MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

COPY

REGULATION OF THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

NUMBER 95/PMK.08/2014

CONCERNING

DIRECT TRANSACTION OF CONVENTIONAL BASED GOVERNMENT SECURITIES

BY THE GRACE OF THE GOD ALMIGHTY

MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

Considering  :  a. Whereas in the Regulation of the Minister of Finance Number 170/PMK.08/2008 concerning Direct Transaction of Conventional Based Government Securities as it has been amended most recently with Regulation of the Minister of Finance Number 77/PMK.08/2012, has been set that the indicator of the increased yield is used as the reference in determining the Government Securities market condition in order to execute the Government Securities transaction for the purpose of stabilization of the Conventional Based Government Securities market;

b. Whereas by the stipulation of the provisions concerning the stabilization of the Government Securities market in the Decree of Minister of Finance Number 455/KMK.08/2013 concerning the Level Determination of Government Securities Market Conditions to Implement Crisis Management Protocol of the Government Securities, then the indicator of increased yield is no longer used as a reference in determining the initial indication of the condition of Government Securities market in the of stabilization of the Government Securities market,
however the references used are indicator of the index;

c. Whereas in the context of synchronizing the indicator used in the context of the direct transaction of Government Securities for the purpose of stabilization of the Government Securities, it shall be necessary to revoke the regulation of the Minister of Finance Number 170/PMK.08/2008 concerning the Direct Transaction of the Conventional Based Government Securities as it has been amended most recently with the Regulation of the Minister of Finance Number 77/PMK.08/2012 hereinafter shall be amended with the new Regulation of the Minister of Finance which regulates the Direct Transaction of Conventional Based Government Securities;

d. Whereas based on the considerations as referred to in letter a, letter b, and letter c, it is necessary to enact the Regulation of the Minister of Finance concerning the Direct Transaction of Conventional Based Government Securities;

In the view of:

1. Law Number 24 Year 2002 concerning the Conventional Based Government Securities (State Gazette of the Republic of Indonesia Year 2002 Number 110, Supplement to the State Gazette of the Republic of Indonesia Number 4236);
2. Regulation of the Minister of Finance Number 134/PMK.08/2013 concerning the Primary Dealers s;

BE IT HEREBY RESOLVED:

To enact: REGULATION OF THE MINISTER OF FINANCE CONCERNING THE DIRECT TRANSACTION OF THE CONVENTIONAL BASED GOVERNMENT SECURITIES
MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA

CHAPTER I

GENERAL PROVISIONS

Article 1

Some terminologies herein shall be defined as follows:

1. Conventional Based Government Securities, hereinafter referred to as SUN shall be the securities as a debt acknowledgment in the rupiah or foreign currency which its interest and principal payments are guaranteed by the Republic of Indonesia, according to its validity period.

2. Government Treasury Bill shall be a SUN with a maturity of up to 12 (twelve) months with a discounted interest payments.

3. Government Bond shall be a SUN with a maturity of more than 12 (twelve) months with coupon and/or with discounted interest payments.

4. Primary Market shall be the selling activity of SUN for the first time.

5. Secondary Market shall be the trading activity of SUN which has been sold in the primary market.

6. Benchmark Series SUN shall be the SUN series as the reference for the fulfillment of Primary Dealers obligations.

7. Direct Transaction of SUN shall be the SUN selling in the Primary Market, SUN selling in the Secondary Market, or SUN Purchasing in the Secondary Market, which done by the Government and the Primary Dealers, Bank Indonesia, or the Indonesia Deposit Insurance Corporation directly through the Dealing Room facility on the Directorate General of Debt Management.

8. SUN Purchasing in the Secondary Market shall be the
purchasing activity of SUN in the Secondary Market by the Government in cash before the due time.

9. Dealing Room shall be a room used for doing the Direct Transaction of SUN, which fully equipped by the communication, recorder, and the other supporting devices.

10. Primary Dealers shall be banks or securities companies appointed by the Minister of Finance as the Primary Dealers as referred to in the Regulation of the Minister of Finance which regulates on the Primary Dealers.

11. Party is an individual, or an organized group of persons and/or properties which either a legal entity or not, Primary Dealers, Bank Indonesia, or Indonesia Deposit Insurance Corporation.

12. Settlement Prices shall be:

   a. Prices which paid by the Primary Dealers, or Indonesia Deposit Insurance Corporation on the Direct Transaction of SUN which has been approved (clean price) by considering the accrued interest, in the context of SUN selling with coupons;

   b. Prices which paid by the Primary Dealers, Bank Indonesia, or Indonesia Deposit Insurance Corporation to the Government on the Direct Transaction of SUN which has been approved (clean prices), in the context of Sun selling with a discounted interest payments;

   c. Prices which paid by the Government to the Primary Dealers, Bank Indonesia, or Indonesia Deposit Insurance Corporation on the Direct Transaction of SUN which has been approved (clean prices) by calculating the accrued interest, in the context of SUN purchasing with coupons; or

   d. Prices which paid by the Government to the Primary Dealers
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s, Bank Indonesia, or Indonesia Deposit Insurance Corporation on the Direct Transaction of SUN which has been approved (clean prices) by calculating the accrued interest, in the context of SUN purchasing with a discounted interest payments.

13. Settlement shall be the Direct Transaction of SUN completion which consisting of funds and SUN ownership settlement.

14. Working Day shall be a day when the operational of payment system being held by Bank Indonesia.

15. Director General of Debt Management hereinafter referred as Director General shall be the head of the echelon unit one in the Ministry of Finance in charge of debt management affairs.

Article 2

(1) Direct Transaction of SUN is held by the Minister of Finance.
(2) The implementation of Direct Transaction of SUN as referred to in section (1), is carried out by the Directorate General of Debt Management casu quo Echelon Unit II which carry out the SUN transaction.

CHAPTER II

PURPOSES OF THE DIRECT TRANSACTION OF SUN

First Part

General

Article 3

Direct Transaction of Sun is conducted in the purposes as follows:
MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA

a. Carrying out an effort for SUN market stabilization;
b. Managing SUN’s portfolios;
c. Meet the needs of the Government Securities net total achievement in the State Budget Revenue and Expenditure in the current year.
d. Managing the surplus or shortage of Government’s treasury.

Article 4

(1) Direct Transaction of SUN for the purposes as referred to in Article 3 letter a and letter b shall be conducted through the SUN purchasing in Secondary Market.

(2) Direct Transaction of SUN for the purposes as referred to in Article 3 letter c shall be conducted through the SUN selling in the Primary Market or SUN Purchasing in the Secondary Market.

(3) Direct Transaction of SUN for the purposes as referred to in Article 3 letter d, shall be conducted through the SUN Purchasing in Secondary Market or SUN selling in Secondary Market.

Second Part

SUN Market Stabilization

Article 5

(1) Direct Transaction of SUN for the purposes as referred to in Article 3 letter a might be conducted by:
   a. Directorate General of Debt Management directly; or
   b. Directorate General of Debt Management at the request of the unit assigned by the Minister of Finance for purchasing the
SUN in the Secondary Market in the context of SUN market stabilization.

(2) The implementation of Direct Transaction of SUN for the purposes as referred to in section (1) might be conducted for Benchmark Series SUN and/or non-Benchmark Series SUN.

Article 6

(1) Direct Transaction of SUN for the purposes as referred to in Article 3 letter a might be conducted in the event of the initial indication in crisis management protocol of the Government Securities at least showing that the condition of the Government Securities market was at the level of alert.

(2) Initial indication in crisis management protocol of Government Securities market as referred to in section (1) shall follows the provision on the Decree of the Minister of Finance concerning the Determination of Levels of Government Securities Market Condition in Implementing the Crisis Management Protocol of Government Securities along with its implementation regulations.

Third Part

SUN Portfolios Management

Article 7

(1) Direct Transaction of SUN for the purposes as referred to in Article 3 letter b is conducted in order to:

a. Reducing the less liquid SUN series nominal amount in SUN market; and/or
b. Restructuring the SUN’s portfolios.

(2) Implementation of Direct Transaction of SUN as referred to in section (1) letter a is conducted only for less liquid SUN series.

(3) Implementation of Direct Transaction of SUN as referred to in section (1) letter b shall be based on the policies referring to the debt management strategy.

(4) The less liquid SUN series as referred to in section (2) does not include the Benchmark SUN Series.

Article 8

The criteria for determining the less liquid SUN series as referred to in Article 7 section (2), is stipulated by the Director General of Debt Management.

Fourth Part

Government Securities Net Total Achievement

Article 9

The Direct Transaction of SUN for the purposes as referred to in Article 3 letter c shall be conducted in the event of the surplus or shortage on the Government Securities Net total achievement in year of the State Budget Revenue and Expenditure of current year maximal as much as Rp500,000,000,000.00 (five hundred billion rupiahs).

Fifth Part

Surplus or Shortage Management of Government Treasury
Article 10

Direct Transaction of Sun for the purposes as referred to in Article 3 letter d shall be conducted in the event that there was a request from the Directorate General of Treasury.

CHAPTER III

IMPLEMENTATION OF DIRECT TRANSACTION OF SUN

Article 11

(1) The Government might conduct the Direct Transaction of SUN with the Primary Dealers, Bank Indonesia, or the Indonesia Deposit Insurance Corporation.

(2) Each Party, except for Bank Indonesia or the Indonesia Deposit Insurance Corporation, shall conduct the direct transaction of SUN through the Primary Dealers.

Article 12

(1) The Primary Dealers might conduct the Direct Transaction of SUN either for and on its own name or for and on the behalf of Parties excluding the Primary Dealers, Bank Indonesia, or the Indonesia Deposit Insurance Corporation.

(2) Bank Indonesia or the Indonesia Deposit Insurance Corporation might conduct the Direct Transaction of SUN only for and on its own name.

(3) Bank Indonesia might purchases the SUN in the Primary Market through the Direct Transaction of SUN only for State Treasury Bill.
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OF THE REPUBLIC OF INDONESIA

Article 13

The operational provisions for the implementation of Direct Transaction of SUN conducted by the Directorate General of Debt Management casu quo Echelon Unit II which conducting the transaction of SUN shall be set further in the standard operation procedure on the Directorate General of Debt Management.

CHAPTER IV

RESULT ANNOUNCEMENT OF THE DIRECT TRANSACTION OF SUN

Article 14

The Director General for and on the behalf of the Minister of Finance shall signing:

a. Addendum to the SUN’s terms and conditions as the result of Direct Transaction of SUN; and/or
b. A letter to the Bank Indonesia, as the administration agent and SUN’s interest and principal paying agent, regarding the result of Direct Transaction of SUN.

Article 15

(1) The result of Direct Transaction of SUN shall be a valid and binding transaction between the Government and the Primary Dealers, Bank Indonesia, or the Indonesia Deposit Insurance Corporation.

(2) The result of Direct Transaction of SUN as referred to in section (1) shall be announced to the public at the day of the implementation of Direct Transaction of SUN, at least includes:

a. Nominal Values; and
CHAPTER V
SETTLEMENT

Article 16

The settlement of Direct Transaction of SUN shall be conducted on 2 (two) Working Day after the date of transaction implementation (T+2).

Article 17

The Settlement Calculation of Direct Transaction of SUN shall be conducted based on the formula contained in Appendix which is an integral part of this Ministerial Regulation.

Article 18

The implementation technical of the Settlement of Direct Transaction of SUN shall follow the applicable provisions in the Bank Indonesia.

Article 19

(1) The settlement for the Direct Transaction conducted for the purposes of the Parties except the Bank Indonesia and the Indonesia Deposit Insurance Corporation shall be conducted between the Government and the Primary Dealers.

(2) The Primary Dealers is responsible for implementing the obligations related to the settlement of Direct Transaction of SUN as referred to in section (1).
Article 20

(1) In the event that the primary Dealers do not conduct the obligations related to the Settlement of Direct Transaction of SUN in accordance with the deadline of Settlement, then the Direct Transaction of SUN shall be cancelled.

(2) The Primary Dealer which is not conducting the obligations related to the Settlement of Direct Transaction of SUN as referred to in section (1) shall be reported by the Directorate General of Debt Management to the related authorities and it shall be announced to public.

Article 21

(1) The Settlement of Direct Transaction of SUN shall be conducted by the Directorate General of Debt Management, in the event of:
   a. Direct Transaction of SUN for the purposes of to make effort in stabilization of SUN market as referred to in Article 5 section (1) letter a;
   b. Direct Transaction for the purposes for managing the SUN portfolios as referred to in Article 3 letter b; or
   c. Direct Transaction of SUN for the purposes of meeting the needs of the Government Securities net total achievement in the State Budget Revenue and Expenditure in the current year as referred to in Article 3 letter c.

(2) The Settlement of Direct Transaction of SUN shall be conducted by the unit assigned by the Minister of Finance, in the event of the SUN transaction conducted for the purposes of the stabilization of SUN market as referred to in Article 5 section (1) letter b.

(3) The Settlement of Direct Transaction of SUN shall be conducted
Article 22

(1) The SUN purchased by the Government through the Direct Transaction of SUN for the purposes of:
   a. Make an effort for the stabilization of SUN market conducted by the Directorate General of Debt Management directly as referred to in Article 5 section (1) letter a;
   b. Managing the SUN portfolios as referred to in Article 3 letter b; or
   c. Meets the needs of the Government Securities net total achievement in the State Budget Revenue and Expenditure in the current year as referred to in Article 3 letter c.

   Shall be stated as settled and no longer valid.

(2) The SUN which has been stated as settled and no longer valid as referred to in section (1) shall be announced to public.

CHAPTER VI

CONCLUDING PROVISIONS

Article 23

At the time this Ministerial Regulation comes into force, the Regulation of Minister of Finance Number 170/PMK.08/2008 concerning Direct Transaction of Conventional Based Government Securities as it has been amended most recently with Regulation of the Minister of Finance Number 77/PMK.08/2012, shall be
revoked and stated as not valid.

Article 24

This Ministerial Regulation shall come into force on the date of its promulgation.

For public cognizance, this Ministerial Regulation shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
On May 28, 2014

MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

Signed

MUHAMAD CHATIB BASRI

Promulgated in Jakarta
On June 3, 2014

MINISTER OF JUSTICE AND HUMAN RIGHT
OF THE REPUBLIC OF INDONESIA

Signed

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2014 NUMBER 698

Appendix…………………….
1. The Settlement Price per unit shall be calculated as follows:

\[ Psc = (P \times N) + AI \]

where,

- \( Psc \) = the settlement price per unit;
- \( P \) = the clean price per unit of the Government Obligations in the percentage up to 2 (two) decimals and in the multiple of 0,05% (zero point zero five percent);
- \( N \) = the nominal value of the Government Obligations per unit;
- \( AI \) = accrued interest per SUN unit with the actual/ non-actual calculation basic (except for the SUN without coupon does not have an accrued interest), which calculated as follows:

\[ AI = N \times \frac{c \times a}{n} \]

where,

- \( c \) = coupon rate;
- \( n \) = the frequency of coupon payments in a year;
- \( a \) = amount of actual days calculated since 1 (one) day after the date of coupon period commencement until the date of settlement;
E = amount of actual days calculated since 1 (one) day after the date of coupon period commencement until the date of the payment of the next coupon, where the settlement in done.

The clean price and the accrued interest each rounded off to the full rupiah, with provision if it is less and equal to 50 (fifty) cent shall be rounded off to zero, while if it is more than 50 (fifty) cent shall be rounded off to Rp1.00 (one rupiah)

2. The Example of the Calculation of Government Obligations Settlement Prices
On the January 27, 2014, the Government purchases the Government Obligation with the nominal value per unit Rp1,000,000.00 (one million rupiah) and with coupon as much as 10,00% (ten percent) per year. The Government Obligation matures on February 15, 2028 and the coupon shall be paid behind on February 15 and August 15 on every year. If the approved clean price is as much as 103,25% (one hundred and three point twenty five percent) and the settlement is conducted on January 29, 2014.

The settlement price of Government Obligations unit shall be calculated by the following steps:

\[ P = 103.25\% \text{ (one hundred and three point twenty five percent)}; \]

\[ N = \text{Rp1,000,000.00 (one million rupiah)}; \]

\[ c = 10\% \text{ (ten percent)}; \]

\[ n = 2 \text{ (two) times in a year (semiannually), every on February 15 and August 15}; \]

\[ a = 167 \text{ (one hundred and sixty seven) days, are the amount of the actual days calculated since 1 (one) day after the date of coupon period commencement (August 16, 2013) until the settlement date (January 29, 2014)}; \]

\[ E = 184 \text{ (one hundred and eighty four) days, are the amount of the actual days calculated since 1 (one) day after the date of coupon period commencement (August 16, 2013) until the date of the payment of the next coupon, where the settlement implementation is done (August 16, 2013 until February 15, 2014)}; \]
Step 1: The accrued interest per unit shall be counted as follows:

\[
AI = \text{Rp}1,000,000.00 \times \frac{\%}{\times} = \text{Rp}45,380.43 = \text{Rp}45,380.00
\]

So, the accrued interest per Government Obligations unit paid by the Government after being rounded off is Rp45,380.00 (forty five thousand three hundred and eighty rupiah).

Step 2: the settlement price per unit shall be counted as follows:

\[
Psc = (103,25\% \times \text{Rp}1,000,000.00) + \text{Rp}45,380.00 = \text{Rp}1,032,500.00 + \text{Rp}45,380.00 = \text{Rp}1,077,880.00
\]

So, the settlement price per Government Obligations unit paid by the Government after being rounded off is Rp1,077,880.00 (one million seventy seven thousand eight hundred and eighty rupiah).
MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA,

Signed

MUHAMAD CHATIB BASRI

Copy as the original version
HEAD OF GENERAL BEREU u.b

ADMINISTRATIVE HEAD OF THE MINISTRY

Signed and stamped

GIARTO
NIP 195904201984021001