



Characteristics of the Indonesian Bond Market

The introduction of a professional investors concept, the corresponding increase in issuance types, and the issuance of green bonds and green *sukuk* by both sovereign and corporate issuers—coupled with an overhaul of market regulations and rules—have changed or augmented the Indonesian bond market significantly since the publication of the *ASEAN+3 Bond Market Guide for Indonesia* in August 2017.

These changes to the Indonesian bond market's characteristics are described in this chapter in the context of the existing structure of the *ASEAN+3 Bond Market Guide for Indonesia*.

A. Definition of Securities

6. Green Bond Definition in Financial Services Authority Regulations **[NEW]**

OJK Regulation No. 60/POJK/04/2017 on the Issuance and the Terms of Green Bond, issued in December 2017, defines green bonds as “bonds whose funds of proceeds are used to finance or refinance part or all of the activities of an environmentally sound business.”

B. Types of Bonds, Notes, and Sukuk

The types of bonds, notes, and *sukuk* in the Indonesian market have expanded significantly since 2017 through an increase in number of green bond and green *sukuk* varieties, including savings and retail versions, endowment-linked *sukuk*, as well as sustainability bonds. Meanwhile, so-called “diaspora bonds” are in the planning stage. The new instrument types are described in this section within the structure used in the *ASEAN+3 Bond Market Guide for Indonesia*. Please also see Chapter I.E of the *National Strategy for Financial Market Development, 2018–2024*, which set many of the objectives leading to the new instruments.

IDX has also begun offering the trading of government bond-linked futures contracts; for more information on these instruments, please see Chapter IV.I.

1. Debt Securities Issued by the Government

In addition to its range of debt instruments described in the *ASEAN+3 Bond Market Guide for Indonesia*, the Government of Indonesia now also issues green *sukuk* in a number of different variants. At the time of the publication of this update note, the Government of Indonesia had not issued sovereign green bonds.

To support the issuance of green *sukuk*, the Government of Indonesia released its *Green Bond and Green Sukuk Framework* in early 2018. The underlying assets for green *sukuk* are those eligible as green assets under the framework.

More detailed information on this government initiative and the *Green Bond and Green Sukuk Framework* are available from the website of the MOF.¹⁸

As the next stage, the Government of Indonesia has developed its *SDG Government Securities Framework*, a comprehensive framework that covers the various aspects of sustainable financing, including green, social, and also blue financing. The *SDG Government Securities Framework* will serve as guidance for sovereign issuances of green and blue and social and sustainability bonds and *sukuk* that will fund eligible projects delivering environmental and social benefits in line with the Indonesian 2030 development agenda. The framework and its Second Party Opinion from the Center for International Climate and Environmental Research–Oslo (CICERO) and the International Institute for Sustainable Development were published in September 2021.

m. Government Green Sukuk [NEW]

The MOF issued the first green *sukuk* on 1 March 2018, following the establishment of the Government of Indonesia's *Green Bond and Green Sukuk Framework* (see also Chapter X.A). The government received a second opinion and assurance on the framework from CICERO on 23 January 2018.

This first green *sukuk* had an issuance volume of IDR16.75 trillion (USD1.25 billion at the time), with all proceeds going exclusively to eligible green projects based on the *Green Bond and Green Sukuk Framework*. The *sukuk* was issued under an existing global *sukuk* program, in the form of *wakalah* trust certificates, with a profit rate of 3.75% and a tenor of 3 years. The *sukuk* carried a second-party opinion from CICERO to ensure adherence the *Green Bond and Green Sukuk Framework* and the underlying Green Bond Principles.

Details on the issuance, the allocation of proceeds, and other salient subjects can be found in *Indonesia's Green Bond and Green Sukuk Initiative*, a report prepared by the United Nations Development Programme.¹⁹

Just like other sovereign *sukuk*, green *sukuk* issuance follows Law Number 19 of 2008 Concerning Government Sharia Securities; green *sukuk* represent a different type of *sukuk*, not an instrument of a different nature. When announcing the proposed issuance volume of sovereign bonds and *sukuk*, the MOF will detail the planned issuance amount and type of *sukuk*, now including green *sukuk*.

The Government of Indonesia has continued issuing green *sukuk* every year since the original green *sukuk* issuance in 2018.

n. Government Retail Green Sukuk–Savings Sukuk (Sukuk Ritel–Sukuk Tabungan) [NEW]

The Government of Indonesia issued its first green savings *sukuk* in November 2019, raising IDR1.46 trillion.²⁰ The issuance of this savings *sukuk*, referred to as Series ST006 and interchangeably as retail green *sukuk*, represented the first global retail green *sukuk*. Like the original retail and savings *sukuk* issued by the government, the green *sukuk* was issued to Indonesian citizens only, this time via authorized distributors including fintech

¹⁸ See <https://www.djppr.kemenkeu.go.id/uploads/files/dmodata/in/6Publikasi/Offering%20Circular/ROI%20Green%20Bond%20and%20Green%20Sukuk%20Framework.pdf>.

¹⁹ See <https://www.undp.org/dam/docs/pubs-reports>.

²⁰ The press release is available in Bahasa Indonesia on the MOF website at <https://www.djppr.kemenkeu.go.id/page/load/2673>.

companies, as well as the e-SBN online platform (see also section E in this chapter).

ST006 was issued in a denomination of IDR1 million with a tenor of 2 years. Each retail investor could purchase up to IDR3 billion of the green savings *sukuk*. The floating interest rate was linked to the official BI 7-day reverse repo rate, with a floor of 5.0%. Rewards from profit sharing are payable quarterly. Like the original savings *sukuk*, the green savings *sukuk* are nontradable and come with the option of early redemption. The Sharia principle underlying the green savings *sukuk* is *wakalah*.

A Series ST007 of the green savings *sukuk* with the same characteristics was issued on 20 November 2020, again via authorized distributors and e-SBN.

o. Cash Waqf-Linked Sukuk (Endowment-Linked Sukuk) [NEW]

Cash *waqf*-linked *sukuk* (CWLS) are Islamic bonds or *sukuk* linked to endowments (*waqf*). CWLS allow investors with a SID and a securities account to buy *sukuk* that deliver coupons (hence, the mention of cash), as a type of donation, to organizations that administer endowment funds (e.g., social and welfare projects such as health care, education, and poverty alleviation). The proceeds from CWLS are allocated to the state budget. Investors in CWLS receive back their principal investment upon maturity or have the option to assign the principal to the endowment organizations at that time.

Endowment-linked *sukuk*—also transliterated into Bahasa Indonesia as *sukuk wakaf*—may be offered in variants for institutional investors and for retail investors (*sukuk wakaf ritel*) and issuance size may depend on the type and number of endowments that are linked. CWLS are nontradable, with a fixed coupon to generate expected contributions, and do not feature specific denominations, owing to the nature of the instrument. The tenor of issued CWLS has ranged from about 2 years to about 4 years.

The first CWLS was issued on 10 March 2020. At the time of writing, the Government of Indonesia had issued three series of CWLS via a variation of private placements and by using online and offline book-building exercises. CWLS issuances are designated as SW999, while retail CWLS are designated as SWR999; the underlying Sharia principle used is *wakalah*.

So far, the Government of Indonesia has issued only IDR-denominated CWLS, but it has not ruled out issuing CWLS in other currencies in the future. While CWLS are part of the Surat Berharga Syariah Negara (government *sukuk*) category that can be issued in either Indonesian rupiah or a foreign currency, the MOF also must observe Government Regulation Number 42 of 2008, which stipulates that CWLS must be denominated in rupiah, while CWLS issued in a foreign currency should be converted to rupiah. However, this regulation is in the process of revision.

For more details on the nature and purpose of CWLS, please refer to Chapter VIII of this update note.

p. Diaspora Bonds (Considered) [NEW]

The MOF has been studying the introduction of a bond type aimed at Indonesian citizens living abroad since 2019. The approach is based on the likely investment potential from overseas Indonesians and the ability to distribute electronic retail bond and *sukuk* issuances via the successful e-SBN

portal (see also section E in this chapter). The MOF is exploring options for issuances in both Indonesian rupiah and US dollars, and will also consider the readiness of potential distribution partners and platforms.

An investor would have to meet specific criteria to be eligible to invest in this bond. The MOF is working with the Ministry of Foreign Affairs to set such eligibility criteria and observe any investment restrictions that may apply in other markets with regard to overseas assets.

While the term “diaspora bond” is being considered, an official name for this bond type has not yet been formally determined.

4. Bonds, Notes, and Sukuk Issued by the Corporate Sector

Corporates and financial services institutions have been issuing green bonds in the Indonesian market since 2018 and sustainability bonds since 2019. At present, following the promulgation of the OJK Regulation on the Issuance and the Terms of Green Bond and the OJK Regulation on Private Placement, green and sustainability bonds may be issued via a public offering or via private placement (see also section E in this chapter).

To be able to issue green and sustainability bonds, corporate issuers or offerors will have to comply with regulations and publish a green and/or sustainability bond framework in which they explain their internal processes to identify, finance, and assess eligible projects and track the use of proceeds.

OJK has set itself the target to develop a green taxonomy in 2021–2022 by establishing a clear set of guidelines on what constitutes green assets.

d. Green Bonds [NEW]

The issuance of green bonds by corporates was facilitated by OJK Regulation No. 60 (POJK/04/2017) on the Issuance and the Terms of Green Bond, promulgated on 21 December 2017. The regulation referenced the International Capital Market Association’s (ICMA) Green Bond Principles, contained a definition of green bond (see section A in this chapter) and the criteria for eligible business activities, and focused on the additional application and disclosure practices required for green bonds on the basis of existing requirements for a public offering of debt securities and applicable disclosure obligations. Green and sustainability bonds may be issued in Indonesian rupiah or foreign currency.

Pursuant to the regulation, a green bond will require the use of a minimum of 70% of its proceeds to finance business activities and/or other activities aimed at protecting, restoring, and/or improving the quality or function of the environment. The issuer or offeror would also be required to buy back the bonds should the green credentials used to substantiate the green bond issuance no longer be valid.

The regulated specific activities eligible for the green bond label include

- renewable energy;
- energy efficiency;
- pollution prevention and control;
- natural resource management and sustainable land use;
- biodiversity conservation;
- environmentally friendly transportation;

- sustainable water and wastewater management;
- climate change adaptation;
- eco-efficient products;
- environmentally friendly buildings that meet national, regional, or international standards or certification; and
- other activities that are environmentally friendly or have environmental benefits.

The issuer or offeror of green bonds will need to maintain a separate account for the green bond proceeds, or provide separate account notes in its financial statement, and submit regular reports on the performance of the underlying green projects to OJK.

The first issuance of a corporate green bond was conducted in July 2018 by PT Sarana Multi Infrastruktur, a state-owned infrastructure finance company. Its green bonds were issued in the amount of IDR500 billion in two tranches of 3-year and 5-year bonds under a shelf-registration, with 100% of the proceeds dedicated to eligible business activities.

e. Sustainability Bonds [NEW]

Sustainability bonds finance projects for green and/or social initiatives.

In the absence of OJK regulations specific to sustainability bonds (an existing OJK regulation is specific to green bonds issued via a public offering), corporate issuers or offerors can still issue sustainability bonds via private placement and align their sustainability bond framework with international sustainability bond principles, as was the case of the sustainability bonds issued by Bank Rakyat Indonesia (BRI) and Bank Mandiri (see below). For the private placement of a sustainability bond, corporate offerors still have to comply with the existing OJK regulation to the extent relevant.

BRI issued the first sustainability bond by a financial services institution in March 2019, with the proceeds going to the financing of social and environmental projects. The bond issuance volume was USD500 million, and it had a tenor of 5 years.

Prior to the issuance, BRI had published its BRI Sustainability Bond Framework, which is aligned with the ICMA's Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles; the framework also conforms to the ASEAN Sustainability Bond Standards set by the ASEAN Capital Markets Forum.

Bank Mandiri issued its first sustainability bond in April 2021, following the publication of its sustainability bond framework in early 2021, which also built on the prescriptions in international and ASEAN standards. The issuance raised USD300 million for a 5-year tenor and proceeds were to be allocated to projects with an environmental or social focus. The third-party opinion for the referenced sustainability bonds was provided by Sustainalytics.²¹

More information on the sustainability bond frameworks and issuances are available from the websites of the respective companies or from the reports of the Climate Bonds Initiative (see link in Appendix 2).²²

²¹ Adapted by the ASEAN+3 Bond Market Forum Sub-Forum 1 team from available information in the public domain.

²² For Bank Mandiri, see <https://www.bankmandiri.co.id/documents/38265486/0/Sustainability+Framework+-+Sustainability+Bond+Bank+Mandiri+2021.pdf/81c20119-c4de-06fe-e419-8e32b3468967>. For BRI, see <https://www.ir-bri.com/misc/SR/BRI-Sustainability-Framework-Final-March-vF.pdf>.

E. Methods of Issuing Bonds and Notes (Primary Market)

This section details changes or additions to issuance methods and issuance types, and the emergence of new issuance channels in the Indonesian bond market, following the structure of the *ASEAN+3 Bond Market Guide for Indonesia*.

1. Government Securities

While the Government of Indonesia has introduced new debt instruments since 2017, such as variants of green *sukuk*, the corresponding issuance methods have not changed with one notable exception, the increasing use of the electronic issuance platform for retail and savings *sukuk*, e-SBN.

e. Issuance via e-SBN [NEW]

e-SBN is the electronic issuance and distribution platform for retail and savings government securities (conventional and *sukuk*) issued by the Government of Indonesia. e-SBN was launched in 2018 and is owned and operated by the MOF. Appointed banks, securities firms, and fintech companies—acting as selling agents—offer access to e-SBN via their own online platforms. Since 2019, sales of retail government securities have been conducted exclusively via e-SBN.

Online distribution of sovereign issuances via e-SBN is aimed at domestic investors, particularly to increase the participation of millennials or younger investors in savings instruments, and follows the key goal of the government to further financial inclusion. A review of Indonesian retail *sukuk* investment undertaken by the MOF had previously revealed that after 10 years of retail *sukuk* issuance, around 75% of investors were aged 40 years or above.²³ Following the introduction and active use of e-SBN, about 70% of investors were reported to be aged 30 years or below. e-SBN was also able to reach investors in more remote locations without the presence of securities firms or selling agents.

e-SBN was established in 2018 as a digital distribution channel through MOF Regulation Number 31 of 2018 (PMK 31/2018) and was affirmed through MOF Regulation Number 27 of 2020 Concerning the Sale of Retail Government Securities (PMK 27/2020). The MOF regulation is available for download in Bahasa Indonesia from the MOF website.²⁴

In contrast to the quota system previously used, e-SBN offers all investors equal access, with a current minimum order size of IDR1 million (and a maximum of IDR3 billion), and the option of an early redemption for nontradable instruments. Tradable retail government securities cannot be traded or transferred via e-SBN in the secondary market. The first instrument to be issued through e-SBN was retail conventional bond series SBR003.

MOF provides the ability for banks, securities firms, and fintech companies to participate in the distribution by providing access to e-SBN via their websites or online platforms, with OJK assessing and regulating these entities and their capabilities, including on cybersecurity.

e-SBN allows a retail investor to set up an online account and subscribe to new retail issuances via the platform; for the typical terms of the retail government

²³ The press release from the MOF about the review is available only in Bahasa Indonesia at <https://mediakeuangan.kemenkeu.go.id/Home/Detail/77/e-sbn-mudahkan-investasi>.

²⁴ See <https://jdih.kemenkeu.go.id/FullText/2020/27-PMK.08~2020Per.pdf>.

securities, please see section B.1.n in this chapter. The investor must be an Indonesian citizen and will need a SID generated by KSEI, a bank account, and a securities account to hold the retail government securities. Banks and securities firms or fintech firms integrate the e-SBN portal into their online services and branding, offering payment options for settlement of the subscription order (from investor accounts or via third parties), subscription status and history, portfolio viewing, early redemption, and other facilities.

The e-SBN website is maintained in Bahasa Indonesia only.²⁵

3. Bonds and Notes Issued by the Private Sector (Corporate Bonds)

A regulation prescribing the introduction of the professional investors concept, as well as the private placement regulation issued by OJK, created an additional or amended existing issuance method for bonds and *sukuk* in the Indonesian bond market. In addition, the ability to issue securities via crowdfunding platforms added a new issuance method to the market, which has also become available for debt securities.

a. Public Offering

Regulations issued by OJK since the publication of the *ASEAN+3 Bond Market Guide for Indonesia* did not change the issuance method of a public offering but adjusted or clarified parts of the application and issuance process, and added the variant of a public offering to professional investors (see section e in this chapter). The relevant changes are described in Chapter II.F.4 and other sections.

c. Private Placement

The Capital Market Law has recognized the issuance of debt securities or *sukuk* via private placement since its inception in 1995. With effect from 1 June 2020, OJK Regulation No. 30/POJK.04/2019 Concerning Issuance of Debt Securities and/or Sukuk Not Through a Public Offering, also referred to as the “private placement regulation,” formally integrated private placements into the regulatory framework for the bond market in Indonesia. The intention of the new regulation was not to create new rules but to bring legal and regulatory certainty to issuing entities and investors for a market segment that had evolved on the basis of market practices alone.

As such, the issuance of a private placement does not require an approval from OJK, but the new regulation stipulates minimum disclosure standards and distinguishes between qualifications of the parties undertaking the issuance, in particular with regard to experience in information disclosure. Please see also Chapter II.F.5 for a comprehensive description of the regulatory process for private placements. Private placements may be issued via a single or continuous offerings (see also the next section).

The original characteristics of a private placement remain valid. A private placement is defined as an offer of securities to a maximum of 100 parties with purchase by no more than 49 buyers. No official marketing or offer material may be made available except to the intended maximum number of investors. No advertising, public communications (print, TV, and online ads), or general marketing may be undertaken. Should any of the above stipulations be breached, the bond or *sukuk* issue in question will automatically be considered a public offering and be subject to all applicable regulations as well as approval by OJK.

²⁵ See <https://www.kemenkeu.go.id/sukuktabungan>.

In addition, the private placement regulation prescribes that only professional investors may invest in private placements, and they have to establish their credentials to the issuing entity (see below) or arranger at the time of purchase (see also section N in this chapter for details on the professional investors concept).

Through the private placement regulation, OJK introduced the distinction of terms in Bahasa Indonesia, and the corresponding terms in English translations of the regulation, for the entities planning to issue debt securities via private placement. These terms follow and expand on the formal definitions in law and other regulations and have significance for eligibility to issue, credit rating, and the need to appoint market intermediaries such as an arranger and monitoring agent or trustee.

While the English term “issuer” is well established in the international context as a party issuing (debt) securities, the use of *emiten* in the Indonesian market only represents an entity having issued a public offering that is still outstanding and, as a result, subject to disclosure obligations. Public companies are also already subject to continuous disclosure obligations. Other entities considered similar to an issuer are supranational institutions and eligible CIS, all of which are subject to their own disclosure obligations.

In contrast, the English term “offeror” (in Bahasa: *penerbit*) applies in the context of a private placement to the issuing entity. Offerors may be (i) an issuer or a public company, (ii) a legal entity that is not an issuer or a public company, (iii) supranational institutions, and (iv) certain CIS. Among such offerors, there are those who do not have current disclosure obligations and are thus subject to additional requirements and scrutiny.

Depending on the nature of the entity wishing to issue a private placement, a private placement may need to be rated (see section O.3 in this chapter for details on credit rating requirements for private placements). A credit rating may be replaced with a guarantee for the private placement or with insurance coverage for the issuance; in both cases, the guaranteed or insured value must be at least 100% of the nominal value of the issuance.

Debt securities or *sukuk* issued via a private placement have to be deposited with KSEI and need to follow prescriptions for minimum issuance size and denomination. The private placement regulation also places the responsibility for the information disclosure on the issuing entity and prescribes the minimum contents of the information memorandum that has traditionally been used as the key disclosure document for private placements.

The information memorandum needs to be submitted to OJK in Bahasa Indonesia, but depending on the target investor universe, it may also be produced in English. Issuers and public companies are required to produce disclosure information in their annual reports and on their websites in Bahasa Indonesia as well as in a foreign language(s) that includes, at least, English.

Presently, private placements are not eligible for listing on IDX. However, with private placements under the regulatory remit of OJK since June 2020, and newly defined disclosure and other requirements aimed at aiding investor protection, there is market expectation that this status might be reviewed in the future.

d. Note Issuance Programs (Gradual Issuance)

The private placement regulation contains provisions for the continuous or gradual issuance of debt securities or *sukuk* via private placements. While there is no specific mention of a note issuance program, or even the term program, the features prescribed in the regulation are comparable to a note issuance program as practiced in other markets.

Gradual issuance (the regulation refers to “issuance in stages”) must be completed within a 2-year period and there are no limitations to the number of tranches that may be issued in that period. If a credit rating is obtained, it will need to apply to the entire planned issuance amount at the time of the first issuance. The initial information memorandum will need to prominently identify the issuance method as gradual and contain the planned total amount of issuance.

For each subsequent tranche, a supplementary information memorandum needs to be filed with OJK at least 1 day prior to issuance. Such a supplementary information memorandum needs to make reference to the original filing of the gradual issuance with OJK and contain the issuance amount of the respective tranche, credit rating or change of credit rating from previous tranches issued (if so applicable), a summary of important financial data based on the latest available financial statements, and any additional relevant information or changes to information in the information memorandum of the first or previous issuance, among other details. The other prescriptions for a private placement (see section c in this chapter) also apply.

The use of gradual issuance via private placement is expected to address the practice of reverse enquiry that has been popular with issuing entities and investment managers in the Indonesian bond market.

e. Public Offering to Professional Investors [NEW]

The issuance of corporate bonds or *sukuk* via a public offering was supplemented with the option to issue via a public offering to professional investors only, following the introduction of the professional investors concept in OJK Regulation No. 11/POJK.04/2018 Concerning Public Offering of Debt Securities and/or Sukuk to Professional Investors. The regulation became effective on 1 August 2018.

A public offering to professional investors follows the principal prescriptions for a public offering and requires the compilation of a prospectus, the submission of a Registration Statement, as well as approval from OJK. Unlike other public offerings where the submission of Registration Statements and supporting documentation is made via SPRINT, the submission of the Registration Statement and supporting documentation to OJK for a public offering to professional investors is not yet facilitated via SPRINT (details in Chapter II.F.6).

At the same time, this issuance method allows for concessions for the issuer, recognizing that professional investors are able to better analyze relevant information on the issuance. These concessions extend to a credit rating not being mandatory (other than for continuous offerings), a reduction of the number of years of financial data to be provided, the coverage of fewer subjects in required legal opinions, and the ability to omit certain sections of the prospectus. Please see Chapter II.F for details on the differentiation of the regulatory processes between public offerings and those to professional investors only.

Public offerings to professional investors can only be sold to professional investors that have proven their credentials to the issuer, arranger, or appointed securities companies prior to issuance. Please see section N in this chapter for a complete description of professional investor types and their eligibility criteria.

f. Crowdfunding of Debt Securities [NEW]

To support the funding avenues of start-up and small and medium-sized enterprises, OJK enabled the crowdfunding of securities through regulations in 2018 and expanded the crowdfunding scope to debt securities and/or *sukuk* via OJK Regulation No. 57/POJK.04/2020 Concerning Offering of Securities through Crowdfunding Services Based on Information Technology in December 2020; the regulation was further updated via POJK No. 16/POJK.04/2021 in August 2021.

The issuance of debt securities or *sukuk* via crowdfunding is not considered a public offering, hence, the entity issuing the debt securities or *sukuk* is referred to as *penerbit* (offeror) instead of *emiten* (issuer); please see Chapter II.F.5.a for a detailed explanation of the use of and distinction between these terms. Issuance via crowdfunding is also subject to specific requirements: (i) instruments need to have a tenor of less than 2 years and must be issued in Indonesian rupiah only; (ii) the issuance must be completed within 12 months; and (iii) during that period, a maximum of IDR10 billion can be raised.

The proceeds from the crowdfunding need to be allocated to a specific project for which the funding is sought. Crowdfunding organizers need to be either a limited liability company or a cooperative for services. Specific eligibility criteria for the organizer exist in terms of minimum capital and ownership.

Crowdfunding is carried out via a crowdfunding platform that is operated by a crowdfunding organizer, which must obtain a business license from OJK and prove the technological and operational capabilities of its crowdfunding platform prior to obtaining such a license. Once the crowdfunding organizer is licensed, it can facilitate the issuance of securities via the platform without offerors needing to file documentation for individual issuances with OJK.

At the same time, the crowdfunding organizer will need to ensure that the offerors and their issuances comply with the requirements set out in OJK Regulation No. 57/POJK.04/2020 (later updated to POJK No. 16/POJK.04/2021); this includes the need to review the offeror's legal status and the to-be-funded projects and issuance documentation, as well as ensuring prescribed continuous disclosure from the offeror throughout the tenor of the crowdfunded securities. Another obligation of the crowdfunding organizer is to ensure that investors meet the requirements of the regulation and only eligible investors can invest via the crowdfunding platform. The regulation requires the crowdfunding organizer to provide periodical reports to OJK.

The crowdfunding organizer will also have to establish a process for the deposit of the crowdfunded securities with KSEI through custodian banks for participants to open securities accounts for its investors. As of June 2021, KSEI had established cooperation with three crowdfunding platforms.

G. Language of Documentation and Disclosure Items

The information provided here on language of documentation and disclosure items in the Indonesian market supplements or adjusts previous statements in the same section in the *ASEAN+3 Bond Market Guide for Indonesia*, in recognition of the increase in interest in the use of language in ASEAN+3 professional bond markets.

1. Legal Basis

Indonesia passed Law No. 24 of 2009 on National Flag, Language, Emblem and Anthem, typically referred to as the Language Law or Flag Law, effective 9 July 2009. Article 31 of the law made it mandatory that any contract or agreement involving an Indonesian private entity would have to be drawn up and executed in Bahasa Indonesia. As a result, any agreement with an Indonesian private entity not in Bahasa Indonesia would run contrary to the law and be considered as prohibited. Making the prescription for language mandatory in the law also precludes the possibility of any implementing regulation reducing or removing such prescription.

Litigation in relation to a loan agreement not in Bahasa Indonesia but signed after Law No. 24 of 2009 was promulgated became a test case in this regard. In 2015, the Supreme Court of the Republic of Indonesia affirmed the previous decisions by a district court and a high court (on appeal) that the loan agreement contravened the law. This effectively means that a legal agreement with an Indonesian entity without including a Bahasa Indonesia version is null and void. This was further reaffirmed in Presidential Regulation Number 63 of 2019 Concerning the Use of Indonesian Language (PR 63 of 2019). This presidential regulation obliges all parties to use the Indonesian language when they enter into an agreement.

OJK strives to make the requirements in relation to language of documentation and disclosure easier by including specific prescriptions in new or amended regulations.

2. Documentation in Regulatory Processes

A Registration Statement for a public offering, including for a public offering to professional investors, and any supporting documents, will need to be submitted to OJK in Bahasa Indonesia pursuant to Bapepam-LK Rule IX.A.1, which was published in 2011 and remains in force.

Similarly, the information memorandum for a private placement, as well as its supporting documents, will need to be submitted to OJK in Bahasa Indonesia. Supporting documents may be in a language other than Bahasa Indonesia, if accompanied by a translation into Bahasa Indonesia by a sworn translator. In practice, the original version of the documents that are written in languages other than Bahasa Indonesia will likely also be submitted to OJK.

An information memorandum may be published in English if agreed between parties involved in a private placement (e.g., for the purpose of attracting foreign institutional investors). However, such an English version would not fulfill the prescriptions of the private placement regulation, and a version of the information memorandum in Bahasa Indonesia would have to be submitted to OJK. The submission of issuance documentation in two languages (e.g., as a bilingual version) is acceptable as long as one of them is Bahasa Indonesia.

3. Language for Correspondence **[NEW]**

OJK will declare a Registration Statement effective in a letter or email (depending on the medium through which the Registration Statement was received by OJK) in

Bahasa Indonesia, and issue any other correspondence in relation to regulatory processes in Bahasa Indonesia. If the issuing entity is a nonresident entity, the correspondence made by OJK in the process of reviewing the Registration Statement and the notification letter of the effectiveness of the Registration Statement issued by OJK will be presented in Bahasa Indonesia. In addition to the Bahasa Indonesia version, where possible, the correspondence and effective letter may also be presented in English. In case of inconsistencies and differences in interpretation, the Bahasa Indonesia version shall prevail.

Pursuant to the original Bapepam Rule II.A.3 promulgated in 1997 and never revoked, letters, reports, applications, and other documents that are submitted to Bapepam (now OJK) must be in Bahasa Indonesia. Documents in a foreign language must be translated into Bahasa Indonesia, except for documents referred to in Rule IX.A.8 Regarding Preliminary Prospectuses and Information Memoranda. The OJK website carries the full text of Bapepam Rule II.A.3.²⁶

4. Language in Relation to Disclosure [NEW]

IDX requires the submission of documents as well as disclosure information in Bahasa Indonesia; if an issuer or offeror submits bilingual information, one of the languages must be Bahasa Indonesia.

OJK Regulation No. 8/POJK.04/2015 Regarding Website of Issuers or Public Companies prescribes that issuers of public offerings of debt securities—or public companies—shall present their website in Bahasa Indonesia as well as in foreign language(s), which must include English. In addition, OJK Regulation No. 29/POJK.04/2016 Regarding Annual Report of Issuers or Public Companies prescribes that all annual reports need to be published in Bahasa Indonesia as well as in foreign language(s), which must include English.

5. Other Market Documentation [NEW]

KSEI accepts supporting documents (e.g., business registration certificate or similar document) for the opening of an account on behalf of a foreign institutional investor in English, where the document itself is presented in English. Applications to KSEI for a SID for nonresident investors are processed via an online application with screens and field names in English; text in free format fields is accepted in English.

Custodian banks servicing nonresident investors can present agreements, account opening forms, and terms and conditions in more than one language (i.e., in Bahasa Indonesia and in English). For purposes such as client onboarding and the establishment of tax status, constitutional documents of nonresident investors (e.g., articles of association and business register excerpts) are accepted in English only.

In relation to tax processing or a tax reclaim, nonresident investors are required to submit a certificate of residence in English; the form stipulated by the Directorate General of Taxation (DGT) to establish a nonresident investor's tax status is in English, pursuant to DGT regulations.

²⁶ See <https://www.ojk.go.id/en/kanal/pasar-modal/regulasi/klasifikasi-bapepam/dokumen-publik-dan-laporan/Pages/ii-a-3-letters-reports-and-other-documents-that-are-sent-to-bapepam.aspx>.

H. Registration of Debt Securities

The basic concept of the registration of debt securities and the other meanings of the term registration used in the Indonesian bond market are explained in Chapter III.H of the *ASEAN+3 Bond Market Guide for Indonesia*. However, the need or the ability to register debt securities was expanded through regulations that have come into force more recently, specifically regulations on public offerings to professional investors, private placements, and crowdfunding of debt securities.

6. Public Offerings to Professional Investors [NEW]

Implemented on 1 August 2018, the additional issuance method of public offerings to professional investors gives prospective issuers some concessions with regard to credit rating and details of disclosure information. As for any public offering, the issuer will need to submit to OJK a Registration Statement and supporting documents. However, in contrast to other public offerings, the Registration Statement as well as supporting documents are not yet to be submitted through SPRINT; the submission still needs to be made in physical form and in electronic form via a data storage device.

The public offering to professional investors as an issuance method is described in detail in section E.3 of this chapter.

7. Private Placements [NEW]

With the introduction of OJK Regulation No. 30/2019 (see Chapter II.F for details), which became effective on 1 June 2020, issuances of debt securities or *sukuk* via a private placement must be registered with OJK. While the submission of a Registration Statement is not required, the issuer or offeror or their arranger will need to file issuance documentation pursuant to the prescriptions in the regulation, in effect registering the private placement with OJK. As of the time of writing, the filing does not yet occur via SPRINT.

In addition, the private placement regulation makes it mandatory for privately placed debt securities or *sukuk* to be registered at and deposited with KSEI; this was previously a voluntary activity. Pursuant to the private placement regulation issued by OJK, KSEI amended its Regulation Number II-B Regarding Registration of Debt Securities and/or Sukuk at KSEI with effect from 15 October 2020. The KSEI regulations are available in English from its website.²⁷

Further details on private placement as an issuance method are provided in section E.3 of this chapter. The regulatory process for a private placement is described in detail in Chapter II.F.5 in this update note.

8. Crowdfunded Debt Securities [NEW]

Pursuant to OJK Regulations on Offering of Securities through Crowdfunding Services Based on Information Technology (POJK No. 57/POJK.04/2020, later updated to POJK No. 16/POJK.04/2021), offerors of debt securities issued via electronic crowdfunding platforms have the ability to register at and deposit crowdfunded securities with KSEI (or a custodian).

Please also see section E.3 in this chapter for further information on the issuance of securities via crowdfunding platforms.

²⁷ KSEI regulations are typically available in English at https://www.ksei.co.id/files/translation_Peraturan_KSEI_Nomor_II-B_tentang_Pendaftaran_EBU_upload.pdf.

I. Listing of Debt Securities

The basis and regulatory process for a listing of debt securities on IDX has not changed since the publication of the *ASEAN+3 Bond Market Guide for Indonesia*. However, IDX moved to adjust its listing rules in response to new issuance and instrument types to bring disclosure obligations, concessions, and practices in line with the prescriptions in applicable OJK regulations and to allow for electronic submission of disclosure information. Please see Chapter II.J in this update note for a review of the listing rule changes and their drivers.

At the end of July 2021, IDX reported 51 new listings of corporate bonds and *sukuk* since the beginning of the year, bringing the total number of listings of corporate bonds and *sukuk* to 468 from a total of 126 listed issuers. The outstanding nominal value for 2021 listings amounted to IDR54.03 billion and the total outstanding nominal value of listed corporate bonds and *sukuk* reached IDR424.12 trillion and USD47.5 million for those instruments listed in US dollar. Government debt securities listed on IDX numbered 139 series, with a nominal value of IDR4,287.15 trillion and USD400 million for USD-listed instruments. In addition, 11 asset-backed securities were listed, totalling IDR6.20 trillion

This section briefly reviews the new instrument and issuance types eligible for listing in the context of the structure used in the *ASEAN+3 Bond Market Guide for Indonesia*.

1. Public Offerings

In addition to debt securities and *sukuk* issued via public offerings, IDX now also admits debt securities and *sukuk* issued via a public offering to professional investors. The Professional Investors Regulation (OJK Regulation No. 11/POJK.04/2018) itself does not contain references to a listing but identifies other regulations covering public offerings as also being relevant for a public offering to professional investors in terms of disclosure obligations and other prescriptions. This includes that a listing remains at the discretion of the issuer; if so selected, the listing intention will need to be included in the issuance documentation, including in the Registration Statement.

In this context, Article 76 of the Capital Market Law stipulates that in the event a Registration Statement states that securities are to be listed on an exchange but listing requirements are not met, the public offering of such securities shall be null and void, and subscription moneys shall be returned to subscribers.

Effective 20 May 2020, IDX also added the ability for green bonds and *sukuk*, municipal and regional bonds and *sukuk*, and bonds and *sukuk* of small and medium-sized enterprises to list on its main board.²⁸ These bonds and *sukuk* can take advantage of a more favorable listing fee structure. All of these bonds and *sukuk* will need to be issued via either a public offering or a public offering to professional investors to be eligible for listing; the listing rules stipulate any specific characteristics expected of each type of bond or *sukuk* (e.g. green bonds).

The first corporate green bond was issued by PT Sarana Multi Infrastruktur, a state-owned infrastructure finance company, and listed on IDX on 10 July 2018.

While the listing process for public offerings to professional investors follows the established process for public offerings, the ability for the issuer of a public offering to professional investors to not obtain a credit rating (unless the offering is continuous),

²⁸ The IDX announcement of the listing eligibility for the new instruments is available from the IDX website, presently only in Bahasa Indonesia, at https://idx.co.id/media/8651/peraturan_i_b_pencatatan_efek_bersifat_utang.pdf.

as well as other concessions in relation to initial disclosure, have been recognized by IDX in its most recent revisions of the listing rules. Rating requirements will no longer apply if the underlying OJK regulation does not prescribe a rating as mandatory.

The promulgation of a dedicated listing rule for *sukuk* in March 2021 (see Chapter II.J.1.c for details) has made the listing process and underlying eligibility and listing characteristics distinct from the established process for conventional debt securities. However, for all intents and purposes, the process described in the *ASEAN+3 Bond Market Guide for Indonesia* remains otherwise valid.

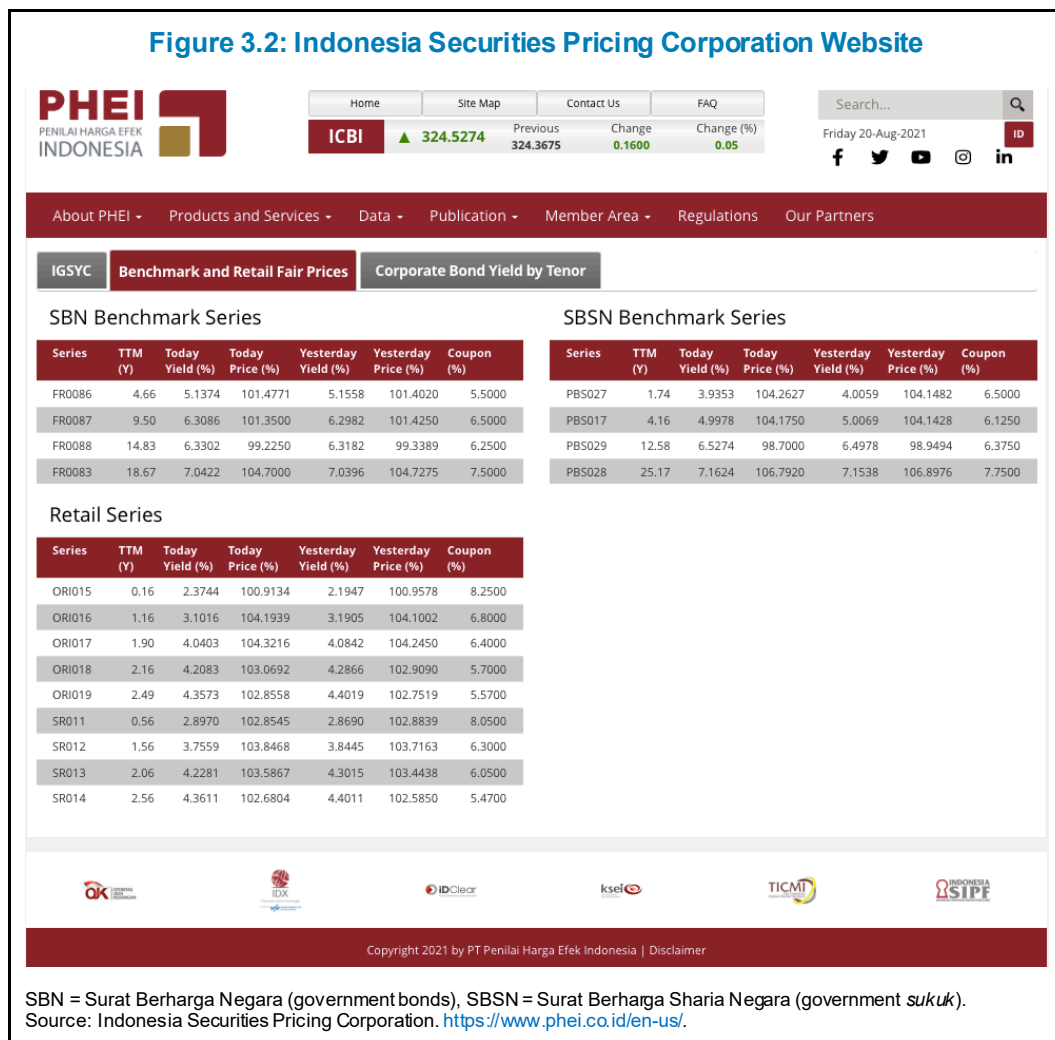
3. Private Placements

IDX presently only governs the listing of debt securities issued via a public offering.

It is presently envisaged that, going forward, issued bonds, whether listed or unlisted, including those issued via private placement, may be voluntarily listed on an Alternative Trading Platform.

K. Bond and Note Pricing

Figure 3.2: Indonesia Securities Pricing Corporation Website



SBN = Surat Berharga Negara (government bonds), SBSN = Surat Berharga Sharia Negara (government *sukuk*).
Source: Indonesia Securities Pricing Corporation. <https://www.phei.co.id/en-us/>.

In 2019, the Indonesia Bond Pricing Agency (IBPA) changed its branding in English to the Indonesia Securities Pricing Corporation. Its new acronym, PHEI, reflected its name in Bahasa Indonesia, Penilai Harga Efek Indonesia. PHEI maintains its website in Bahasa Indonesia and English and offers a synopsis of its data on a microsite exclusively in English (see Chapter IV). Figure 3.2 provides an image of the new website's appearance.

PHEI continues to offer reference pricing of debt securities issued in the Indonesian market, regardless of whether these are traded OTC, on the exchange, or in organized markets such as SPPA (see Chapter IV for details).

M. Market Participants

3. Parties Involved in Debt Securities Issuance

f. Trust Agent (Bond or Sukuk Trustee)

Through OJK Regulation No. 19/POJK.04/2020 Concerning Commercial Banks Conducting Activities as Trustees, promulgated on 23 April 2020, OJK sought to consolidate provisions for and strengthen the capabilities, independence, and professionalism of the trustee function carried out by commercial banks. The function of the trustee itself remained unchanged.

The regulation prescribes the need to get a license from OJK for trustee activities upon meeting detailed requirements and sets out the main duties and responsibilities, obligations, and prohibitions of a commercial bank acting as trustee. Under the regulations, the trustee license may be cancelled upon violation of these obligations or when a commercial bank no longer fulfills the requirements stated in the regulation.

j. Arranger [NEW]

An arranger is not a new type of participant in the Indonesian bond market but rather a role specifically designated in the private placement regulation promulgated by OJK in 2019 and effective 1 June 2020.

The appointment of an arranger is required for entities wishing to issue a private placement but without having current continuous disclosure obligations; the arranger is expected to guide such an offeror (see section E.3 in this chapter for details on the terminology) through the raising and filing of issuance and disclosure documentation with OJK. An arranger will need to be a securities firm that has obtained an underwriting license from OJK.

k. Monitoring Agent [NEW]

The introduction of the private placement regulation (see also section E in this chapter) prescribed the appointment of a so-called monitoring agent (Bahasa Indonesia: *agen permantau*) by an entity planning to issue debt securities or *sukuk* via a private offering that is not an issuer, a public company, a certain type of CIS, or other entity issuing a private placement to limited investment CIS. Please see section E.3 in this chapter for more details on the terminology used.

The function of the monitoring agent is similar in nature to the trust agent or bond trustee (see section M.3.f in the *ASEAN+3 Bond Market Guide for Indonesia* and the update above); in fact, a monitoring agent has to have a trust agent license from OJK (see above) and is, typically, a bank. However, the

prescriptions for the need to appoint a monitoring agent, as well as the roles of such a monitoring agent for private placements, are sufficiently specific that the function is being separately listed here.

Under the private placement regulation, the monitoring agent is required to review the regular business activities of an offeror and to keep itself apprised of the offeror's financial situation. The monitoring agent needs to report to OJK any of the following events:

- i. if the offeror has been negligent or violated provisions in the issuance documentation, or
- ii. if evidence is received and generally accepted that the offeror can be deemed unable to carry out their obligations under the private placement, or the offeror is no longer able to manage or control most of its assets.

A monitoring agent is also required if an issuer or a public company offering debt securities through a private placement ceases to be an issuer or public company before the maturity date of the debt securities or *sukuk*.

N. Definition of Professional Investors

The Capital Market Law does not contain a professional investors concept. In light of a regional trend toward the ring-fencing of professional bond markets and after extensive study and consultations, OJK introduced regulations containing a formal definition for professional investors, effective 1 August 2018, which also introduced the issuance of a public offering aimed at such professional investors while granting issuers corresponding concessions (see section E in this chapter).

1. Professional Investors [NEW]

OJK promulgated OJK Regulation No. 11/POJK.04/2018 Concerning Public Offering of Debt Securities and/or Sukuk to Professional Investors, with effect from 1 August 2018, which introduced the formal definition of professional investors, their categories, and applicable eligibility criteria. This update note will reference OJK Regulation No. 11/POJK.04/2018 as the Public Offering to Professional Investors Regulation since it contains both issuance type and professional investor provisions.

The professional investors definition is divided into financial services institutions and parties other than financial services institutions. Among the financial services institutions, banks and insurance companies are also further detailed according to common distinctions in the Indonesian market. The eligibility of parties other than financial services institutions is linked to certain eligibility criteria according to capabilities, investment experience, and net assets.

Professional investors include the following:

Financial services institutions

- i. banks, which consist of
 - commercial banks,
 - Islamic commercial banks, and
 - branch offices of banks domiciled abroad;
- ii. pension funds;
- iii. insurance companies, which consist of
 - insurance companies,
 - Sharia-compliant insurance companies,

- reinsurance companies, and
- Sharia-compliant reinsurance companies;
- iv. investment managers, including investment products that are managed and/or the customers they represent; and
- v. securities companies.

Parties other than financial services institutions

These parties need to have the ability to buy securities, have investment experience in the capital market for at least 1 year, and carry out risk analysis on investments in these securities. Classified into individuals or legal entities, they must meet the following eligibility criteria:

- i. individuals with
 - net assets of at least IDR10 billion (excluding land, buildings, and intangible assets); or
 - an average capital market investment portfolio of at least IDR3 billion in 1 year prior to, and net of, the issuance of a public offering of debt securities and/or *sukuk* to professional investors;
- ii. legal entity, joint venture, association, or organized group with
 - net assets of at least IDR20 billion excluding land, buildings, and intangible assets; or
 - an average capital market investment portfolio of at least IDR6 billion in 1 year prior to, and net of, the issuance of a public offering of debt securities and/or *sukuk* to professional investors.

Individuals and corporates may prove their experience in the capital market with ownership of a securities account, as evidenced through a statement of ownership or most recent audited financial statement, respectively. Individuals and corporates may also substitute the proof of their ability to conduct risk analysis on investments in securities with the use of investor advisory services.

Professional investors need to prove their eligibility to the issuer or offeror or underwriter (in the primary market) and the securities company or custodian bank (in the secondary market). Please also see details on transfer and selling restrictions in section Q in this chapter.

O. Credit Rating Requirements

This section covers the applicable credit rating requirements for debt securities and *sukuk* issued in the Indonesian bond market. For details on the underlying regulations on credit rating agencies and their business, which remain in force, please refer to Chapter II.N in the *ASEAN+3 Bond Market Guide for Indonesia*.

The credit rating requirements for the issuance of debt securities and/or *sukuk* in the Indonesian market have undergone substantial adjustments and additions since the publication of the *ASEAN+3 Bond Market Guide for Indonesia*. In late 2020, OJK replaced the original rules on credit rating stemming from Bapepam and Bapepam-LK supervision with a dedicated OJK regulation. In the 2 years prior, OJK had issued regulations for public offerings to professional investors as well as for private placements; both regulations also contained provisions for the treatment of credit ratings specific to each of these new issuance types.

1. Credit Rating Requirements for Public Offerings

Effective 11 December 2020, the Minister of Law and Human Rights of the Republic of Indonesia promulgated OJK Regulation No. 49/POJK.04/2020 on Credit Rating of Debt Securities and/or Sukuk. The regulation replaced Bapepam Rule IX.C.11 and Bapepam-LK Decree Kep-712/BL/2012 and its attachments, and clarified and expanded the credit rating prescriptions to include issuances using a shelf-registration.

The credit rating provisions in this regulation apply to all debt securities or *sukuk* issued through a public offering with a maturity of more than 1 year at the time of issuance. The issuer will need to obtain a credit rating for each of the debt securities or *sukuk* issued and publish such rating in the prospectus, as well as include the credit rating in the trust agreement between trust agent and issuer. If the issuer decides to obtain more than one credit rating, all such credit ratings will have to be shown in the issuance documentation accordingly. Credit ratings may only be issued by a credit rating agency licensed by OJK.

The credit rating information for particular debt securities and/or *sukuk* will need to contain specific information on the issuer (e.g., prospects of the issuer and risk factors for the investors), be expressed as a credit rating symbol, and include the validity period of such rating (i.e., within 12 months from the date the rating was published). The period between the publication of the credit rating and the effective date of the registration statement (see also Chapter II.F) may not exceed 6 months.

On an ongoing basis, until maturity and repayment of the debt securities or *sukuk*, the issuer is required to disclose a credit rating update no later than 10 working days after the expiry date of an existing credit rating. If the issuer had appointed more than one credit rating agency (CRA) at the time of issuance, only one CRA may produce annual updates of the credit rating. If the rating update is different from the previous credit rating, the issuer is required to make an announcement no later than 10 working days after the expiry date of the existing credit rating, stating the details of and reasons for the change. The announcement has to be submitted to OJK via SPE in addition to any public announcement.

Should the rating change come as a result of a material event, the issuer must notify OJK via SPE and announce this connection to a material event to the public no later than 2 working days after the change is known to the issuer and state the relevant reasons. These actions are required for every credit rating attached to the debt securities or *sukuk* in case there are multiple ratings with changes.

Listed issuers need to announce obtaining a credit rating or a change in credit rating on their website and the IDX disclosure website, while nonlisted issuers must make such announcements on their website and in at least one national newspaper stipulated by OJK (see also Chapter III.G for continuous disclosure obligations). Proof of newspaper announcement must be submitted to OJK via SPE no later than 2 working days after the announcement date.

If an issuer wishes to pursue a gradual issuance of debt securities or *sukuk* using a shelf-registration, the credit rating at the time of the first issuance will need to cover the entire planned issuance amount of the debt securities or *sukuk*. Changes to credit ratings over the tenure of a gradual issuance will need to be applied to the entire issuance amount of the debt securities or *sukuk*.

2. Credit Rating Requirements for Public Offerings to Professional Investors **[NEW]**

Through OJK Regulation No. 11/POJK.04/2018 concerning Public Offering of Debt Securities and/or Sukuk to Professional Investors, OJK introduced a professional investors concept as well as concessions related to credit ratings for this new issuance type.

In contrast to public offerings to all investors, an issuer of a public offering of debt securities and/or *sukuk* to professional investors does not need to obtain a credit rating unless such public offering is intended to be issued in stages via gradual issuance (see also section 1 in this chapter). However, an issuer of a public offering to professional investors may choose to obtain a credit rating voluntarily, for example, to cater to specific types of institutional investors that can only invest in rated instruments.

If a credit rating is obtained, information on the credit rating will have to be included in the Registration Statement for the public offering to professional investors to be submitted to OJK, and a rating update will need to be submitted to OJK on an annual basis. The submission of a credit rating update occurs via SPE.

3. Credit Rating Requirements for Private Placements **[NEW]**

With the promulgation of OJK Regulation No. 30/POJK/04/2019, effective 1 June 2020, OJK brought private placements in the Indonesian bond market under its regulatory coverage. The regulation also defined credit rating requirements for private placements.

The need to obtain a credit rating depends on the party issuing the debt securities or *sukuk* via a private placement, hereby referred to as an offeror. (Please also see section E in this chapter for clarification on the use of specific terms for different parties issuing debt securities via private placement.)

An offeror of a private placement must obtain a credit rating for a private placement if it is not an issuer (of a previous public offering) or a public company, while an issuer or a public company may choose to obtain a rating. The credit rating needs to be issued by a CRA licensed by OJK. If the offeror is a supranational institution, the credit rating can be issued by an international CRA. The credit rating should have been issued no longer than 1 year prior to the time of the filing of complete issuance documents with OJK.

If an offeror wants to issue a private placement in stages (also referred to as gradual issuance in the regulation) and the private placement needs to or is intended to be rated, the credit rating must cover the planned issuance amount over the entire period of issuance.

Q. Market Features for Investor Protection

As reported in the *ASEAN+3 Bond Market Guide for Indonesia*, OJK had recognized the need to offer issuers of debt securities and/or *sukuk* additional avenues of fundraising and had studied various ways to help support the growth of the Indonesian capital market without compromising investor protection mechanisms. The outcome included the introduction of a professional investors concept and the coverage of private placements under the OJK regulatory umbrella.

9. Introduction of Professional Investors Concept **[NEW]**

OJK introduced the professional investors concept in 2018, following substantial research on professional investor regimes in regional markets and the consideration of eligibility criteria appropriate for the Indonesian capital market.

a. Professional Investors Concept

The professional investors concept identifies financial services institutions—such as banks and securities companies, insurance companies, and pension funds—as well as eligible corporates and high-net-worth individuals as professional investors. Please see section N in this chapter for a comprehensive review of the investor types and eligibility criteria for professional investors.

b. Selling and Transfer Restrictions

The professional investors concept is applicable to both public offerings of debt securities and/or *sukuk* aimed at professional investors and private placements and features strong selling and transfer restrictions, holding responsible the issuer or offeror and/or market intermediaries—underwriter, securities companies, and custodian banks—for the adherence to these restrictions.

At the time of issuance and sale of debt securities and/or *sukuk* aimed at professional investors in the primary market, professional investors must declare to the issuer, offeror or underwriter, as the case may be, that they meet the professional investors eligibility criteria in a written statement that is part of the sales documentation.

In the secondary market, securities companies who help professional investors buy debt securities and/or *sukuk* aimed at professional investors must satisfy themselves that the buyers qualify as professional investors, while both securities companies and custodian banks need to ensure they only process the receipt of such debt securities for professional investors in their clients' securities accounts at KSEI. Securities companies and custodians are required to refuse purchase or settlement instructions for such debt securities if the buyers are not professional investors.

10. Introduction of Regulation for Private Placements **[NEW]**

With the introduction of OJK Regulation No. 30 (POJK/04/2019) on the Issuance of Debt Securities and/or Sukuk Not Through a Public Offering—also referred to as the private placement regulation—the issuance of private placements of debt securities and/or *sukuk* came under the purview of OJK. Effective 1 June 2020, entities wishing to issue private placements—terminology does play an important role in this regard—need to register their private placements with OJK and adhere to a number of prescriptions, specific eligibility for concessions, or the appointment of intermediaries or service providers.

To ensure maximum investor protection, while granting concessions on issuance approval and disclosure practices, private placements may only be sold to professional investors. For that purpose, the private placement regulation referenced the professional investors concept established in OJK Regulation No. 30/2018 and its selling and transfer restrictions (see description in previous section).

The private placement regulation also prescribes the need to appoint a monitoring agent, equivalent to a bond or *sukuk* trustee (see section M in this chapter for details) for entities wishing to issue debt securities or *sukuk* that do not have other formal

disclosure obligations in the Indonesian capital markets at the time of issuance, such as public companies or issuers of publicly issued debt securities still outstanding. The monitoring agent acts as a safeguard to identify financial or other challenges outside of normal disclosure channels.

The process of issuing private placements and applicable provisions for different types of issuing entities are described in detail in Chapter II.F.5.