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Domestic Non-Deliverable Forward (DNDF) Transaction

Definition

Domestic Non-Deliverable Forward (DNDF) Transaction is a plain vanilla derivative FX againstIDR transaction in the form of forward transaction with fixing mechanism, in the domestic market.

Purpose

a. Strengthen efforts to stabilize the Rupiah exchange rate.
b. Accelerate domestic forex market deepening.
c. Provide an alternative hedging instrument for market players.

Characteristics

a. DNDF transactions can be done by banks with customers/foreign parties to hedge foreign exchange risks.
b. DNDF transactions between bank and customer/foreign party must be supported by underlying transaction.
c. The amount and period of a DNDF transaction must not exceed the amount and period of its underlying transaction.

Settlement

a. Settlements are done with fixing mechanism in Rupiah.
b. Fixing mechanism is a settlement without full movement of funds by counting the difference (netting) between forward transaction rate and the reference rate (JISDOR) at a certain date which has been set in the contract (fixing date).
c. The reference rates are JISDOR for USD /IDR and Bank Indonesia FX Transaction Midrate for non-USD/IDR.

DNDF Underlying Transactions

a. Trade in goods and services.
b. Investments, loan, capital, and other investments, both onshore and offshore.
c. Bank loan in foreign currency for trade and investment purposes.