

Bond and Note Transactions and Trading Market Infrastructure

Information in this chapter relates to developments in bond market trading, transactions, and related subjects that have occurred since the publication of the *ASEAN+3 Bond Market Guide for Indonesia* and is presented in the context of the structure used in that bond market guide.

A. Trading of Bonds, Notes, and Sukuk

Debt instruments issued in the Indonesian market may be traded on exchange or in the OTC market, including on the SPPA introduced in November 2020.

B. Trading Platforms

In late 2020, the SPPA offered by IDX was added to the range of secondary trading platforms available in the Indonesian bond market. SPPA marks an addition to existing international and in-house OTC bond trading platforms of market participants that were described in the *ASEAN+3 Bond Market Guide for Indonesia*. Detailed information on SPPA is provided in section 6 below.

6. Alternative Trading Platforms **[NEW]**

On 9 November 2020, IDX launched SPPA, a new electronic trading platform that allows the trading of government and corporate bonds and *sukuk*. SPPA represents an extension of the proposed OTC trading platform, previously designated as ETP, and follows extensive development of the platform under the project name ETP Phase 2; however, SPPA represents an entirely new system. Please see Chapter IV.B.5 in the *ASEAN+3 Bond Market Guide for Indonesia* for the origins of ETP.

SPPA does not represent a new market segment on exchange, but rather it is an organized OTC trading platform for bonds and *sukuk* in the secondary market. The ability to establish SPPA is based on OJK Regulation No. 8/POJK.04/2019 Concerning Alternative Market Organizers, promulgated in February 2019, with the term “alternative” indicating a formal trading venue other than an exchange. The regulation requires the Alternative Market Organizer (PPA) to ensure a fair and efficient market operation, pursuant to prescriptions in the Capital Market Law and implementing regulations. The regulation requires that a PPA issues market rules to govern an Alternative Market Platform.

IDX had already previously been licensed through OJK Letter Number 46/KDK.01/2016 Concerning License as Organizer of Government Debt Securities Trading, pursuant to Bapepam Rule III.D.1 Concerning Organizer of Government Debt Securities Trading, based on its experience in establishing and managing organized markets for securities trading. While Rule III.D was subsequently replaced by OJK Regulation

No. 8/POJK.04/2019, parties with a license under the old rule did not need to apply for a new license as a PPA.

The introduction of SPPA followed detailed consultations with primary dealers and other stakeholders in the Indonesian bond market and was aimed at increasing liquidity and efficiency in the government bond market. SPPA was developed in conjunction with AxeTrading.

Trading on SPPA is open to financial market institutions only, and SPPA participants are considered separate from exchange members or the participants of other trading platforms. As of 11 June 2021, IDX had admitted 28 trading participants to SPPA. IDX is in discussions with Bloomberg on whether Bloomberg users may be allowed to access SPPA in the future; at the time of compilation of this update note, Bloomberg was still in the process of assessing the technical specifications for SPPA.

Trades agreed through SPPA can be settled directly between participants through KSEI, as is the current practice in the OTC bond market. At the same time, IDX is exploring the possibility of conducting a clearing and settlement facility through IDClear.

In its capacity as Alternative Market Organizer for SPPA, IDX issued a number of market rules for the new marketplace on 9 November 2020:

- i. Rule on Determination of Tradable Securities through SPPA,
- ii. SPPA Securities Trading Rules,
- iii. SPPA Service User Rules, and
- iv. SPPA Trade Control Rules.

The Rule on Determination of Tradable Securities through SPPA states that securities eligible for trading on SPPA include debt securities and *sukuk* issued via a public offering, government securities, and any other debt securities and *sukuk* as may be determined by OJK, as is prescribed in OJK Regulation No. 8/POJK.04/2019. At the time of the compilation of this update note, OJK had not yet determined any further debt securities and *sukuk* for trading on SPPA. Hence, the potential exists for OJK to include debt securities and *sukuk* issued not through a public offering (private placements) as eligible securities for trading on SPPA in the future.

IDX subsequently issued Circular Letter Number SE-00004/BEI/01-2021 on 21 January 2021 on Parameters of Trading in Debt Securities and Sukuk in the Alternative Trading Platform, which contained information on price quotation, minimum trading volume, tick sizes, and settlement cycles for specific instrument categories. The provisions became effective on 8 February 2021. The circular letter is presently only available in Bahasa Indonesia.²⁹

The current list of trading participants is shown on the IDX website.³⁰ Regulations issued for SPPA by IDX as Alternative Market Organizer may be accessed via the list of Directives issued by IDX Directors;³¹ they are only available in Bahasa Indonesia but are marked as relating to SPPA in the list.

²⁹ See https://www.idx.co.id/media/9579/se_00004_bei_01_2021_parameter_perdagangan_sppa.pdf.

³⁰ See <https://www.idx.co.id/en-us/members-participants/list-of-indonesia-alternative-market-trading-system-user/>.

³¹ See <https://www.idx.co.id/peraturan/keputusan-direksi>.

C. Mandatory Trade Reporting

1. Transactions Included in Trade Reporting

The mandatory trade reporting for transactions in the secondary market now includes private placements.

The private placement regulation issued by OJK in 2019 and effective since June 2020 prescribes that securities companies or custodians carrying out trades or settlement transactions in private placements are required to report such transactions to OJK. The reporting requirements and frequency follow separate OJK regulations on securities transaction reporting. Market parties typically input or upload their transaction data into PLTE, the transaction reporting platform operated by IDX on behalf of OJK.

2. Reporting from SPPA into PLTE [NEW]

SPPA, established and operated by IDX, is the first formal OTC market segment in the Indonesian bond market (see also section B.6 in this chapter). Trades executed on SPPA are reported into the PLTE System on a real-time basis. In contrast, trades concluded in the OTC market directly between counterparties need to be entered into the PLTE System by the trading counterparties.

F. Yields, Yield Curves, and Bond Indices

In 2019, IBPA—then known as the Indonesia Bond Pricing Agency—changed its branding to the Bahasa Indonesia name of *Penilai Harga Efek Indonesia* (PHEI), which translates into English as the Indonesia Securities Pricing Corporation. Following a transition period for the purpose of name recognition for its previous work, where PHEI maintained IBPA as a website handle that linked to the website in Bahasa Indonesia, PHEI will only maintain the website under its new name going forward.³² The full website is also available in English.³³

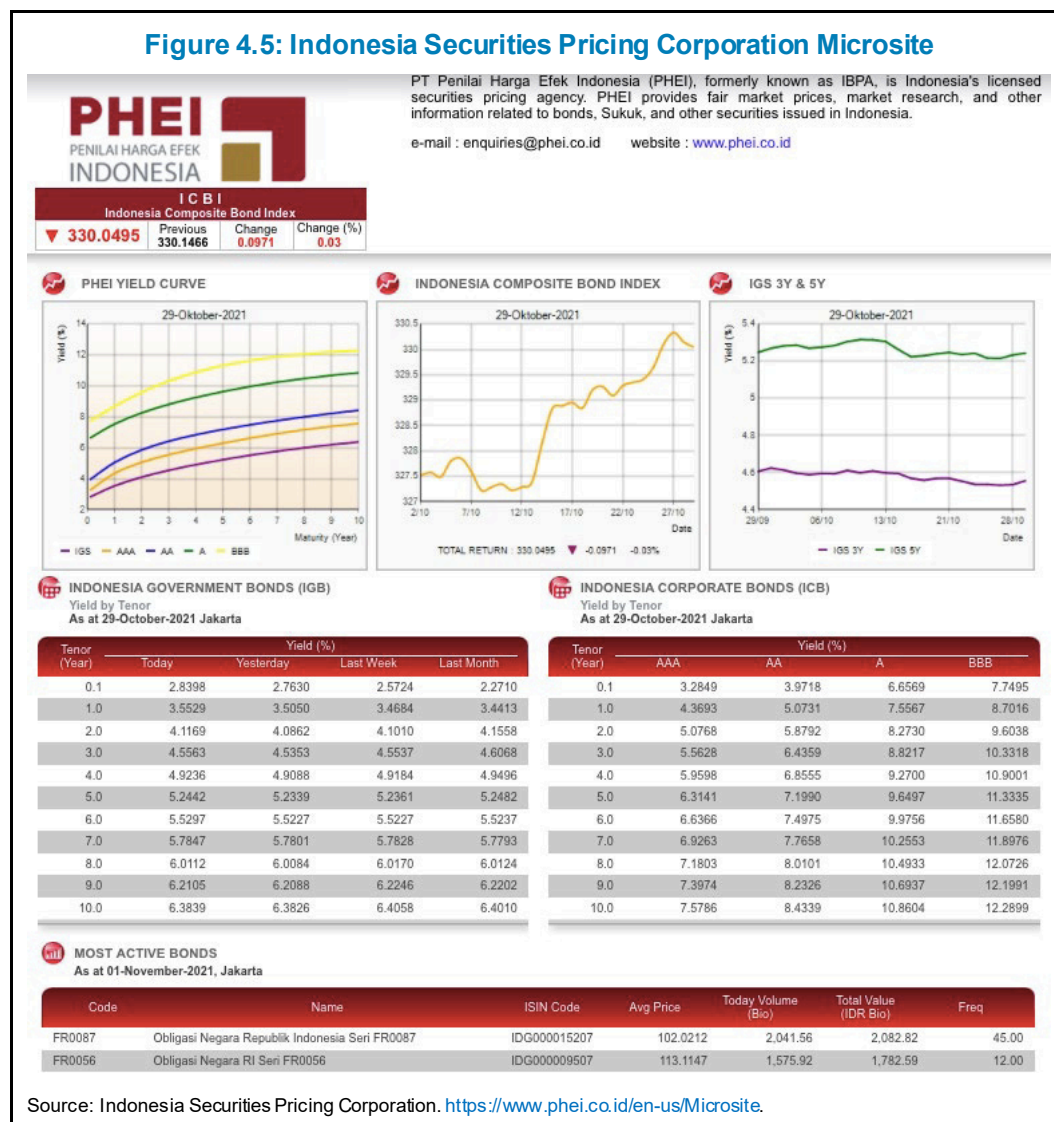
1. Yields and Yield Curves for Government and Corporate Bonds

PHEI maintains a microsite in English that serves as dashboard for all relevant information on bond trading activities (Figure 4.5). The information on the microsite includes yield-by-tenor tables for both government bonds and corporate bonds, PHEI's own yield curves for Indonesian government securities, and aggregate and individual yield curves by domestic credit rating categories. The microsite also offers the download of PHEI reports in English that were released in the past 4 weeks.

At present, the trade data and related information on the PHEI website does not include trades executed on SPPA.

³² See <https://www.phei.co.id>.

³³ See <https://www.phei.co.id/en-us/>.



2. Bond Indexes in Indonesia

The Indonesia Bond Indexes were launched on 21 November 2014, following an initiative by OJK in conjunction with IDX and the then IBPA, to provide the Indonesian capital market with guidance on the performance of the bond market and its instruments. This was previously reported in the *ASEAN+3 Bond Market Guide for Indonesia* published in 2017.

Since then, these indexes have largely been referred to in PHEI publications, on the IDX website, and in other materials in the financial market media using the acronym INDOBeX.

G. Repo Market

4. Triparty Repo Facility **[NEW]**

KPEI obtained OJK approval in July 2018 to act as third-party provider in triparty repo transactions. KPEI subsequently issued KPEI Regulation Number X-2 Regarding Triparty Repo Facility on 25 February 2019 to define its service provision and prescribe the rights and obligations of repo buyers and repo sellers.³⁴

The KPEI regulation covers the procedures for the settlement on the purchase date and the repurchase date, and includes the substitution of securities. Both delivery-versus-payment and free-of-payment transactions are possible; for free-of-payment transactions, the transfer of funds occurs outside the triparty repo facility, but a confirmation of fund transfer is to be recorded in the triparty repo facility.

The repo business, the service provisions, and eligible participants follow the provisions in OJK Regulation No. 9/POJK.04/2015 Concerning Guidelines of Repurchase Agreement Transactions for Financial Services Institutions, as described in the *ASEAN+3 Bond Market Guide for Indonesia*.

While KPEI facilitates triparty repo transactions, it does not guarantee the repo transaction. KPEI provides maintenance and management of the margin, a mark-to-market service of the collateral, transaction settlement, and related activities. Margin is only available in the form of cash, as defined in the KPEI regulation. Eligible securities are securities as defined in the Capital Market Law.

As market standard, the Global Master Repurchase Agreement for Indonesia serves as the underlying agreement for repo transactions between counterparties; in addition, participants each need to execute a triparty repo facility agreement with KPEI.

I. Interest Rate and Fixed Income Futures

Just prior to the publication of the *ASEAN+3 Bond Market Guide for Indonesia*, IDX introduced the trading of bond futures contracts on the exchange market; this development was indicated in the bond market guide, but details could not be included in time. Hence, this section provides information on the two contracts directly relevant for the bond market.

The trading of futures contracts on IDX began in May 2017. Presently, four distinct contracts are being traded, two of which relate to the bond market. The legal and regulatory bases for futures and futures trading had been provisions in the Capital Market Law, which already recognized derivatives, and Bapepam Rule III.E.1 Concerning Futures Contract and Option on Securities or on Securities Index, dated 31 October 2003; OJK did not introduce new regulations at the time. IDX published its Rule Number II-M concerning Trading of Government Securities Futures Contracts on 25 April 2017 to facilitate the exchange-trading practices for the new instruments.

On 6 May 2020, OJK issued Regulation No. 32/POJK.04/2020 Concerning Securities Derivative Contracts, creating a single, comprehensive regulatory framework for securities derivatives. The regulation prescribes the need and process for OJK approval for each new derivatives product; the trading, clearing, and settlement of derivatives transactions; as well as participants and their obligations. The regulation covers trading of securities derivatives on both the exchange and alternative trading

³⁴ The text of the KPEI Regulation Number X-2 Triparty Repo Facility is available for download from the KPEI website at <https://www.idclear.co.id/regulation/peraturan-triparty-repoen-US>.

market (PPA), and the obligations of market trading and clearing institutions, including the need to publish derivatives-related information.

Subsequently, IDX published Rule Number II-E concerning Futures Contract Trading on 7 December 2020, which covered the trading hours of government bond futures contracts and transaction reporting times and practices, among other subjects. OJK Regulation No. 32/2020 also made necessary further adjustments to the trading provisions of futures contracts on exchange. The IDX rule was approved by OJK on 19 October 2020.

Trading hours for the bond futures contracts differ slightly from the normal exchange trading hours for debt securities (Table 4.2). Trading in session 1 starts and ends 30 minutes earlier, while session 2 is 45 minutes shorter. In contrast to normal exchange trading hours, there is no distinction between individual days of the week. In addition, the trading of futures contracts that are due ends at 3 p.m. on the last trading day for such contracts.

Table 4.2: Indonesia Stock Exchange—Bond Futures Trading Hours

Day	Session 1	Session 2
Monday–Friday	9 a.m. – 11.30 a.m.	1:30 p.m. – 3.15 p.m.

Note: Times given are for the Western Indonesian time zone in which Jakarta is located.
Source: Indonesia Stock Exchange. Products > Derivatives. <https://www.idx.co.id/en-us/products/derivatives/>.

Information on the bond futures contracts, including trading activity, market summary, and most active contracts are provided on the IDX website (Figure 4.7).

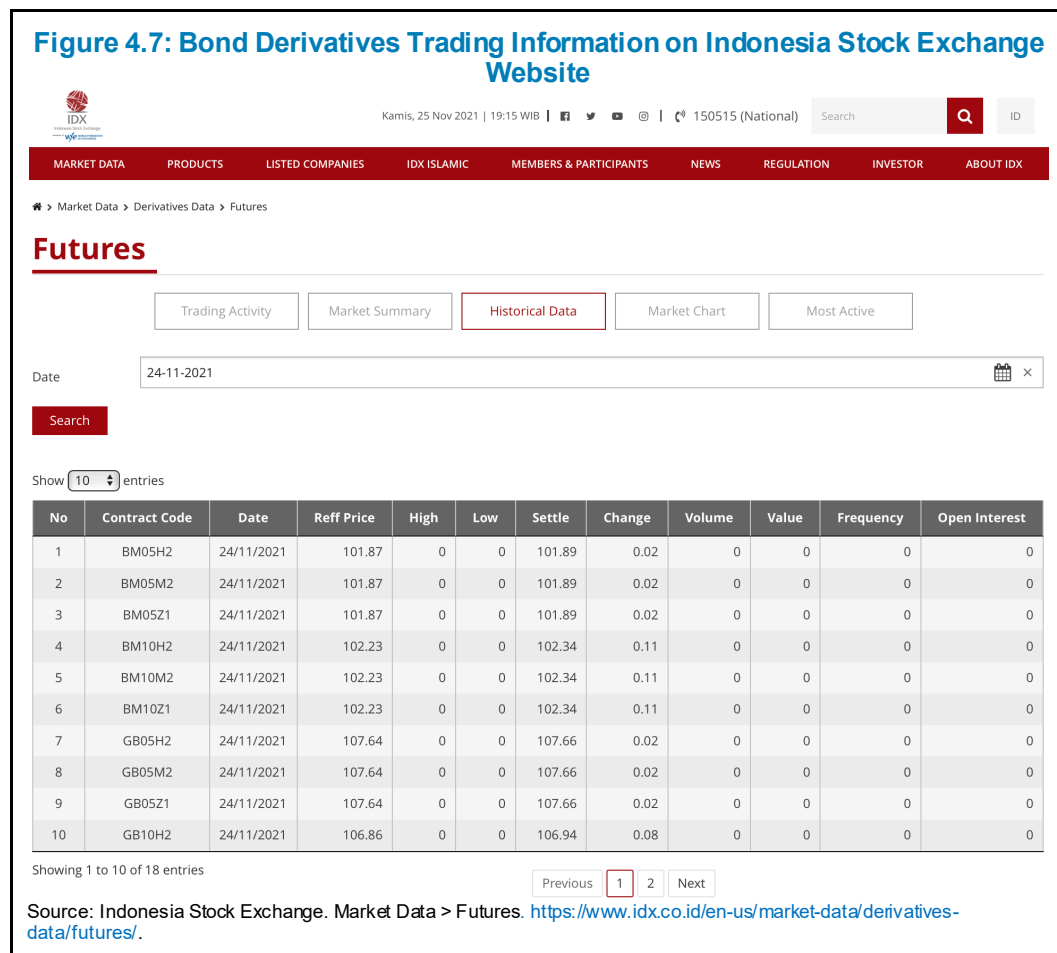
Like all exchange-traded instruments, transactions in bond futures on IDX are cleared by KPEI. KPEI issued Regulation Number III-3 on Clearing and Guarantee of Government Bond Futures Contracts on 26 April 2017 and updated its Regulation Number III-2 on Clearing and Guarantee of Settlement of Securities Futures Contract Transactions on 27 November 2020.³⁵ For the relevant regulations governing the obligations of clearing members on securities futures contract transactions, KPEI had previously issued Regulation Number III-1 on Clearing Members Obtaining Clearing and Guarantee Services of Futures Contract and Option Transaction Settlement on 23 November 2015. Please see the KPEI website for further details on these regulations.³⁶

As the settlement of futures contracts occurs in cash, there is no involvement of KSEI in the settlement process.

³⁵ KPEI Regulation Number III-3 on Clearing and Guarantee of Government Bond Futures Contracts is available for download, presently only in Bahasa Indonesia, from the KPEI website at <https://www.kpei.co.id/Media/Default/Regulations/Derivatif/PERATURAN%20KPEI%20NO%20III-3.PDF>. KPEI Regulation Number III-2 on Clearing and Guarantee for Settlement of Securities Futures Contract Transactions is available, presently only in Bahasa Indonesia, from the KPEI website at https://www.idclear.co.id/Media/Default/Regulations/Derivatif/Peraturan%20KPEI%20No%20III-2_2020.PDF.

³⁶ KPEI Regulation Number III-1 on Clearing Members Obtaining Clearing and Guarantee Services of Futures Contract and Option Transaction Settlement is available, from the KPEI website, at <https://www.idclear.co.id/Media/Default/Regulations/Derivatif/KPEI%20Rule%20No%20III-1.pdf>.

Figure 4.7: Bond Derivatives Trading Information on Indonesia Stock Exchange Website



1. Indonesia Government Bond Futures [NEW]

IDX introduced Indonesia Government Bond Futures (IGBF) contracts to the exchange market on 8 May 2017 given the large amount of outstanding sovereign bonds. IGBF contracts are intended as a hedging instrument for primary dealers of government bonds.

IGBF contracts use benchmark government bonds with 5-year and 10-year tenors as the underlying instruments; hence, the contracts are designated as BM05 and BM10, respectively.

The contract has a value of IDR1 billion (or multiples thereof) and is quoted by price, with ticks at 1 basis point representing the actual price; rounding (e.g., to the nearest 5 basis points) is not practiced. Maturity dates for the IGBF contracts fall on the last trading day in March, June, September, and December. Cash settlement for IGBF contracts is on T+1.

More information on IGBF contracts can be found on the IDX website.³⁷

2. Basket Bond Futures [NEW]

Basket Bond Futures (BBF) contracts were introduced by IDX on 7 December 2020.

³⁷ See <https://www.idx.co.id/en-us/products/derivatives/>.

BBF represent a futures contract on the basis of a basket of government bonds with maturities between 4 years and less than 7 years for the 5-year contract (GB05MY), and maturities between 7 years and less than 11 years for the 10-year contract (GB10MY). Each basket contains three government bonds with the appropriate residual tenors that are selected by IDX on the basis of the largest amount outstanding and other considerations.

The contract value is IDR1 billion (or multiples thereof), with a tick size of 1 basis point (0.01%). BBF are settled in cash on T+1. The equivalent of 0.03 basis points of each transaction value in BBF are allocated to the Exchange Guarantee Fund.³⁸

More information on BBF is available from the IDX webpage on derivatives.³⁹

³⁸ The Exchange Guarantee Fund collects contributions from exchange member transactions to ensure fulfillment of obligations in the event of clearing member default.

³⁹ See <https://www.idx.co.id/en-us/products/derivatives/>.