point b point 1) or point 2) is applied by debiting the relevant Bank's foreign currency checking account or rupiah checking account at Bank Indonesia within 3 (three) business days at the maximum after the date of the transaction settlement obligation fulfillment.
- (3) Settlement of the payment obligation sanction as referred to in Article 54 paragraph (4) point b point 3) is applied by debiting the Bank's rupiah checking account at Bank Indonesia within 3 (three) business days at the maximum after the date of the transaction settlement obligation fulfillment, with conversion rate to rupiah by using cross rate calculated based on Jakarta Interbank Spot Dollar

Rate (JISDOR) on a business day prior to the transaction date.

- (4) If necessary, Bank Indonesia may change the margin as referred to in Article 54 paragraph (4) point b.

13. Annex IV, Annex V, Annex VI, Annex VII, and Annex VIII are amended, and therefore, they read as Annex IV, Annex V, Annex VI, Annex VII, and Annex VIII which an integral part of this Regulation of Member of Board of Governors.

Article II

This Regulation comes into force on 5 April 2021.

In order that every person may know hereof, it is ordered to promulgate this Regulation of Member of Board of Governors by its placement in the Official Gazette of the Republic of Indonesia.

Issued in Jakarta
on 31 March 2021

MEMBER OF BOARD OF GOVERNORS,

SIGNED

DESTRY DAMAYANTI

ELUCIDATION
OF
REGULATION OF MEMBER OF BOARD OF GOVERNORS
NUMBER 23/4/PADG/2021
ON
AMENDMENT TO REGULATION OF MEMBER OF BOARD OF GOVERNORS
NUMBER 20/18/PADG/2018 ON HEDGE SWAP TRANSACTIONS
TO BANK INDONESIA

I. GENERAL

In order to support domestic foreign exchange market deepening under condition with limited swap instruments in the financial market on medium and long terms, Bank Indonesia provides hedge swap instruments for domestic market participants that are expected to be able to support liquidity management and maintainance of rupiah exchange rate stability.

Bank Indonesia continuously develops Hedge Swap Transactions to Bank Indonesia. To increase implementation effectiveness, Bank Indonesia adjusts the reference rate used in Hedge Swap Transactions to Bank Indonesia in line with the implementation of Jakarta Interbank Spot Dollar Rate (JISDOR) strengthening.

In connection therewith, it is necessary to amend Regulation of Member of Board of Governors Number 20/18/PADG/2018 dated 21 August 2018 on Hedge Swap Transactions to Bank Indonesia.

II. ARTICLE BY ARTICLE

Article I

Point 1

Article 1

Sufficiently clear.

Point 2

Article 12

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Announcement in LHBUS System, Integrated Commercial Bank Reporting system, and/or any other means of information is made through announcement facility.

Point 3

Article 13

Sufficiently clear.

Point 4

Article 14

The term “cross rate” means exchange rate between two currencies that are both valued against a third currency.

Point 5

Article 15

Sufficiently clear.

Point 6

Article 17

Sufficiently clear.

Point 7

Article 32

Sufficiently clear.

Point 8

Article 34

Sufficiently clear.

Point 9

Article 46

Sufficiently clear.

Point 10

Article 53

Sufficiently clear.

Point 11

Article 54

Sufficiently clear.

Point 12

Article 55

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The change of margin may be applied among others
by considering the economic condition.

Point 13

Sufficiently clear.

Article II

Sufficiently clear.