SUMMARY OF BANK INDONESIA REGULATION  
Concerning Foreign Exchange Transactions against Rupiah with Foreign Parties  

I. The regulation is part of measures to promote development of foreign exchange market by comprehensively regulate foreign exchange transactions with Foreign Parties. This enhanced regulation aims to provide a clearer guidance to market participants and flexibility in arranging their foreign exchange transaction to support economic activity.

II. The substances of the regulation are as follows:

1. Banks are required to have written internal guidelines in conducting Foreign Exchange Transactions against Rupiah.

2. Foreign Exchange Transactions against Rupiah with nominal amount exceeding certain threshold stipulated in this regulation (threshold) are subject to underlying requirement.

3. Underlying transaction of Foreign Exchange Transactions against Rupiah between Bank and Foreign Parties include all the activities below:
   a. Domestic and international trade of goods and services, and/or
   b. Investment in the forms of direct investment, portfolio investment, loans, capital, and other investments inside and outside Indonesia.

4. Below are not considered as eligible underlying of foreign exchange transactions against Rupiah with Foreign parties:
   a. Usage of Bank Indonesia Certificate (SBI) for derivative transaction, and
   b. Foreign Parties placement in Banks (vostro account), among others: demand deposit, saving account, time deposit, and Negotiable Certificate Deposit (NCD).

5. Spot transaction is stipulated as follows:
   a. Foreign customer may engage in buying foreign currency against Rupiah from bank without underlying with maximum equivalent amount up to USD100,000.00 (one hundred thousand United States dollars) for every foreign party per month.
   b. Foreign parties purchase of foreign currency against Rupiah shall not exceed the nominal amount of the underlying.

6. Derivative transaction is stipulated as follows:
   a. FX Derivative buying and/or Derivative Selling against rupiah by Foreign Parties with nominal amount up to USD1,000,000.00 (one million United States dollars) for every individual transaction or bank’s selling position and bank’s buying position respectively, or its equivalent, may be engaged without underlying transaction.
   b. Foreign parties derivative transaction shall not exceeding the nominal amount and the remaining maturity of the underlying.
c. Derivative transaction with investment activity as its underlying may be conducted with minimum tenor not less than 1 week and maximum tenor equal to the investment tenor. This shall not apply to the purchase of foreign exchange forward against Rupiah with foreign parties for settlement purpose of an investment activity.

d. Future income in the form of dividend from investment activity which amount and timing of realization are uncertain may be used as underlying for derivative transaction.

e. Banks may engaged in derivative transactions with foreign parties to cover banks' hedging position.

7. Banks are prohibited to engage in these transactions with foreign parties:
   a. Rupiah and/or foreign currency lending or financing, but shall not apply to:
      1. Loan or non-cash financing or bank guarantee relating to investment activity in Indonesia which has received counter guarantee from the Prime Banks or has a 100% collateral deposit of given guaranted amount
      2. Syndicated loan or financing
      3. Credit card
      4. Consumption loan or financing used in Indonesia
      5. Intraday rupiah and foreign currency overdrafts supported by authenticated documents indicating confirmation of funds credited to the account on the same day
      6. Overdrafts in rupiahs and foreign currency due to imposition of administration charges
      7. Claims from the agency appointed by the government for management of bank assets within the framework of Indonesian bank restructuring, for which payment is guaranteed by a Prime Bank.

b. Placement in Rupiah

c. Purchasing of Rupiah denominated securities issued by Foreign parties, but shall not apply to:
   1. Purchasing of Rupiah denominated securities relating to domestic and international trade (export-import)
   2. Purchasing of Rupiah bank draft issued by overseas banks for the account of Indonesian overseas workers

d. Inter-offices receivable in Rupiah

e. Inter-offices receivable in foreign currency for loan or financing outside Indonesia

f. Capital participation in Rupiah

g. Foreign exchange transaction against Rupiah relating to Structured product

8. Transfer of Rupiah is stipulated as follows:
a. Banks are prohibited from transferring of Rupiah to overseas accounts.
b. Banks may engage in Rupiah transfer to foreign party’s account or joint account held in domestic bank with maximum equivalent amount up to USD1,000,000.00 (one million United States dollars) or Rupiah transfer between Rupiah accounts within the same ownership.
c. Rupiah transfer with the amount exceeding USD1,000,000.00 (one million United States dollars) is subject to underlying requirement. This requirement shall not apply to Rupiah transfer for settlement purpose in the cases of roll over, early termination, and unwinding of derivative transaction.
d. The receiving Banks are required to verify the status of the fund receiver.

9. The settlement of foreign exchange transaction against Rupiah is stipulated as follows:
   a. Spot transaction between Banks and Foreign parties must be fully settled.
   b. Derivative transaction between Banks and Foreign parties may be settled by netting for the purposes of roll over, early termination, and unwinding.
   c. Derivative transaction with maximum amount not exceeding USD1,000,000.00 (one million United States dollars) and supported by eligible underlying may be settled by netting.
   d. The minimum tenor of derivative transaction for settlement in rollover, early termination, or unwinding activities is 1 week.

10. Required documents in purchasing/selling foreign currency against Rupiah are set as follows:

<table>
<thead>
<tr>
<th>Type of FX transaction</th>
<th>Type of Instrument</th>
<th>Notional amount</th>
<th>Underlying transaction</th>
<th>Declaration letter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing</td>
<td>Spot</td>
<td>&gt;threshold</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>≤threshold</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Derivative</td>
<td>&gt;threshold</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>≤threshold</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Selling</td>
<td>Derivative</td>
<td>&gt;threshold</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>≤threshold</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Netting settlement for the initial transaction</td>
<td>&gt;threshold</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>≤threshold</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

11. The submission of underlying document is stipulated as follows:
   a. Underlying document and/or supporting document submitted for each transaction must be based on the transaction date.
b. Underlying document and/or supporting document for spot transaction must be accepted by the Banks no later than the value date of the transaction.

c. Underlying document and/or supporting document for derivative transaction must be accepted by the bank no later than 5 working days after the transaction date.

d. If derivative transaction with underlying of domestic/international trade activity has maturity date less than 5 working days after the transaction date, the underlying document and/or supporting document must be accepted by the Bank no later than the maturity date of transaction.

12. Banks are required to administer the underlying documents of the Foreign Exchange Transaction Against Rupiah.

13. Any bank in violation of this provision shall be liable to sanctions as follow:
   a. administrative sanction in the form of written warning
   b. financial penalty of 1% (one percent) of the violating transaction amount for every violation, with the minimum amount Rp 10.000.000,00 (ten millions Rupiah) and maximum amount up to Rp 1.000.000.000,00 (one billion Rupiah).

14. The amount of financial penalty is calculated using JISDOR (Jakarta Interbank Spot Dollar Rate) on the occurrence of a violation.