

BANK INDONESIA REGULATION
NUMBER 24/20/PBI/2022
ON
SHARIA HEDGE SWAP TRANSACTIONS TO BANK INDONESIA

BY THE BLESSINGS OF ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

- Considering : a. that it is necessary to support the objective of Bank Indonesia to achieve and maintain rupiah stability, one of which is reflected in the stability of rupiah exchange rate by financial market development and deepening;
- b. that to achieve the objective as referred to in point a, Bank Indonesia develops hedge swap transactions under sharia principles as a hedging instrument to mitigate exchange rate fluctuation risk as part of monetary control;
- c. that based on the foregoing considerations in point a and point b, it is necessary to establish Bank Indonesia Regulation on Sharia Hedge Swap transactions to Bank Indonesia;
- Observing : 1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
2. Law Number 24 of 1999 on Foreign Exchange Flow and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);
3. Law Number 21 of 2008 on Sharia Banking (State Gazette of the Republic of Indonesia

of 2008 Number 94, Supplement to State Gazette of the Republic of Indonesia Number 4867);

4. Bank Indonesia Regulation Number 23/18/PBI/2021 on Monetary Control (State Gazette of the Republic of Indonesia of 2021 Number 282, Supplement to State Gazette of the Republic of Indonesia Number 6748);

HAS DECIDED:

To enact : BANK INDONESIA REGULATION ON SHARIA HEDGE SWAP TRANSACTIONS TO BANK INDONESIA.

CHAPTER I GENERAL PROVISIONS

Article 1

In this Bank Indonesia Regulation:

1. Bank means any commercial bank conducting business activities under sharia principles and a sharia business unit conducting business activities in foreign currencies.
2. Spot Transaction means a transaction to sell or buy foreign currencies against rupiah in the foreign exchange market in cash where a fund transfer is made within 2 (two) working days after a transaction date.
3. Hedging means a method or technique to reduce risks both arising and anticipated from price fluctuations in the financial market.
4. Forward Agreement (*al-Muwa'adat li 'Aqd al-Sharf al-Fawri fi al-Mustaqbal*), hereinafter referred to as Forward Agreement, means agreement on Spot Transaction in a certain amount in the future at an exchange rate or exchange rate calculation agreed upon agreement conclusion.
5. Sharia Hedge Swap Transaction to Bank Indonesia means a Bank's complex purchase Hedging transaction to Bank Indonesia, which is a sequence of the Bank's selling Spot Transaction to Bank Indonesia and Forward Agreement followed by the Bank's purchase Spot Transaction to Bank Indonesia upon maturity date of Forward Agreement and the settlement in the form of currency transfer.
6. Sharia Hedge Swap Underlying Transaction, hereinafter referred to as Underlying Transaction, means an activity underlying a Sharia Hedge Swap Transaction to Bank Indonesia that is not in contravention of sharia principles.
7. Sharia Hedging Contract means information from a Bank delivered to Bank Indonesia consisting of the planned term and amount of Underlying Transaction used as Sharia Hedging Swap Underlying Transaction to Bank Indonesia, through means of communication determined by Bank Indonesia.

CHAPTER II
OBJECTIVE OF SHARIA HEDGE SWAP TRANSACTIONS TO
BANK INDONESIA

Article 2

A Sharia Hedge Swap Transaction to Bank Indonesia is conducted as a Hedging instrument to maintain rupiah exchange rate stability through exchange rate risk management and to encourage sharia financial market deepening.

CHAPTER III
CHARACTERISTICS OF SHARIA HEDGE SWAP
TRANSACTIONS TO BANK INDONESIA

Article 3

Sharia Hedge Swap Transaction to Bank Indonesia is conducted in foreign currency against rupiah.

Article 4

- (1) Sharia Hedge Swap Transaction to Bank Indonesia uses *al-tahawwuth al-murakkab* agreement.
- (2) In the event of an agreement amendment due to a fatwa and/or sharia compliance statement from the authority authorized to issue a fatwa and/or sharia compliance statement, Bank Indonesia may apply the agreement amendment as referred to in paragraph (1).
- (3) Provisions for agreement amendment as referred to in paragraph (2) shall be regulated in a Regulation of Member of the Board of Governors.

Article 5

Sharia Hedge Swap Transaction to Bank Indonesia is conducted using an Underlying Transaction.

Article 6

- (1) A Sharia Hedge Swap Transaction to Bank Indonesia is conducted under a Sharia Hedging Contract.
- (2) The maximum term of a Sharia Hedging Contract is 3 (three) years.
- (3) The maximum term of a Sharia Hedge Swap Transaction to Bank Indonesia is 12 (twelve) months.
- (4) Sharia Hedge Swap Transactions to Bank Indonesia may be extended.
- (5) Early termination may not apply to any Sharia hedge swap transactions to Bank Indonesia.

CHAPTER IV
PARTICIPANTS, UNDERLYING TRANSACTIONS, SHARIA
HEDGING CONTRACTS, IMPLEMENTATION, DETERMINED
PRICE, AND MEANS IN SHARIA HEDGE SWAP
TRANSACTIONS TO BANK INDONESIA

Part One
Participants of Sharia Hedge Swap Transactions to Bank
Indonesia

Article 7

A Bank which applies for Sharia hedge swap Transactions to Bank Indonesia must meet the following requirements:

- a. has a permit as a sharia monetary operation participant in foreign currency;
- b. has a certain Bank soundness level;
- c. is not under temporary suspension sanction to participate in monetary operation activities by Bank Indonesia; and
- d. is not under participation restriction sanctioned in monetary operations by Bank Indonesia.

Article 8

Further provisions for requirements for Banks eligible for Sharia Hedge Swap Transactions to Bank Indonesia shall be regulated in a Regulation of Member of the Board of Governors.

Part Two
Underlying Transactions

Article 9

- (1) In conducting a Sharia Hedge Swap Transaction to Bank Indonesia, a Bank must meet the Underlying Transaction requirements.
- (2) The Underlying Transaction requirements as referred to in paragraph (1) include:
 - a. it is owned by the Bank or customer;
 - b. it relates to an economic activity;
 - c. it is evidenced by Underlying Transaction documents; and
 - d. it is not in contravention of sharia principles.

Article 10

- (1) The Underlying Transaction relating to an economic activity as referred to in Article 9 paragraph (2) point b includes:
 - a. current account activities;
 - b. financial account activities;
 - c. capital account activities;
 - d. financing from Banks to residents for trade and investment purposes;
 - e. trade of goods and services within the country; and
 - f. any other Underlying Transactions determined by Bank Indonesia.
- (2) The Underlying Transactions as referred to in paragraph (1) exclude:

- a. securities issued by Bank Indonesia;
- b. fund placement;
- c. unwithdrawn financing facilities; or
- d. crypto asset.

Article 11

- (1) Bank Indonesia determines the types of documents used as Underlying Transaction documents as referred to in Article 9 paragraph (2) point c.
- (2) The Underlying Transaction documents as referred to in paragraph (1) must be final.

Article 12

- (1) Foreign currency types in Sharia Hedge Swap Transactions to Bank Indonesia are the same as the foreign currency types used in Underlying Transactions.
- (2) The term of an Underlying Transaction is the same as or longer than the term of a Sharia Hedging Contract.
- (3) The maximum nominal amount of the Sharia Hedge Swap Transaction to Bank Indonesia is the same as the Underlying Transaction nominal amount.

Article 13

In the event a Bank applies for a Sharia hedge swap transaction to Bank Indonesia and does not meet the requirements, Bank Indonesia will not proceed with the Sharia Hedge Swap Transaction to Bank Indonesia.

Article 14

Any Bank breaching the provisions as referred to in Article 9 or Article 11 is subject to the following administrative sanctions:

- a. written warning; and
- b. payment obligation of 0.1% (zero point one percent) from the nominal value of Sharia Hedge Swap Transaction to Bank Indonesia paid in rupiah, at a maximum of Rp1,000,000,000.00 (one billion rupiah) per Sharia Hedge Swap Transaction to Bank Indonesia.

Article 15

Further provisions for Underlying Transaction requirements and the mechanism to impose sanctions against any breach of fulfillment of Underlying Transaction requirements shall be regulated in a Regulation of Member of the Board of Governors.

Part Three Sharia Hedging Contract

Article 16

- (1) Sharia Hedging Contracts must be applied to Bank Indonesia for each Sharia Hedge Swap Transaction to Bank Indonesia.
- (2) The Sharia Hedging Contract as referred to in paragraph (1) constitutes an inseparable part of the Sharia Hedge Swap Transaction application to Bank Indonesia.

Article 17

Further provisions for requirements and mechanism for Sharia Hedging Contract application in a Regulation of Member of the Board of Governors.

Part Four

Implementation of Sharia Hedge Swap Transactions to Bank Indonesia

Article 18

- (1) A Sharia Hedge Swap Transaction to Bank Indonesia is conducted bilaterally.
- (2) A Sharia hedge swap transaction to Bank Indonesia is conducted on a working day of Bank Indonesia.

Article 19

- (1) Banks must comply with the mechanism for the implementation of Sharia Hedge Swap Transactions to Bank Indonesia.
- (2) The mechanism for implementation of Sharia Hedge Swap Transactions as referred to in paragraph (1) includes:
 - a. transaction application and transaction settlement; and/or
 - b. mechanism of implementation of other transactions.

Article 20

- (1) Forward Agreement in a Sharia Hedge Swap Transaction to Bank Indonesia is implemented through an agreement specified in a *wa'd*.
- (2) The *wa'd* as referred to in paragraph (1) constitutes an inseparable part of the Sharia Hedge Swap Transaction application to Bank Indonesia.
- (3) Bank is required to realize the *wa'd* as referred to in paragraph (1) on the maturity date of Forward Agreement.
- (4) In the event a Bank fails to meet the obligations as referred to in paragraph (3), a Sharia hedge swap transaction to Bank Indonesia is treated as a Spot Transaction and Sharia hedge swap transaction to Bank Indonesia will be declared canceled.
- (5) Any Bank breaching the provisions as referred to in paragraph (3) is subject to the following administrative sanctions:
 - a. written warning; and
 - b. payment obligation of 0.1% (zero point one percent) from the nominal amount of Sharia Hedge Swap Transaction to Bank Indonesia paid in rupiah, at a maximum of Rp1,000,000,000.00 (one billion rupiah) per Sharia Hedge Swap Transaction to Bank Indonesia.

Article 21

A Bank is responsible for the accuracy of data on Sharia Hedge Swap Transaction application to Bank Indonesia.

Article 22

A Bank which has applied for Sharia Hedge Swap Transaction to Bank Indonesia may not cancel an already made Sharia Hedge Swap Transaction to Bank Indonesia.

Article 23

Bank Indonesia may annul a Sharia Hedge Swap Transaction to Bank Indonesia, except for the extension of a Sharia Hedge Swap Transaction to Bank Indonesia.

Article 24

Bank Indonesia may reject a Sharia Hedge Swap Transaction application to Bank Indonesia based on certain considerations.

Article 25

Further provisions for the implementation of Sharia Hedge Swap Transactions to Bank Indonesia and the mechanism of sanction imposition on any breach of the implementation of Sharia Hedge Swap Transactions to Bank Indonesia shall be regulated in a Regulation of Member of the Board of Governors.

Part Five

Price Determined in Sharia Hedge Swap Transactions to Bank Indonesia

Article 26

Bank Indonesia determines the price used in Sharia Hedge Swap Transactions to Bank Indonesia.

Article 27

Further provisions for pricing used in Sharia hedge swap transactions to Bank Indonesia shall be regulated in a Regulation of Member of Board of Governors.

Part Six

Means of Sharia Hedge Swap Transactions to Bank Indonesia

Article 28

- (1) Bank Indonesia determines the means used in Sharia Hedge Swap Transactions to Bank Indonesia.
- (2) The means as referred to in paragraph (1) include:
 - a. the means used in the implementation of Sharia Hedge Swap Transactions to Bank Indonesia (trading platform);
 - b. the means used in the settlement platform; and
 - c. any other means determined by Bank Indonesia.

Article 29

Further provisions for facilities used in Sharia Hedge Swap Transactions to Bank Indonesia shall be regulated in a Regulation of Member of the Board of Governors.

CHAPTER V
EXTENSION OF SHARIA HEDGE SWAP TRANSACTIONS TO
BANK INDONESIA

Article 30

- (1) A Bank may apply for the extension of a Sharia Hedge Swap Transaction to Bank Indonesia as referred to in Article 6 paragraph (4).
- (2) In applying for the extension of a Sharia Hedge Swap Transaction to Bank Indonesia, a Bank must meet the requirements as referred to in Article 7.

Article 31

- (1) Extension of Sharia Hedge Swap Transactions to Bank Indonesia uses a valid Sharia Hedging Contract.
- (2) The extension term of the Sharia Hedge Swap Transaction to Bank Indonesia follows the remaining term of the Sharia Hedging Contract and it is 12 (twelve) months at a maximum.
- (3) The maximum nominal value for the extension of Sharia Hedge Swap Transaction to Bank Indonesia is the same as the Underlying Transaction value.

Article 32

In the event a Bank fails to meet the provisions as referred to in Article 9, Article 11, and/or Article 31, any ongoing Sharia Hedge Swap Transaction to Bank Indonesia may not be extended.

Article 33

Further provisions for the extension of Sharia Hedge Swap Transactions to Bank Indonesia shall be regulated in a Regulation of Member of the Board of Governors.

CHAPTER VI
SETTLEMENT OF SHARIA HEDGE SWAP TRANSACTIONS TO
BANK INDONESIA

Article 34

- (1) A Bank is required to settle Sharia Hedge Swap Transactions to Bank Indonesia
- (2) The transaction settlement as referred to in paragraph (1) is conducted by:
 - a. making fund transfers in foreign currency according to the transaction value to the account designated by Bank Indonesia; and
 - b. providing sufficient funds in the Bank's rupiah giro account at Bank Indonesia.
- (3) The funds as referred to in paragraph (2) point a must be received by Bank Indonesia on the date determined by Bank Indonesia.
- (4) The funds as referred to in paragraph (2) point b must be provided on the date determined by Bank Indonesia.

Article 35

Settlement of the extension of Sharia Hedge Swap Transactions to Bank Indonesia may be conducted in netting.

Article 36

Bank Indonesia debits Bank's giro account at Bank Indonesia for settlement of Sharia Hedge Swap Transactions to Bank Indonesia.

Article 37

- (1) Any Bank breaching the provisions as referred to in Article 34 is subject to the following administrative sanctions:
 - a. written warning; and
 - b. payment obligation calculated on the basis of:
 1. average effective Fed Fund Rate during a delay period plus a margin of 200 (two hundred) basis points multiplied by the nominal value of Sharia hedge swap transaction to Bank Indonesia multiplied by the number of delay day(s) divided by 360 (three hundred sixty) for payment settlement in US dollars;
 2. average policy rate issued by the central bank or monetary authority in the corresponding value country (official rate) effective during a delay period plus a margin of 200 (two hundred) basis points multiplied by the nominal value of Sharia hedge swap transaction to Bank Indonesia multiplied by the number of delay day(s) divided by 360 (three hundred sixty) for payment settlement in a foreign currency other than US dollars; or
 3. average Bank Indonesia 7-Day (Reverse) Repo Rate effective during a delay period plus a margin of 350 (three hundred fifty) basis points multiplied by the nominal value of Sharia hedge swap transaction to Bank Indonesia multiplied by the number of delay day(s) divided by 360 (three hundred sixty) for payment settlement in rupiah.
- (2) If required, Bank Indonesia may change the margin as referred to in paragraph (1) point b.
- (3) Provisions for margin change as referred to in paragraph (2) shall be regulated in a Regulation of Member of the Board of Governors.

Article 38

Further provisions for mechanism to settle Sharia hedge swap transactions to Bank Indonesia and the mechanism of sanction imposition on any breach of settlement Of Sharia Hedge Swap Transactions to Bank Indonesia shall be regulated in a Regulation of Member of the Board of Governors.

CHAPTER VII
SUPERVISION

Article 39

- (1) Bank Indonesia supervises the Bank's compliance with Bank Indonesia Regulation on Sharia Hedge Swap Transactions to Bank Indonesia.
- (2) The supervision as referred to in paragraph (1) includes:
 - a. indirect supervision; and
 - b. examination.

Article 40

In the event of supervision as referred to in Article 39, Bank Indonesia may request the data, information, and statement to a Bank.

CHAPTER VIII
CLOSING PROVISIONS

Article 41

This Bank Indonesia Regulation comes into force on its promulgation date.

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

Issued in Jakarta
on 22 December 2022

GOVERNOR OF BANK INDONESIA,

PERRY WARJIYO

Promulgated in Jakarta
on 27 December 2022

MINISTER OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA,

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2022 NUMBER 34/BI

ELUCIDATION
OF
BANK INDONESIA REGULATION
NUMBER 24/20/PBI/2022
ON
SHARIA HEDGE SWAP TRANSACTIONS TO BANK INDONESIA

I. GENERAL

Bank Indonesia aims to achieve and maintain rupiah stability. More integrated global financial conditions facilitate capital flow, affecting rupiah exchange rate fluctuation. Efforts to realize Bank Indonesia's objective need to be supported by minimizing exchange rate risk.

Bank Indonesia develops Hedging instruments under sharia principles in line with efforts to achieve an ideal financial market condition, namely a liquid, efficient, and transparent financial market with integrity. It is expected to be able to increase foreign currency transactions, supported by sharia banks involved in economic activities in Indonesia.

Bank Indonesia ensures fulfillment of sharia principles through a fatwa and/or sharia compliance statement from the authority authorized to issue a fatwa or sharia compliance statement. Based on the foregoing, Bank Indonesia issues Bank Indonesia Regulation on Sharia Hedge Swap Transactions to Bank Indonesia.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Sufficiently clear.

Article 4

Paragraph (1)

The term "*al-tahawwuth al-murakkab* agreement" means an agreement to conduct complex Hedging transactions under the scheme of sequence of Spot Transactions and Forward Agreement followed by Spot Transactions on the maturity date of Forward Agreement and the settlement in the form of currency transfer.

Paragraph (2)
Sufficiently clear.
Paragraph (3)
Sufficiently clear.

Article 5
Sufficiently clear.

Article 6
Paragraph (1)
Sufficiently clear.
Paragraph (2)
Sufficiently clear.
Paragraph (3)
Sufficiently clear.
Paragraph (4)
Sufficiently clear.
Paragraph (5)
Termination of a transaction prior to the maturity date is usually called early termination.

Article 7
Sufficiently clear.

Article 8
Sufficiently clear.

Article 9
Sufficiently clear.

Article 10
Paragraph (1)
Point a
Current account activities include, among others, export, import, and income transfer.
Point b
Financial account activities include, among others, direct investment and portfolio investment.
Point c
Capital account activities include, among others, capital transfer.
Point d
The term “resident” means individual, legal entity, or any other entity domiciled or planning to domicile in Indonesia for at least 1 (one) year, including representatives and diplomatic staff of another country in Indonesia.
Point e
Sufficiently clear.
Point f
Sufficiently clear.
Paragraph (2)
Point a
Sufficiently clear.
Point b
Fund placement includes, among others, savings, current account, term deposit, and negotiable certificate of deposit.

Point c

Sufficiently clear.

Point d

The term “crypto asset” means intangible asset in the form of digital asset, including using cryptography, peer-to-peer network, and distributed ledger.

Article 11

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term “a final Underlying Transaction document” means documents that show an unchanging time and/or amount of receipt or needs for foreign currency.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term “working day” means the working days of Bank Indonesia, excluding limited operational working days of Bank Indonesia.

Article 19

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

The term “mechanism of the implementation of other transactions” means, among others, confirmation of Sharia Hedge Swap Transaction application to Bank Indonesia.

Article 20

Paragraph (1)

The term “*wa’d*” means a statement of intent to make a purchase Spot Transaction to Bank Indonesia on the maturity date of Forward Agreement.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Spot Transaction means the Bank’s sale of a Spot Transaction to Bank Indonesia.

Paragraph (5)

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

The term “to annul Sharia Hedge Swap Transaction to Bank Indonesia” means Bank Indonesia does not open any new application for Sharia hedge swap transactions to Bank Indonesia.

Bank Indonesia may annul a Sharia Hedge Swap Transaction to Bank Indonesia based on, among others, financial market development.

Article 24

The term “certain considerations” include, among others, information on Bank’s condition development.

Article 25

Sufficiently clear.

Article 26

The term “price” means, among others, spot rate and reference rate used in determining spot rate.

Article 27

Sufficiently clear.

Article 28

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term “other means” include, among others, the means used in transaction announcements.

Article 29

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term “Underlying Transaction value” means Underlying Transaction value during application of extension of Sharia Hedge Swap Transaction to Bank Indonesia.

Article 32

Sufficiently clear.

Article 33

Sufficiently clear.

Article 34

Sufficiently clear.

Article 35

The term “netting” means fund transfer by calculating the difference of liability in a Sharia Hedge Swap Transaction to Bank Indonesia.

Article 36

Sufficiently clear.

Article 37

Paragraph (1)

Point a

Sufficiently clear.

Point b

Item 1

The term “average effective Fed Fund Rate” means average effective Fed Fund Rate 1 (one) working day prior to a breach.

Item 2

Sufficiently clear.

Item 3

Sufficiently clear.

Paragraph (2)

Margin may be changed by considering, among others, economic condition.

Paragraph (3)

Sufficiently clear.

Article 38

Sufficiently clear.

Article 39

Sufficiently clear.

Article 40

Sufficiently clear.

Article 41

Sufficiently clear.

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 25/BI