CHAPTER VIII

ADMINISTRATION OF STATE SECURITIES TRANSACTIONS ON BEHALF OF THE GOVERNMENT

1. General Provisions
2. The State Securities (SBN) transactions on behalf of the government shall be administered for the transactions of the issuance of SBN in primary market and the SBN transactions in secondary market.
3. The transactions of the issuance of SBN in primary market by the government shall include among other things the transactions of the issuance of SBN by auction for State Bonds, State Treasury Bills (SPN), and State Sharia Securities (SBSN/State *Sukuk*), the issuance of SBN in the context of the transactions of the sale of SBN conducted directly by the government (among other things the sale of SBSN by way of book building, the direct transactions of State Notes (SUN) by the Government and/or the sale of SUN by way of private placement in domestic primary market), the issuance of State Bonds in the context of debt switching, the issuance of Retail State Bond (ORI) and Retail SBSN (Retail State *Sukuk*) for individual investors, and the issuance of SUN in the context of SUN lending to Main Dealer.
4. The SBN transactions in secondary market by the government shall include among other things buy back transactionswith cash settlement or debt switching and SUN lending to Main Dealer.
5. SBN on behalf of the government shall be administered by the Operator, namely the Directorate of Monetary Management, *c.q.* the Division of Monetary Management Transactions Settlement (PTPM).
6. Activities with regard to SBN administration shall comprise activities with regard to the registration of ownership, the settlement and payment of coupon (interest) or yield as well as the settlement of the principal amount of SBN.
7. The Operator shall settle the SBN transactions on behalf of the government based on a notice submitted by the Department of Finance *c.q.* the Directorate General of Debt Management (DJPU) to Bank Indonesia.
8. The settlement of the SBN transactions on behalf of the government as intended in number 6 shall be conducted by Delivery Versus Payment (DVP) or Free of Payment (FoP).
9. The account of the government used in the context of the settlement of the SBN transactions shall be an account administered in Bank Indonesia as follows:
   1. The Giro Account of the government comprising :
      1. The Giro Account of the Government for making payment in the context of the settlement of obligations with regard to the payment of coupon and the settlement of principal amount as well as other obligations related to SBN; and
      2. The Giro Account of the Government for the acceptance of proceeds of issue or other acceptance related to the SBN transactions.
   2. Securities Account, namely the Securities Account of the government, registered as a subsidiary member of Bank Indonesia with member code INDOIDJA930BBON, to register portfolio of ownership and/or the activity of the SBN transactions by the government in secondary market, for example in the context of a transaction of SUN lending to Main Dealer.
10. For a party conducting transactions with the government and having no Securities Account at Central Registry the transactions with the government shall be settled through the Securities Account of Sub-Registry administering the ownership of SBN of the party intended*.*
11. The Operator shall registered the total position of SBN issued which has not reached the maturity date and shall make mandatory payment for coupon (interest) or yield and settle the principal amount of SBN at maturity date to the owner of the SBN registered with Central Registry*.*
12. The payment of coupon (interest) or yield as well as the settlement of the principal amount of SBN principal shall be made at the expense of the Giro Account of the government as intended in item 8.a.1).
13. The Operator shall submit information on the activities with regard to the settlement of transaction, the registration of total position of SBN and the payment of coupon (interest) or yield as well as the settlement of the principal amount of SBN at its maturity date to the Department of Finance *c.q.* DJPU through correspondence, ST of Issuer of the Department of Finance and/or other facility.
14. Settlement of the issuance of SBN
15. The Operator shall register the issuance and settlement of the SBN transactions based on letter from the Department of Finance *c.q.* DJPU to Bank Indonesia on the date of settlement.
16. The issuance of SBN as intended in number 1 shall be registered in accordance with terms and conditions stipulated by the Minister of Finance of the Republic of Indonesia.
17. The issuance of SBN shall be settled under the following conditions:
    1. Fund Settlement

The Fund Settlement shall be conducted by debiting the Giro Account of the Bank and/or the Paying Bank appointed by Sub-Registrythrough BI-RTGS System, either for or on its own behalf or on behalf of Sub-Registry client, as well as crediting the amount of proceeds from the settlement to the Giro Account of the government as follows:

* + 1. In the event that transactions of the issuance of SBN are conducted by auction through BI-SSSS, the Giro Account of the Bank shall be debited on a net basis for the total amount of proceeds from the settlement, either for or on its own behalf or for or on behalf of Sub-Registry client; or
    2. In the event that transactions of the issuance of SBN are conducted directly by the government, the Giro Account of the Bank shall be debited on a gross or net basis in the amount of the SBN proceeds.
  1. Securities Settlement

The Securities Settlement shall be conducted on a net or gross basis per transaction by crediting the nominal value of SBN series transacted to the Securities Account of the Member with Central Registry.

For a Sub-Registry, the SBN Settlement shall be conducted in total for all clients. Subsequently, the Sub-Registry shall register the individual client of SBN buyer based on types of investor in the Sub-Registry internal system.

1. In the event that the balance of the Giro Account of the Bank or the Paying Bank appointed by the Sub-Registry for the implementation of the Fund Settlement is insufficient (the status is settlement pending) until the time of the cut-off warning of BI-RTGS, the cancellation of SBN transactions by the system shall be as follows:
   1. In the event that the fund settlement is conducted on a net basis, the cancellation is conducted on all SBN transactions the payment of which is made through the Bank Member or the Paying Bank intended.
   2. In the event that the fund settlement is conducted on a gross basis, the cancellation is conducted on respective outstanding transactions.
2. The Member shall receive information on the results of the settlement of the SBN auction transactions from the Operator through ST which may be printed as Computer Output (HOK).
3. In addition to HOK, information on the results of settlement of the SBN auction transactions affecting the position of registration of the Securities Account shall also accessible through Supervisory-Securities Holding Enquiry by Member menu*.*
4. The Operator shall submit information on the results of the Settlement of the issuance of SBN to the Department of Finance *c.q.* DJPU.
5. Settlement of the issuance of ORI and/or Retail SBSN
6. Based on a decision letter on proceeds from the allotment of ORI and/or Retail SBSN issued by the Department of Finance *c.q.* DJPU for Bank Indonesia, the Operator shall settle the transactions intended on the date of settlement based on applicable provisions.
7. ORI and/or Retail SBSN shall be settled after the selling agent fulfills the requirements of payment through the Paying Bank to the Giro Account of the Government as set forth in applicable provisions.
8. The Operator shall settle the allotment of ORI and/or Retail SBSN as follows :
   1. The registration of ORI and/or Retail SBSN series issued in accordance with terms and conditions of the Minister of Finance.
   2. The allotmentshall be settled by crediting the Securities Account of the Sub-Registry Member appointed by client as the buyer of ORI and/or Retail SBSN.

Total of the allotment of ORI and/or Retail SBSN for the Sub-Registry Member shall be conducted globally for respective Sub-Registry Members*.*

Subsequently, the Sub-Registry Member shall conduct registration in active sub-account in accordance with the classifications of client resident and types of individual investor.

1. The Sub-Registry Member shall receive information on the results of the implementation of the settlement of allotment of ORI and/or Retail SBSN from the Operator through ST which may be printed as HOK.
2. In addition to HOK, information on the results of the settlement of allotment of ORI and/or Retail SBSN affecting the position of registration of the Securities Account shall also accessible through menu Supervisory-Securities Holding Enquiry by Member*.*
3. The Member of Sub-Registry shall register individual client as the buyer of ORI and/or Retail SBSN in the internal system of the Member of Sub-Registry.
4. The Operator shall submit information on the results of the settlement of the ORI and/or Retail SBSN transactions to the Department of Finance *c.q.* DJPU.
5. Settlement of the SBN Buyback by the Government
6. Based on a decision letter on proceeds from the buyback transactions issued by the Department of Finance *c.q.* DJPU for Bank Indonesia, the Operator shall settle the buyback on date of settlement commencing at 10:00 West Indonesia Time or in accordance with applicable provisions of the government.
7. Proceeds from buyback/debt switching transactions shall be settled on a gross to gross basis, under the following conditions:
   * + 1. Buyback Auction by Cash

Securities Settlement

SBN Securities Settlement shall be conducted on a gross basis per transaction by debiting the Securities Account of the Member with Central Registry, namely Bank and/or Sub-Registry, in the amount of the nominal value of SBN series awarded.

In the event that the Securities are redeemed by the government before maturity date (early redemption), the Operator shall follow early redemption procedures by removing of the registration of SBN from the position of SBN issued by the government.

In the event that the Securities become a portfolio of ownership of the government, the Securities Account of the government shall be credited.

Fund Settlement

After the Securities Settlement is successful or granted completed status, the Fund Settlement shall be conducted on a gross basis per transaction by debiting the Giro Account of the government and crediting the amount of proceeds from the settlement to the Giro Account of the Member and/or the Paying Bank appointed by the Sub-Registry through BI-RTGS System.

The Member shall receive information on the results of the settlement of the buyback auction proceeds from the Organizer through ST which may be printed as HOK.

In addition to HOK, information on the results of settlement of the buyback auction affecting the position of the registration of the Securities Account shall also accessible through menu Supervisory-Securities Holding Enquiry by Member*.*

* + - 1. Buyback by Debt Switching

1. Securities Settlement

a) Settlement of Source Bond

The SBN Securities Settlement shall be conducted on a gross basis per transaction by debiting the Securities Account of the Member with Central Registry, namely Bank and/or Sub-Registry, in the amount of the nominal value of the SBN series exchanged.

In the event that the source bond is redeemedby the government before maturity date (early redemption), the Operator shall follow early redemption procedures by removing of the registration of SBN from the position of SBN issued by the government.

In the event that the Securities become a portfolio of ownership of the government, the Securities Account of the government shall be credited.

b) Settlement of Destination Bond

The Operator shall register the issuance of the destination bond series and shall credit the nominal value of the destination bond series to the Securities Account of the Member with Central Registry, namely Bank and/or Sub-Registry*.*

1. Fund Settlement

The Operator shall conduct the Fund Settlement on cash difference as follows:

* 1. In the event of cash difference at the expense of the government, the Fund Settlement shall be conducted by debiting the Giro Account of the Government and crediting the amount of cash difference to the Giro Account of the Member in the Bank or the Paying Bank appointed by the Sub-Registry.
  2. In the event of cash difference at the expense of the Member, the Fund Settlement shall be conducted by debiting the Giro Account of the Member in the Bank or the Paying Bank of Sub-Registry and crediting the amount of cash difference to the Giro Account of the government.

1. The Member shall receive information on the results of the settlement of buyback transactions proceeds from the Operator through ST which may be printed as HOK.
2. In addition to HOK, information on the results of the settlement of the buyback auction affecting the position of registration of the Securities Account shall also accessible through menu Supervisory-Securities Holding Enquiry by Member*.*
3. In the event of the failure of settlement due to the insufficient balance of the Securities Account of the Member and/or Sub-Registry, the Operator shall conduct settlement for the Members failing to conduct settlement after the balance in the Securities Account concerned is sufficient, in accordance with the deadline for the settlement set by the government.
4. The Operator shall submit information on the results of the settlement of the buyback auction to the Department of Finance *c.q.* DJPU.
5. Settlement of the SUN Lending by Main Dealer
6. The settlement of the SUN Lending and extension thereof shall be conducted based on a notice of approval of the Minister of Finance of the Republic of Indonesia *c.q.* DJPU.
7. The settlement of the returns of the SUN lent and collateralized shall be conducted at the expiration of deadline for the SUN lending.
8. The Operator shall conduct the settlement of the transactions as intended in numbers 1 and 2 commencing at 08:00 West Indonesia Time.
9. The settlement of the SUN Lending shall be conducted by following the procedures as follows:
10. Settlement of the SUN Lending
    1. The Main Dealer shall pay the SUN lending fee through BI-RTGS System to the Giro Account of the government as set forth in applicable provisions.
    2. The Main Dealer shall submit the receipt of payment for SUN lending fee as intended in number 1) to the Operator.
    3. The Main Dealer or Sub-Registry on behalf of Main Dealer and the Operator shall conduct settlement by using the transaction mechanism of Free of Payment (FoP) through the SSTS-Transfer menu as follows:
    4. Transferring the SUN series collateralized through BI-SSSS from the Securities Account of the Main Dealer or the Securities Account of the Sub-Registry appointed by the Main Dealer to the Securities Account of the government in the amount of nominal value of the SUN series collateralized;
    5. The Operator shall register the issuance of SUN to be lent to the Main Dealer, in accordance with terms and conditions of the Minister of Finance of the Republic of Indonesia, and shall credit the Securities Account of the government in member code INDOIDJA930BBON.
    6. The Main Dealer or the Sub-Registry appointed by the Main Dealer as borrower and the Operator on behalf of the government as the lender shall input and transmit data on the settlement of transaction of the SUN lending to ST.
11. Settlement of the Returns of the SUN Lending
    1. At maturity date of the returns of the SUN lending, the Operator shall follow early redemption procedures on the SUN series borrowed by the Main Dealer by debiting the amount of nominal value of the SUN borrowed from the Securities Account of the Main Dealer or the Securities Account of the Sub-Registry appointed by the Main Dealer.
    2. Upon the settlement of early redemption as intended in number 1) is conducted or on the date of settlement on which the SUN lending reaches its maturity, the settlement of the returns of the SUN lending shall be conducted by transferring the SUN series collateralized by using FoP transfer mechanism from the Securities Account of the government to the Securities Account of the Main Dealer or the Sub-Registry Memberappointed by the Main Dealer in the amount of nominal value of the SUN collateralized.
    3. In the event that the early redemption procedures of the SUN series borrowed by Main Dealer as intended in number 1) cannot be conducted because the balance of the Securities Account of the Main Dealer or the Securities Account of the Sub-Registry appointed by the Main Dealer is insufficient up to the deadline for the Securities Settlement in BI-SSSS, the settlement of the returns of the SUN lending shall be declared failed.
12. Settlement of the Extension of the SUN Lending Facility

In the event that the Minister of Finance of the Republic of Indonesia *c.q.* DJPU approves the extension of the SUN lending, on the date of settlement:

* 1. The procedures as intended in letter b numbers 1) and 2) shall not be conducted;
  2. The Main Dealer shall pay the extension fee for the SUN lending in accordance with the procedures as intended in letter a number 1) and shall submit the receipt of payment in accordance with the procedures as intended in letter a number 2);
  3. At maturity date of the extension of the SUN lending, SUN lending shall be returned in accordance with the procedures as intended in letter b.

1. Process of the Settlement of the SUN Guarantee

In the event that the early redemption proceduresof theSUN series borrowed by Main Dealer cannot be conducted, the following procedures shall be followed:

1. The government may make the sale offer of the SUN collateralized to other Main Dealer.
2. The sale offer shall be made by using debt switching mechanism, namely switching the guarantee SUN with the same SUN series as the SUN series lent by the government.
3. Based on a transaction of the SUN debt switching by the government as intended in number 2), Bank Indonesia on behalf of the government and the Main Dealer as counterparty shall conduct the settlement through BI-SSSS by way of transfer of Free of Payment.
4. In the event of cash difference between the transactions of the SUN debt switching as intended in number 3), the settlement of payment shall be conducted bilaterally between the Main Dealer buying the guarantee and the Main Dealer failing to conduct the settlement.
5. Based on proceeds from the transaction of the SUN debt switching by the government as intended in number 2), the Operator shall follow the early redemption procedures.
6. The Member shall receive information on the results of the settlement of the SUN lending from the Organizer through ST which may be printed as HOK.
7. The Operator shall submit information on the results of the settlement of the SUN lending to the Department of Finance *c.q.* DJPU.
8. Payment of Coupon (Interest) or Yield and the Settlement of the principal amount of SBN
   * + 1. Payment of Coupon (Interest) or Yield at Maturity Date

For the SBN series with coupon (interest) or yield, the payment procedures shall be as follows:

1. The payment of coupon (interest) or yield shall be based on the position of registration of ownership of SBN in Central Registry within 2 (two) business days before the maturity date of the payment of coupon (interest) or yield (T-2).
2. The Member registered in the Securities Account with Central Registry shall receive notification on the payment of coupon (interest) or yield in respective STs within 1 (one) business day before the maturity date of the payment (T-1).
3. The Operator shall make payment of coupon (interest) or yield at maturity date (T-0) of coupon (interest) or yield by debiting the amount ofvalue of coupon (interest) or yield from the Giro Account of the Government and crediting the amount ofvalue of coupon (interest) or yield to the Giro Account of the Member in the Bank or the Paying Bank appointed by the Sub-Registry.
4. The Sub-Registry, on the same day (T-0) must forward the payment of coupon (interest) or yield to the client as the SBN owner by crediting the amount of value of coupon (interest) or yield to which the client is entitled

2. To the fund account of the client registered in the Sub-Registry in Redemption of the Principal Amount of SBN Principal at Maturity Date

1. At maturity date, the SBN shall be redeemed in the amount of nominal value of SBN.
2. Payment for the redemption of the principal amount of SBN shall be made based on the position of registration of ownership of SBN in Central Registry within 2 (two) business days before the maturity date of the payment of the SBN Principal Amount (T-2).
3. The owner of SBN registered in the Securities Account with Central Registry shall receive notification on the payment of principal amount in respective STs within 1 (one) business day before the maturity date of the payment of the Principal Amount of SBN (T-1).
4. The Operator shall make payment for the principal amount of SBN at maturity date (T-0) by debiting the amount of nominal value of SBN from the Giro Account of the government and crediting the amount of nominal value of SBN to the Giro Account of the Member in the Bank or the Paying Bank appointed by the Sub-Registry.
5. The Sub-Registry, on the same day (T-0) must forward the payment for the principal amount of SBN to the client as the owner of SBN by crediting the amount of nominal value to which the client is entitled to the fund account of the client registered in the Sub-Registry.
6. The redemption of the principal amount of SBN shall be settled by debiting the amount of nominal value of SBN at maturity date from the Securities Account of the Member and reducing the position of the SBN issued by the government.
   * + 1. Redemption of the Principal Amount of SBN Before Maturity Date (Early Redemption)
7. Based on a notice on the redemption of the principal amount of SBN before maturity date (early redemption) issued by the Department of Finance *c.q.* DJPU for Bank Indonesia, the Operator shall settle the transactions intended commencing at 08:00 West Indonesia Time.
8. Early redemption may be settled bymeans ofDVP or FoP.
9. The owner of the Securities Account with Central Registry intending to sell SBN to the government before maturity date must have sufficient balance in its Securities Account in the amount of nominal value of SBN subject to early redemption.
10. Early redemption shall be settled by debiting the amount of nominal value of SBN from the Securities Account of the Member and reducing the position of the SBN issued by the government in at maturity date.
11. In the event that the early redemption is conducted by means of DVP, the Operator shall make the payment as follows :
    1. Payment for the principal amount of SBN by debiting the value of settlement from the Giro Account of the government and crediting the value of settlement to the Giro Account of the Member in the Bank or the Paying Bank appointed by the Sub-Registry at a price agreed upon between the government and the owner ofSBN; and/or
    2. For the SBN series with coupon (interest) or yield, the settlement shall be conducted through the payment of accrued interest or yield portion by debiting the value of accrued interest or yield portion from the Giro Account of the Government and crediting the value of accrued interest or yield portion to the Giro Account of the Member in the Bank or the Paying Bank appointed by the Sub-Registry.
12. The Sub-Registry, on the same day (T-0) must forward payment for the principal amount of SBN t and/or the accrued interest or the yield portion by crediting the value of the principal amount of SBN principal amount and/or accrued interest or yield portion to which the client is entitled to the fund account of the client registered in the Sub-Registry.