

BANK INDONESIA REGULATION

NUMBER 10/ 2 /PBI/2008

CONCERNING

BANK INDONESIA - SCRIPLESS SECURITIES SETTLEMENT SYSTEM

WITH THE BLESSING OF THE ONE GOD

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas in order to assist the Government in managing government securities, Bank Indonesia - Scripless Securities Settlement System accommodates the implementation of auction and administration of government securities issued either conventionally or based on sharia principles;
 - b. whereas for an efficient implementation of transactions with Bank Indonesia covering Open Market Operation, extension of Bank Indonesia funding facilities to Banks, and government securities transaction for and on behalf of the Government, the Bank Indonesia - Scripless Securities Settlement System accommodates an integrated transaction with its administration system;
 - c. whereas by the integration of the Bank Indonesia - Securities Settlement System with payment settlement system through Bank Indonesia - Real Time Gross Settlement System, it is deemed necessary to synchronize regulations related to the status of membership and finality of transaction settlement through the Bank Indonesia - Scripless Securities Settlement System;

d. whereas ...

- d. whereas in order to accommodate securities transaction developments it is deemed necessary to improve securities administration mechanism through the Bank Indonesia - Scripless Securities Settlement System;
- e. whereas pursuant to the considerations set forth in letter a, letter b, letter c, and letter d, it is deemed necessary to re-regulate provisions concerning Bank Indonesia - Scripless Securities Settlement System.

- In view of :
- 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
 - 2. Act Number 8 of 1995 concerning Capital Market (State Gazette of the Republic of Indonesia Number 64 of 1995, Supplement to the State Gazette of the Republic of Indonesia Number 3608);
 - 3. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
 - 4. Act Number 24 of 2002 concerning Government Bond (State Gazette of the Republic of Indonesia Number 110 of 2002, Supplement to the State Gazette of the Republic of Indonesia Number 4236).

HAS DECREED :

To enact : BANK INDONESIA REGULATION CONCERNING BANK
INDONESIA - SCRIPTLESS SECURITIES SETTLEMENT
SYSTEM

CHAPTER I

GENERAL PROVISIONS

Article 1

Terminologies used in this Bank Indonesia Regulation are defined as follows.

1. Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
2. Open Market Operation, hereinafter to be referred to as OMO, is a transaction activity in the money market conducted by Bank Indonesia with Banks and other parties in the effort of monetary control.
3. OMO Instrument is an instrument used in purpose of the OMO and administered in the Bank Indonesia - Scripless Securities Settlement System.
4. Funding Facility is a provision of funds in the form of credit or financing from Bank Indonesia to Banks and administered through the Bank Indonesia - Scripless Securities Settlement System.
5. Government Bond, hereinafter to be referred to as SUN, is a securities in the form of promissory note denominated in the Rupiah issued by the Government of the Republic of Indonesia as referred to in Act Number 24 of 2002 concerning Government Bond.
6. Government Securities, hereinafter to be referred to as SBN, is a securities in the form of SUN and/or securities issued by the Government based on sharia principles.
7. Securities is securities issued by Bank Indonesia, the Government, and/or

other ...

other institutions, and administered in the Bank Indonesia - Scripless Securities Settlement System.

8. Bank Indonesia – Real Time Gross Settlement System, hereinafter to be referred to as BI-RTGS System, is a system for electronic fund transfer among BI-RTGS System members in the Rupiah with settlement in real time and on individual per transaction basis.
9. Bank Indonesia - Scripless Securities Settlement System, hereinafter to be referred to as BI-SSSS, is a system that provides transaction facilities with Bank Indonesia including its administration and electronic securities administration, seamlessly interconnected among Participants, the Operator, and the BI-RTGS System.
10. Transaction with Bank Indonesia is a transaction conducted by Bank Indonesia in the OMO, Funding Facilities, SBN transactions for and on behalf of the Government, and/or other transactions through the BI-SSSS.
11. Securities Administration is an activity which covers registration of ownership, clearing and settlement, and payment of Securities coupon (interest) and principal/nominal value.
12. BI-SSSS Operator, hereinafter to be referred to as Operator, is a party that manages BI-SSSS in conducting Transactions with Bank Indonesia and its administration, and Securities Administration as well.
13. BI-SSSS Participant, hereinafter to be referred to as Participant, is a BI-SSSS user eligible and/or approved by Bank Indonesia to conduct Transactions with Bank Indonesia and/or Securities Administration.
14. SBN Auction Participant is a Bank and/or other financial institutions designated by the Minister of Finance of the Republic of Indonesia as Primary Dealer to be able to participate in SBN auction.
15. Central Registry is Bank Indonesia which performs functions as the Securities administrator on behalf of Participants holding Securities Account with the BI-SSSS.

16. Sub-Registry is a Bank or an institution conducting custodial activities which is eligible and approved by Bank Indonesia to perform functions as a Securities administrator on behalf of its customers
17. Securities Settlement is a debiting and crediting on Securities Account through the BI-SSSS in purpose of administration of Transactions with Bank Indonesia and Securities Administration.
18. Fund Settlement is a debiting and crediting on Demand Deposit Account and/or other accounts with Bank Indonesia through the BI-RTGS System in administration of Transactions with Bank Indonesia and Securities Administration through the BI-SSSS.
19. Delivery Versus Payment, hereinafter to be referred to as DVP, is a settlement of Securities transaction by conducting Securities Settlement and Fund Settlement simultaneously.
20. Free of Payment, hereinafter to be referred to as FoP, is a Securities transaction settlement by Securities Settlement through the BI-SSSS, while Fund Settlement is not conducted simultaneously with Securities Settlement or with no Fund Settlement.
21. Securities Account is an account held by a particular Participant in the BI-SSSS to register ownership of Securities and/or OMO Instruments.
22. Demand Deposit Account is an account in the Rupiah which is administered in Bank Indonesia and used in the implementation of the BI-SSSS.

CHAPTER II

OPERATOR AND PARTICIPANTS

Article 2

- (1) The Operator is Bank Indonesia.
- (2) The Operator shall prescribe provisions and stipulate BI-SSSS operating procedures in maintaining smoothness of BI-SSSS operations.

Article 3 ...

Article 3

- (1) Parties eligible to become Participants are :
 - a. Bank Indonesia;
 - b. The Ministry of Finance of the Republic of Indonesia;
 - c. Bank;
 - d. Depository and Settlement Institution;
 - e. Rupiah and Foreign Exchange Money Market Brokerage Company;
 - f. Securities Company; and
 - g. Other institutions approved by Bank Indonesia.
- (2) The parties as referred to in paragraph (1) shall act as :
 - a. Securities issuer;
 - b. OMO participant;
 - c. Funding Facility participant;
 - d. SBN Auction Participant; and/or
 - e. Securities Account holder in the Central Registry.
- (3) The parties as referred to in paragraph (1) may become Participant after fulfilling requirements stipulated by Bank Indonesia.

Article 4

The Operator and the Participant shall apply the BI-SSSS to conduct activities as follows.

- a. Transactions with Bank Indonesia;
- b. Administration of Transactions with Bank Indonesia; and/or
- c. Securities Administration.

Article 5

- (1) If a Bank conducts business on conventional basis and business in the form of a Sharia Division (UUS), the Bank's membership in the BI-SSSS for the conventional business activities shall be separated from the UUS business activities.

(2) If ...

- (2) If a Bank acts as a Sub-Registry, the Bank's membership in the BI-SSSS for the banking activities shall be separated from the Sub-Registry activities.

Article 6

Bank Indonesia shall stipulate 3 (three) types of membership status in the BI-SSSS, namely :

- a. active;
- b. freeze; and
- c. closed.

Article 7

The provision as referred to in Article 6 letter b shall not be in force for Participants as Securities issuer and Sub-Registry.

Article 8

- (1) The Operator may change membership status of any Participant based on :
 - a. written request and/or decision of the authorized supervisory institution which supervises Participant's business activities;
 - b. sentence of the court with a final and binding legal force which may bring about a change of the membership status; or
 - c. written request from the concerned Participant.
- (2) The change of membership status of Participant based on the provisions as referred to in paragraph (1) letter a and letter b may be :
 - a. from active to freeze or the other way around;
 - b. from freeze to closed; or
 - c. from active to closed.
- (3) The change of membership status of Participant based on the provision as referred to in paragraph (1) letter c may only be from active to closed.

Article 9

For any Participant which becomes BI-RTGS System participant, the change of membership status is stipulated as follows.

a change ...

- a. a change of membership status to freeze or closed in the BI-SSSS shall not bring about any change of membership status in the BI-RTGS System;
- b. a change of membership status to suspend in the BI-RTGS System shall not bring about any change of membership status in the BI-SSSS;
- c. a change of membership status to freeze or closed in the BI-RTGS System shall bring about a change of the same membership status in the BI-SSSS.

Article 10

- (1) If Participant's status in the BI-RTGS System and the BI-SSSS is freeze, the Operator shall open an escrow account with Bank Indonesia on behalf of the Participant to receive payments of coupon (interest) or yield and Securities principal/nominal value redemption.
- (2) If Participant's status in the BI-SSSS is closed on request of the authorized supervisory institution, the Operator shall transfer the Securities Account registration on behalf of the Participant to Securities Account with Bank Indonesia which is opened by the Operator, except the authorized supervisory institution stipulates other account.

Article 11

Legal relationship of the Operator with any Participant shall be stipulated in an Agreement on the Application of BI-SSSS between Operator and Participant.

Article 12

Participants shall :

- a. maintain smoothness and security in the application of the BI-SSSS;
- b. be accountable for the validity of transactions, transaction and/or settlement instructions, and all information transmitted by the Participant to the Operator through the BI-SSSS;
- c. comply with Bank Indonesia provisions and related provisions; and
- d. fulfill either the Agreement on the Application of BI-SSSS between Operator

and ...

and Participant or written agreements among Participants (Bye-Laws) continuously referring to this Bank Indonesia Regulation.

Article 13

Participant's obligations as referred to in Article 12 shall be in effect for Bank Indonesia as a Participant except :

- a. obligation to enter into the Agreement on the Application of BI-SSSS between Operator and Participant; and
- b. obligation to fulfill the written agreement among Participants (Bye-Laws).

CHAPTER III

TRANSACTIONS WITH BANK INDONESIA

Article 14

The Operator shall conduct Transactions with Bank Indonesia by auction and/or no auction.

Article 15

- (1) Any Participant shall conduct Transactions with Bank Indonesia as referred to in Article 14 either directly or by designating other Participant as the broker in accordance with applicable Bank Indonesia provisions.
- (2) In the event of a designation of a broker as referred to in paragraph (1), the Participant shall determine a broker bidding limit per day for the designated broker.
- (3) The provision on the determination of the broker bidding limit as referred to in paragraph (2) shall be stipulated in a specific agreement between the Participant and the broker or under the Participant's internal procedure.

CHAPTER IV
ADMINISTRATION

Part One

Administration of Transactions with Bank Indonesia

Article 16

- (1) The Operator shall administer Transactions with Bank Indonesia.
- (2) The Administration of Transactions with Bank Indonesia as referred to in paragraph (1) shall comprise administration of OMO Instruments, administration of Funding Facilities, administration of SBN transactions for and on behalf of the Government, and administration of other transactions through the BI-SSSS.
- (3) The Administration of Transactions with Bank Indonesia shall comprise administration of transactions related to Securities and without Securities.
- (4) The administration of Transactions with Bank Indonesia related to Securities shall be implemented in accordance with the provisions as referred to in Article 17 up to Article 31.

Part Two

Securities Administration

Article 17

- (1) The Operator shall implement Securities Administration electronically by applying the BI-SSSS.
- (2) In the Securities Administration as referred to in paragraph (1) the Operator performs as the Central Registry.

Article 18

Securities Administration in the BI-SSSS shall be implemented in a two tier system comprising :

- a. The Central Registry, which implements Securities Administration for Banks,

Sub-Registry ...

Sub-Registry, and other parties holding Securities Account with the BI-SSSS;
and

- b. The Sub-Registry, which implements Securities Administration on behalf of customers.

Article 19

Any party willing to conduct Securities transactions but does not have Securities Account with the Central Registry is required to designate a Sub-Registry to administer its Securities.

Article 20

- (1) The Central Registry may cooperate with other parties to support Securities Administration.
- (2) The Central Registry may grant approval to Banks and institutions conducting custodial activities to become Sub-Registry.
- (3) Parties eligible to become Sub-Registry are Banks, Depository and Settlement Institution, and Securities Companies.
- (4) The parties as referred to in paragraph (3) may be approved to become Sub-Registry after meeting requirements stipulated by Bank Indonesia.
- (5) The Sub-Registry is required to comply with provisions on Securities Administration as stipulated by Bank Indonesia.

Article 21

- (1) Securities ownership shall be registered paperless (scripless) and by book entry.
- (2) The Securities ownership register at the Central Registry and the Sub-Registry constitutes a valid evidence of ownership.

Article 22

- (1) The Securities ownership registration at Sub-Registry Securities Account with the Central Registry shall be in global (omnibus account).
- (2) The Securities ownership register at the Sub-Registry Securities Account with

the Central Registry as referred to in paragraph (1) shall not constitute an evidence of ownership of Securities on behalf of the Sub-Registry.

- (3) The Sub-Registry shall register Securities ownership on behalf of customers separately from Sub-Registry assets.
- (4) The Sub-Registry shall not be allowed to maintain Securities Account for and on its own behalf, on behalf of the board, shareholders, and the management.
- (5) The Sub-Registry shall be accountable for the validity of registration and report on Securities ownership on behalf of customers.

Part Three

Securities Transaction Settlement

Article 23

- (1) Securities transaction settlement in the Primary Market and Secondary Market shall be conducted under DVP principles.
- (2) The Securities transaction settlement by DVP shall be based on gross to gross or gross to net settlement.
- (3) The Securities transaction settlement may be implemented by FoP in :
 - a. transfer of account that is conducted by Securities holder with a same identity;
 - b. transfer of Securities ownership in purpose of grant, inheritance, liability settlement, exchange, transfer due to sentence of the court, and borrowing and lending;
 - c. other transactions, insofar as they have been approved by the authorized institution.

Article 24

The provisions on Securities transaction settlement as referred to in Article 23 shall also be applicable for Sub-Registry in conducting Securities Administration on behalf of customers.

Article 25 ...

Article 25

Securities transaction settlement through the BI-SSSS shall be final.

Article 26

- (1) In the implementation of Fund Settlement and/or other liability payments through the BI-SSSS any Participant which is no BI-RTGS System Participant shall designate any Bank participating in the BI-RTGS System as the receiving and/or paying Bank to implement the Fund Settlement and/or other liability payments.
- (2) The Bank participating in the BI-RTGS System which is designated as the paying Bank in Fund Settlement of Securities transactions shall determine the maximum nominal value per transaction and total nominal value of transactions per day for each Participant designating the Bank.
- (3) The provision on determination of the maximum nominal value as referred to in paragraph (2) shall be stipulated in a specific agreement between the Bank participating in the BI-RTGS System and the Participant designating the Bank or under internal procedure of the Bank participating in the BI-RTGS System.

Article 27

- (1) Any Participant holding Demand Deposit Account with the BI-RTGS System shall hold an adequate balance in its Demand Deposit Account for the implementation of Securities transaction settlements and other liability payments.
- (2) Any Participant holding Securities Account with the Central Registry shall hold an adequate balance in its Securities Account for Securities transaction settlements.

Article 28

The BI-SSSS shall conduct Securities transaction settlements among Participants based on settlement data transmitted by Participants through the BI-SSSS and received by the Operator.

Article 29 ...

Article 29

- (1) The Operator is authorized to discontinue Securities transaction settlement in Secondary Market before maturity (early termination) for repo, pledge, and/or other transactions conducted by any Participant through the BI-SSSS.
- (2) The Operator shall discontinue Securities transaction settlement as referred to in paragraph (1) based on request of one of Participants, decision of authorized supervisory institution, sentence of the court and/or arbitration institution which has a final and binding legal force.
- (3) The Operator shall discontinue Securities transaction settlement on request of one of Participants as referred to in paragraph (2) if the Participant may demonstrate a delegation of authority to discontinue the transaction from the Participant's transaction counterpart.
- (4) The Participant which requests to the Operator as referred to in paragraph (2) and paragraph (3) shall be accountable for the validity of the delegation of authority to cancel the transaction.
- (5) The Participant which requests to the Operator as referred to in paragraph (2) and paragraph (3) shall discharge the Operator from any criminal prosecution and be responsible for any criminal prosecution on the Operator and any other charges arising from the discontinuation of transaction settlement as referred to in paragraph (1).

Part Four

Payment of Securities Coupon (Interest) or Yield and
Principal/Nominal Value

Article 30

Any Participant issuing Securities is required to hold adequate funds in its Demand Deposit Account to pay coupon (interest) or yield and principal/nominal value of Securities upon maturity.

Article 31 ...

Article 31

- (1) The Operator shall pay coupon (interest) or yield and principal/nominal value of Securities upon maturity to Securities Account holder by debiting Demand Deposit Account of Participant issuing the Securities and crediting Demand Deposit Account of the Participant through the BI-RTGS System.
- (2) The Operator may pay principal/nominal value of Securities before maturity date and accrued interest on coupon (interest) or a part of yield to Securities Account holder based on written request of Securities issuer, as far as it complies with provision as referred to in Article 30.
- (3) If the Securities Account holder as referred to in paragraph (1) and paragraph (2) is a Sub-Registry, the Sub-Registry is required to continue the payment to the customer holding the Securities on the same day.

CHAPTER V

OPERATIONS

Part One

Operating Hours

Article 32

- (1) The BI-SSSS shall be operated every working day except stipulated differently by the Operator.
- (2) The operation of the BI-SSSS as referred to in paragraph (1) shall be conducted in operational hours stipulated by the Operator.
- (3) The Operator may change the BI-SSSS operational hours as referred to in paragraph (2) based on :
 - a. Operator's policy; or
 - b. request of Participant that has been approved by the Operator.

Part Two ...

Part Two

Transaction and Settlement Data

Article 33

- (1) Participants shall transmit transaction and settlement data through the BI-SSSS to the Operator based on written instruction applied by each Participant in accordance with applicable internal provisions.
- (2) Participants are required to file and administer the written instruction together with Participant transaction and settlement data which have been transmitted to the Operator through the BI-SSSS as referred to in paragraph (1) in accordance with applicable laws and regulations.

Article 34

- (1) The Operator shall receive transaction and settlement data transmitted by Participants through the BI-SSSS.
- (2) The Operator shall transmit Securities Account daily position data of each Participant to the concerned Participant through the BI-SSSS at the end of the day.

Article 35

In the event of any difference between transaction and settlement data and Securities Account daily position data held by each Participant and those held by the Operator, the data which shall be considered correct are those available at the Operator.

Part Three

Fees

Article 36

- (1) The Operator shall determine types and amounts of fees for the application of the BI-SSSS which have to be paid by Participants.

(2) Any ...

- (2) Any Participant requesting an extension of operational hours as referred to in Article 32 paragraph (3) letter b shall be charged a fee for the extension of BI-RTGS System operating hours in accordance with applicable Bank Indonesia provisions.

Part Four

Charging on Participant's Demand Deposit Account and/or Securities Account

Article 37

In Transactions with Bank Indonesia and administration activities through the BI-SSSS, the Operator is authorized to debit Demand Deposit Account of Participant, Demand Deposit Account of Bank designated by Participant, and/or Securities Account of Participant.

Part Five

Discharge of Operator's Responsibility

Article 38

Any Participant shall discharge the Operator from claims on any arising and/or likely arising loss experienced by the Participant or any third party as the result of a delay or failure in transaction, Securities settlement, Securities coupon (interest) or yield and principal/nominal value payment, and/or other causes.

CHAPTER VI

SUPERVISION

Article 39

- (1) The Operator is authorized to supervise any Participant on the application of the BI-SSSS.

(2) The ...

- (2) The Operator is authorized to supervise Securities Administration conducted by any other party as referred to in Article 20 paragraph (1) and/or Sub-Registry as referred to in Article 20 paragraph (2).
- (3) The Operator shall supervise as referred to in paragraph (1) and paragraph (2) either directly or indirectly.
- (4) The Operator may designate any other party to supervise any Participant directly on the application of the BI-SSSS as referred to in paragraph (1).
- (5) The other party designated by the Operator to exercise direct supervision as referred to in paragraph (4) shall bear responsibility to keep confidential information and data obtained in the supervision.
- (6) In the effort of supervision, Participants are required to provide :
 - a. information and data related to the implementation of supervision on the BI-SSSS;
 - b. opportunity to exercise direct supervision on physical facilities and supporting applications related to BI-SSSS operations and/or Securities Administration by Sub-Registry.

CHAPTER VII

FORCE MAJEURE

Article 40

- (1) In the event of a state of emergency (*force majeure*), the Operator shall put a contingency plan into effect to overcome the abnormal condition and state of emergency.
- (2) The *force majeure* as referred to in paragraph (1) shall be in accordance with announcement of Bank Indonesia or filed by Participant to the Operator supported by written statement of related authorized institution.

CHAPTER VIII ...

CHAPTER VIII

SANCTIONS

Article 41

- (1) The Operator shall impose an administrative sanction in the form of written warning on any Participant failing to fulfill the requirements as referred to in Article 12.
- (2) The Operator shall impose an administrative sanction in the form of written warning or abrogation of approval as a Sub-Registry if the Sub-Registry Participant fails to fulfill the requirement as referred to in Article 20 paragraph (5).

CHAPTER IX

CONCLUDING PROVISIONS

Article 42

Implementation provisions of this Bank Indonesia Regulation shall be further stipulated in Bank Indonesia Circular Letters.

Article 43

When this Bank Indonesia Regulation goes into effect, the implementation provisions of Bank Indonesia Regulation No. 6/2/PBI/2004 concerning Bank Indonesia - Scripless Securities Settlement System, Agreements on the Application of BI-SSSS between Operator and Participant, written agreements among Participants (Bye-Laws), and technical guidelines for the application of the BI-SSSS issued prior to the enactment of this Bank Indonesia Regulation, shall be declared continuously valid up to revocation, replacement, or amendment.

Article 44

By the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 6/2/PBI/2004 concerning Bank Indonesia - Scripless Securities Settlement

System ...

System shall be revoked and declared no longer valid.

Article 45

This Bank Indonesia Regulation shall come into force since its enactment.

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
dated February 4, 2008

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

Promulgated in Jakarta
dated February 4, 2008

THE MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 11 OF 2008

DPM

ELUCIDATION ...

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 10/ 2 /PBI/2008
CONCERNING
BANK INDONESIA - SCRIPLESS SECURITIES SETTLEMENT SYSTEM

GENERAL REVIEW

With regard to the Government's plan to issue Securities based on sharia principles, it is necessary for Bank Indonesia as the auction agent that administers securities issued by the Government to accommodate the implementation of auction and administration of SBN issued either under conventional or sharia principles through the BI-SSSS.

To further provide legal assurance for investors in conducting Securities Settlement through the BI-SSSS it is necessary to include principle of assurance in the finality of securities settlement through the BI-SSSS referring to the Recommendation for Securities Settlement System issued by the Bank for International Settlement (BIS). This is in line with the finality principle of settlement applied by the BI-RTGS System which constitutes a Fund Settlement facility for Participants in the implementation of securities transaction settlement by DVP.

In addition, in order to accommodate Securities transaction developments in secondary markets and to improve the effectiveness of BI-SSSS operations it is necessary to improve the regulation, among other things, by elucidating Bank Indonesia's functions and authorities as the regulator and the Operator, synchronizing membership status in the BI-SSSS with the BI-RTGS System,

elucidating ...

elucidating regulation of transaction settlement by FoP, and improving sanctions on Participants as well as clarifying definition of state of emergency to develop a same perception of the Operator and Participants.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

In order to maintain smoothness of BI-SSSS operations, the Operator shall provide, among other things, BI-SSSS applications and a Help Desk related to BI-SSSS operations, provisions and procedures either in normal condition, abnormal condition, or state of emergency as well.

Article 3

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

“Depository and Settlement Institution” is a party conducting central custodial activities for Custodian Banks, Securities Companies, and other parties as stipulated in applicable laws and regulations.

Letter e

“Rupiah and Foreign Exchange Money Market Brokerage Company” is a company established especially to conduct brokerage services for its customers’ activities in rupiah and foreign exchange money market by obtaining payment for its services.

Letter f

“Securities Company” is a party conducting business as an underwriter, broker, and/or investment manager.

Letter g

The approval of Bank Indonesia shall be based, among other things, on related laws and regulations, considerations on the development of securities market in Indonesia, and/or technical considerations.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 4

Letter a

The Transactions with Bank Indonesia through the BI-SSSS shall be conducted in :

1. OMO operations by Bank Indonesia in accordance with applicable provisions;
2. extension of Funding Facilities in accordance with applicable provisions;
3. implementation of SBN transactions by Bank Indonesia for and on behalf of the Government in accordance with applicable laws and regulations; and

4. implementation ...

4. implementation of other transactions by Bank Indonesia through the BI-SSSS.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Article 5

Paragraph (1)

A Bank conducting business on conventional basis and in the form of UUS shall have 2 (two) Participant member codes, namely 1 (one) Participant member code for the conventional business and 1 (one) Participant member code for the UUS business.

Paragraph (2)

If a Bank acts as a Sub-Registry, the Bank may conduct transactions either on behalf of its customers or of the Bank itself. The separation of the Bank's membership in the implementation of Sub-Registry activities from the Bank's membership on its own behalf is aimed at clarifying the severance of the ownership of Securities assets on behalf of the Bank from Securities assets of its customers.

Article 6

The membership status in this system is classified into active, freeze, and closed.

Any Participant with active status may conduct all activities corresponding to its function in the BI-SSSS.

Any Participant with freeze status may not conduct Transactions with Bank Indonesia and Securities transaction settlement, except activities in obtaining information available in the BI-SSSS.

Any Participant with closed status may not conduct any BI-SSSS operational activity.

Article 7 ...

Article 7

The exclusion of this provision is aimed at providing assurance to Sub-Registry customers in order to be able to conduct Securities transaction settlement through the BI-SSSS.

Article 8

Paragraph (1)

Letter a

“The authorized supervisory institution” in this paragraph is Bank Indonesia or Indonesia Capital Market and Financial Institution Supervisory Agency (Bapepam-LK).

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 9

Letter a

Self-explanatory.

Letter b

If a Participant’s status is active but the status in the BI-RTGS System is suspend, the Participant may not purchase Securities by DVP considering that the suspend status in the BI-RTGS System shall result in incapability of payment.

Letter c

If a Participant’s membership status in the BI-RTGS System is freeze, the status in the BI-SSSS shall change to freeze. If the status in the

BI-RTGS System is closed, the status in the BI-SSSS shall change to closed.

Article 10

Self-explanatory.

Article 11

Self-explanatory.

Article 12

Letter a

“Maintain smoothness and security” means to guarantee that the BI-SSSS shall operate well, among other things, by preparing written policies and procedures which support a good internal controlling system for BI-SSSS operations, including security procedure for the application of the BI-SSSS either from the side of BI-SSSS user’s authority or hardware and application software security and maintenance.

Letter b

“Be accountable for the validity of transactions, transaction and/or settlement instructions” means that Participants shall transmit transaction or settlement instructions based on supporting documents in the format as stipulated by each Participant, including submission of correct data and information.

Letter c

Bank Indonesia provisions regulate, among other things, BI-RTGS System, OMO, Bank Indonesia Certificate (SBI), Funding Facilities, and SUN.

The related provisions are provisions issued by other institutions, such as the Ministry of Finance of the Republic of Indonesia and Bapepam-LK.

Letter d ...

Letter d

“Bye-laws” is a written agreement among Participants which is intended to attain the consistency of rules and procedures and provide guidance for the settlement of disagreement among Participants in the application of the BI-SSSS.

Article 13

Self-explanatory.

Article 14

The types of Transactions with Bank Indonesia by auction comprise, among other things, SBI transaction, Fine Tune Operation (Contractionary Fine Tune and Expansionary Fine Tune), reverse repo, and SBN for and on behalf of the Government.

The types of Transactions with Bank Indonesia by non-auction comprise, among other things, Bank Indonesia Deposit Facility (FASBI), repo, and Funding Facility.

Article 15

Paragraph (1)

The direct Transactions with Bank Indonesia may only be conducted by Participants registered at the Operator to participate in Transaction with Bank Indonesia.

The transactions with Bank Indonesia which have to be directly conducted by Participants comprise, among other things, Funding Facility and repo transactions.

“Broker” is a Rupiah and Foreign Exchange Money Market Brokerage Company as OMO Participant and a Bank and a Securities Company as SBN auction Participant.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The regulation in Participant's internal procedure shall be applicable if the Participant which designates and the broker are the same institution.

Article 16

Paragraph (1)

Self-explanatory.

Paragraph (2)

OMO Instrument Administration activities include, among other things, Fund Settlement, Securities Settlement, issuance/ownership/ placement registration, discount calculation, Securities interest or yield and principal/nominal value payment, and/or other liability payments due to settlement failure.

Funding Facility administration activities include, among other things, Fund Settlement, Securities collateral registration, calculation and payment of interest or yield on the application of facilities, redemption of facilities upon maturity and/or collateral execution if Bank may not settle its liabilities.

SBN Administration activities for and on behalf the Government, namely SBN issuance auction result settlement, include, among other things, issuance and ownership registration, Fund Settlement, and Securities Settlement.

Paragraph (3)

Administration of Transactions with Bank Indonesia related to Securities comprise, among other things, administration of SBI transaction, repo and reverse repo with Securities as underlying, SBN for and on behalf of the Government, and Funding Facilities with Securities as collateral.

Administration activities of Transactions with Bank Indonesia

without ...

without Securities comprise, among other things, transactions of
Contractionary Fine Tune and Bank fund placement in Bank
Indonesia.

Paragraph (4)

Self-explanatory.

Article 17

Self-explanatory.

Article 18

Letter a

Self-explanatory.

Letter b

The Sub-Registry shall apply its internal system in Securities
administration for its customers.

Article 19

Self-explanatory.

Article 20

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 21

Paragraph (1)

Book entry is defined as a registration of ownership and transfer of

ownership ...

ownership without paper (scripless) in an electronic journal.

Paragraph (2)

Self-explanatory.

Article 22

Paragraph (1)

Securities ownership registration in Sub-Registry account by omnibus account with the Central Registry shall not be conducted on an individual and detail per customer basis. The registration on individual and detail per customer basis shall be conducted by the Sub-Registry by book entry in the concerned internal administration system.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Sub-Registry Operator is an official in charge of Sub-Registry operations.

Paragraph (5)

Self-explanatory.

Article 23

Paragraph (1)

Self-explanatory.

Paragraph (2)

“Gross to gross” is defined as a settlement process where Securities Settlement and Fund Settlement are conducted transaction by transaction.

“Gross to net” is defined as a settlement process where Securities Settlement is conducted transaction by transaction and Fund

Settlement ...

Settlement by netting system.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

“Other transactions” include, among other things, Securities issuance in private placement or Exchange Traded Fund (ETF).

”The authorized institution” is the Ministry of Finance of the Republic of Indonesia, Bapepam-LK for transactions related to the Capital Market, or Bank Indonesia for transactions related to Banks.

Article 24

A Sub-Registry represents the Central Registry so that in conducting Securities Administration for customers through its internal system the Sub-Registry shall also refer to provisions concerning Securities transaction settlement in the Central Registry.

Article 25

The BI-SSSS shall not accommodate unwinding on Securities transaction which has been settled in the BI-SSSS.

Article 26

Paragraph (1)

Other liability include, among other things, to impose sanction in the form of financial penalty and fees for the application of the BI-SSSS.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The ...

The regulation in the internal procedure of Bank participating in the BI-RTGS System shall be applicable if the Participant which designates and the Bank participating in the BI-RTGS System are the same institution.

Article 27

Paragraph (1)

The balance adequacy requirement for Demand Deposit Account with the BI-RTGS System is also for the payments for and on behalf of any other Participant designating the concerned Participant as the paying Bank.

If the balance of the Demand Deposit Account with the BI-RTGS System is inadequate, the transaction may not be settled.

Paragraph (2)

If the Participant's Securities Account balance is inadequate, the transaction may not be settled.

Article 28

Securities transaction settlements among Participant include, among other things, settlement on outright selling/buying, repo and reverse repo, Securities borrowing and lending, and pledge.

Article 29

Paragraph (1)

The Operator's authority to discontinue Securities transaction settlement may only be applicable for Securities transaction which has been agreed to have two processes of settlement, namely the first transaction settlement (first leg) and the second transaction settlement (second leg).

The Operator's authority is for the second transaction settlement (second leg) and shall refer to Article 29 paragraph (2).

Other transactions are transactions with two processes of settlement,

such ...

such as repo and pledge.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The existence of delegation of authority to cancel the transaction from Participant's transaction counterpart shall be proved in the form of a clause on the delegation of authority to discontinue the transaction agreement or a power of attorney.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 30

Self-explanatory.

Article 31

Self-explanatory.

Article 32

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The change of BI-SSSS operating hours may be an extension or a reduction of operating hours.

The change of BI-SSSS operating hours which may be implemented on request of Participant is only the extension.

The extension of BI-SSSS operating hours shall bring an impact on the extension of BI-RTGS System operating hours.

Article 33

Self- ...

Self-explanatory.

Article 34

Paragraph (1)

Self-explanatory.

Paragraph (2)

Securities Account daily position data shall contain data or information on ownership of each Participant based on Securities transaction settlement results.

Article 35

The difference between transaction and settlement data and Securities Account daily position data held by each Participant and those held by the Operator may occur due, among other things, to technical and communication interference.

Article 36

Paragraph (1)

“Fees” are defined as the fees charged by the Operator on Participants, among other things, for transmission of transaction data, settlement instruction, and request of data by Participant to and from the Operator, and application of the BI-SSSS at the Operator location.

Paragraph (2)

The extension of BI-SSSS operating hours shall bring an impact on the extension of BI-RTGS System operating hours.

Article 37

The Operator shall debit Demand Deposit Account of Participant, Demand Deposit Account of Bank designated by Participant, and/or Securities Account of Participant for transactions as :

- a. settlement of Transactions with Bank Indonesia;
- b. settlement of Securities transactions among Participants;
- c. payment of coupon (interest) or yield and principal/nominal value of

Securities ...

Securities upon maturity;

- d. charge of fee for the application of the BI-SSSS;
- e. charge of sanction in the form of financial penalty related to OMO transactions;
- f. redemption Funding Facility liabilities;
- g. execution of collateral/guarantee in accordance with applicable provisions concerning Funding Facilities and/or government facilities for Participant; and/or
- h. other fee charges.

Article 38

The delay or failure in transaction, Securities settlement, Securities coupon (interest) or yield and principal/nominal value payment is caused, among other thing, by :

- a. transmission of data of transactions or instruction settlements by Participant which is incorrect, late, or implemented by unauthorized official;
- b. inadequacy of funds in Demand Deposit Account of Securities issuer to pay Securities liabilities upon maturity; and
- c. occurrence of abnormal condition and/or state of emergency.

Article 39

Paragraph (1)

Self-explanatory.

Paragraph (2)

The Operator here acts as the Central Registry.

The Central Registry supervision on Securities Administration by Sub-Registry and/or any other party shall be conducted in coordination with the authorized institution.

Paragraph (3)

The Operator shall exercise direct supervision at any time by

examination ...

examination on BI-SSSS systems and applications and/or documents related to the application of the BI-SSSS at Participant's location.

The Operator shall exercise indirect supervision on data and information related to the application of the BI-SSSS by any Participant which are submitted by the Participant to the Operator, including reports and/or other documents requested by the Operator to the Participant.

Paragraph (4)

"Any other party" is a party possessing expertise, among other things, on BI-SSSS application development, communication service, and information technology audit.

The legal relationship between the Operator and the designated party shall be stipulated in an agreement.

Paragraph (5)

The obligation to keep confidential the information and data obtained in the supervision shall include the board of commissioners, the board of directors, managers, experts, supervision staff, and other supporting staff related to the implementation of supervision as a whole.

Paragraph (6)

Letter a

"Information and data" shall include, among other things, electronic data and explanations related to the objectives of supervision.

Letter b

Self-explanatory.

Article 40

Paragraph (1)

"Abnormal condition" is defined as a situation or condition occurring

due to ...

due to an interference or failure of hardware, software, communication network, BI-SSSS supporting applications or facilities which influences smoothness of BI-SSSS operations.

”State of emergency (*force majeure*)” is defined as a situation or condition occurring due to incidents which either directly or indirectly influence smoothness of BI-SSSS operations and occur beyond Operator’s and/or Participant’s control and ability so that the BI-SSSS may not be operated properly, among other things, natural disaster, fire, strike, mass riot, rebellion, sabotage, war, and/or regulation issued by the Government.

Paragraph (2)

Self-explanatory.

Article 41

Paragraph (1)

Self-explanatory.

Paragraph (2)

The Operator here acts as the Central Registry.

Article 42

The provisions in Bank Indonesia Circular Letters shall contain regulations including but not limited to :

- a. requirements and procedures to become Participant;
- b. requirements and obligations of Sub-Registry;
- c. procedures of registration transfer of Securities Account held by Participant if its membership status is closed;
- d. procedures of early termination of repo or pledge transaction by the Operator;
- e. types and fees for the application of the BI-SSSS; and
- f. contingency plan to overcome the abnormal condition and state of emergency.

Article 43 ...

Article 43

Self-explanatory.

Article 44

Self-explanatory.

Article 45

Self-explanatory.