



iDClear

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News

Kliring Penjaminan Efek Indonesia

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PELUNCURAN CENTRAL COUNTERPARTY (CCP)



CCP for Money Market and Foreign Exchange Market:

A New Era for IDClear in Indonesia's Financial Market



IDClear - Kliring Penjaminan Efek Indonesia



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index

- 2** CCP for Money Market and Foreign Exchange Market: A New Era for IDClear in Indonesia's Financial Market
- 4** New Triparty Repo Set to Facilitate ORI Instruments
- 5** MKBD Haircut Reduction Incentive: Strategy to Enhance Repo Market Liquidity
- 6** ESG Integration in Bilateral Securities Lending: Ensuring Sustainable Financial Practices
- 7** Statistics

Following comprehensive preparations and coordination, and having secured the necessary business license from Bank Indonesia, IDClear has officially commenced its role as a Central Counterparty (CCP) for the Money Market and Foreign Exchange Market in Indonesia.

CCP for Money Market and Foreign Exchange Market:

A New Era for IDClear in Indonesia's Financial Market

The September 30, 2024 marks IDClear expansion on its role in the nation's financial market. On the date, in partnership with Bank Indonesia, the Indonesia Stock Exchange, and eight shareholder banks—Bank Mandiri, BRI, BNI, BCA, CIMB Niaga, Bank Danamon, Maybank, and Bank Permata—IDClear introduced the Money Market and Foreign Exchange (PUVA) CCP services. This development follows IDClear's business license as a CCP for PUVA from Bank Indonesia on June 28, 2024.

IDClear President Director Iding Pardi highlighted the establishment of the CCP for PUVA as a crucial achievement for the Indonesian financial market, positioning it towards greater efficiency, liquidity, and transparency.

"For IDClear, this is a significant transformation, enhancing its position as a pivotal pillar in supporting the integration and deepening of the domestic financial market," Iding said.

Icing continued, in the long term, IDClear's function as a CCP for PUVA is anticipated to boost market liquidity, mitigate interbank credit risks, and enhance transaction efficiency through the netting of obligations among market players. This approach aims to foster a more inclusive market where banks can engage in transactions with a broader range of parties without concerns over counterparty risk.

IDClear's role as a CCP for PUVA aligns with its function in the capital market as a Clearing and Guarantee Institution (LKP), responsible for ensuring transaction settlements and mitigating the risks of settlement failures between parties. However, Iding emphasized that CCP services for the capital market and

PUVA differ in legal frameworks, regulatory oversight, financial instruments, and participants involved.

"The primary distinction lies in the service users and regulators overseeing IDClear. In the capital market, IDClear's clients are securities firms regulated by the Financial Services Authority (OJK), while in PUVA, its clients are banks regulated by both OJK and Bank Indonesia," he explained.

IDClear has undertaken several adjustments to ensure smooth operations for these services, including the segregation of systems between the capital market and PUVA. "A dedicated infrastructure has been established for PUVA, encompassing separate clearing systems, risk management, collateral management, procedural frameworks, and operational units," added Iding.

QUALIFYING CCP (QCCP) STATUS

The establishment of a CCP for PUVA transactions is aligned with the G-20's mandate to reform the over-the-counter (OTC) derivatives market, with Indonesia as an active participant committed to enhancing global financial stability. Establishing the CCP for PUVA also fulfills the mandates of the Financial Sector Development and Strengthening Law (UU PPSK) enacted in January 2023 which positions Bank Indonesia as the governing authority for the money market and foreign exchange market, including its infrastructure development. This initiative also complements the implementation of the 2025 Money Market Development Blueprint (BPPU), which integrates pro-market monetary operations.

In a separate statement, Executive Director and Head of Bank Indonesia's



editorial

As we enter the third quarter of 2024, IDClear continues to broaden its range of new services, aiming to foster a more secure and thriving investment climate within the financial markets.

In the headline feature of the third edition of IDClear News 2024, IDClear announces its recent acquisition of a Business License as a Central Counterparty (CCP) for the Money Market and Foreign Exchange Market (PUVA) from Bank Indonesia (BI).

Additionally, IDClear highlights significant developments, including the introduction of a Triparty Repo facility for Retail Government Bonds (ORI), detailed in a special article.

Furthermore, articles on strategic policy to enhance repo market liquidity and educational articles on ESG aspects in Bilateral SLB services are also available.

The Editorial Team extends warm wishes for an enjoyable reading experience, hoping that the third edition of IDClear News 2024 serves as a valuable resource for its readers.

Warm Regards,
Editorial Team

Financial Market Development Department, Donny Hutabarat, emphasized that IDClear's track record as a clearing and guarantee institution in the capital market, coupled with its recognition as a Third Country CCP by the European Securities and Markets Authority (ESMA), strengthened Bank Indonesia's confidence in authorizing IDClear as a CCP for PUVA.

Bank Indonesia has also ensured that IDClear adopts robust risk management practices to mitigate systemic risks in PUVA operations. IDClear has met the international standards outlined by the Principles for Financial Market Infrastructures (PFMI), which serves as a global benchmark for CCP operations.

At the launch event, IDClear received the status of a Qualifying CCP (QCCP) from Bank Indonesia. This recognition is expected to enhance market trust and pave the way for higher transaction volumes.

Donny added that the introduction of a CCP for is expected to bolster the transmission of monetary policy and fortify the stability of the Indonesian rupiah.

"The establishment of CCP for PUVA reduces market segmentation and boosts market efficiency, thereby supporting the effective transmission of monetary policy and safeguarding financial system stability. This accomplishment is a milestone for Indonesia in advancing the efficiency and stability of its financial market, particularly in creating a modern and sophisticated PUVA system," he said.

PIONEER PRODUCTS

In its initial phase, IDClear's CCP for PUVA services will focus on Domestic Non-Deliverable Forward (DNDF) contracts, a vital hedging tool against rupiah exchange rate fluctuations. This instrument plays a critical role for banks, businesses, investors, and the issuance of government bonds (SBN) in financing the national economy.

"Following the introduction of DNDF, we intend to expand our offerings to include other financial instruments such as Interest Rate Swaps [IRS] and Overnight Index Swaps [OIS]," Jerri Parulian, Head of Research and Project Management at IDClear, added.

Jerri noted that IDClear has partnered with eight pilot banks—who are also shareholders—for initial transaction trials using the PUVA CCP services, with the hope that more banks will join the initiative in the future.

Reynant Hadi, Head of IDClear's Legal Division, emphasized that IDClear has made significant preparations in terms of infrastructure, technology, procedures, and mechanisms to ensure the successful implementation of CCP PUVA transactions.

"IDClear has developed a comprehensive rulebook that outlines the regulations and procedures for PUVA transaction participants, who are members of the CCP PUVA, reflecting the business concepts and mechanisms that have been structured," Reynant said.

Reynant further highlighted that the regulation issued by the Financial Services Authority (OJK), which mandates the use of PUVA CCP for foreign exchange derivative transactions, is a pivotal move in expanding IDClear's service reach.

"This regulatory policy is expected to encourage more banks to join as clearing members of IDClear, thereby fostering a more integrated and secure transaction ecosystem within the money and foreign exchange markets," he added.

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New Triparty Repo Set to Facilitate ORI Instruments

Since its debut in 2019, IDClear has consistently advanced its triparty repo services for market participants. In its latest development, IDClear introduces a triparty repo facility specifically for government's retail bond, or Obligasi Ritel Indonesia (ORI).

Triparty repo is a key service provided by IDClear, designed to enable secure and orderly repo transactions. Initially, this facility supported stock-backed repos, later expanding to corporate bonds in late 2023. In response to market demand and feedback, IDClear extended its service portfolio further in August 2024 by including Government Bonds and ORI as underlying assets.

Head of IDClear's Clearing, Settlement, and Securities Lending Division, Ari Trisianto highlighted that the addition of ORI to the triparty repo facility offers retail investors an alternative funding option without having to sell their ORI assets, utilizing a secure mechanism. Ari noted that through the repo mechanism, investors can maximize their investment value in ORI, obtaining short-term funding without the need to sell their holdings.

"Rather than selling ORI when in need of funds, investors can take advantage of the triparty repo service to conduct repos on their ORI holdings. Once the funds are repaid, the ORI remains in the investor's portfolio," he explained.

Head of IDClear's Repo Lending Unit Nofri Rolla further elaborated on the security measures in place for ORI repo transactions. He emphasized that IDClear

ensures transaction safety through rigorous oversight and the use of a mark-to-market system. "We apply mark-to-market (MTM) on the price of ORI being used in the repo. This minimizes the risk of market value fluctuations, with margin calls implemented, if necessary," said Nofri.

Regarding the technicalities, Nofri explained that there are no significant differences in the triparty repo mechanism between stocks, corporate bonds, government bonds, and ORI. "Our system is fully prepared to support ORI repo transactions. The difference lies more in the scale of transactions. Previously, institutions were the primary users of this service, but now we are opening the door for retail investors," Nofri explained.

However, Nofri admitted that one of the main challenges is familiarizing retail investors with the repo mechanism. "We understand that further education is needed for retail investors to grasp the benefits and risks of this service. Currently, we are conducting outreach through our market participants, mainly securities companies. But in the future, we aim to directly educate investors on a wider scale," Nofri added.

PEI READY TO SUPPORT

On another front, Pendanaan Efek Indonesia (PEI), a liquidity provider, also expressed its views on the implementation of this initiative. Yoyok Isharsaya, President Director of PEI, welcomed the triparty repo facility for ORI and noted the significant potential it presents in providing liquidity to retail investors. "The sale of each ORI series can reach up to Rp20 trillion, with

over 50,000 investors. This reflects a tremendous funding potential that PEI can channel to these ORI investors," he said.

Nevertheless, PEI acknowledged current limitations in the funds it manages, which pose a challenge in fully supporting liquidity. Additionally, the relatively short tenor of ORI results in quicker funding turnover. "We are maximizing the capital we have and continuously coordinating with stakeholders to ensure funding operations run optimally," Yoyok further explained.

EXPANSION OF SERVICES

Ari also explained why ORI was chosen over other retail government securities like retail sukuk, sukuk savings bonds, and saving bond retail (SBR). He pointed out that ORI offers more stability compared to other retail government securities. However, Ari noted that the possibility of expanding the service to include other instruments is not off the table. "We are also currently exploring the development of CCP repos, where IDClear would not only act as a facilitator but also as a guarantor in repo transactions. In this scheme, IDClear will guarantee the settlement of both the first and second legs of the transaction, thereby minimizing the risk of default. This will provide an additional layer of protection for market participants," Ari explained.

He concluded by saying that the various innovations and expansions in IDClear's triparty repo facility are expected to increase awareness and usage among investors and other capital market participants. This, in turn, will boost transaction activity in Indonesia's capital market.

MKBD Haircut Reduction Incentive: Strategy to Enhance Repo Market Liquidity

IDClear is set to introduce a strategic policy offering MKBD haircut reduction incentives for reverse repo transactions through its triparty repo facility. This initiative is designed not only to alleviate the capital pressure on securities firms but also to improve oversight of repo transactions and enhance liquidity in the capital market.

The latest IDClear policy responds to the challenges faced by market participants following the enforcement of SEOJK No.2/SEOJK.04/2023, which applies higher capital charges on securities firms executing reverse repo transactions on its MKBD calculations, by applying a haircut mechanism that reduces collateral values against the market value of equities.

The development of this policy involved collaboration with the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and the Indonesian Securities Companies Association (APEI).

Head of IDClear's Risk Management Division Ranti Kusuma Arini explained that in repo transactions, including reverse repos, a haircut represents the reduction of the fair market value of securities used as collateral. This is a risk management measure designed to ensure the collateral is sufficient to cover the credit risk of the transaction.

However, overly high haircuts can burden market participants by limiting the liquidity they can access. Lowering haircuts directly impacts the MKBD value, which, if not maintained, could lead to the suspension of AK (clearing members).

"IDClear's MKBD haircut reduction incentive is expected to ease the capital burden on securities firms, encouraging AK to continue participating in repo transactions through the IDClear triparty repo facility," Ranti stated.

She further highlighted that the incentive is tied to the risk profile of the pledged equity. Lower-

risk securities will benefit from greater haircut reductions, while higher-risk assets will receive smaller discounts, safeguarding against systemic risk.

"The policy aims to strike a careful balance between offering attractive incentives and maintaining prudent risk management," she added.

This planned incentive is part of IDClear's broader strategy to enhance liquidity and transaction volumes within Indonesia's capital markets. By reducing haircuts, AKs engaging in reverse repo transactions will be able to access more liquidity using the same collateral, allowing them to operate with greater flexibility and reduced capital requirements.

Head of IDClear's Risk Analysis Unit Raja Nobriansyah noted that the policy aims to not only improve liquidity and transaction volume but also strengthen oversight and transparency in the market. To that end, the incentive will be limited to reverse repo transactions conducted through IDClear's triparty

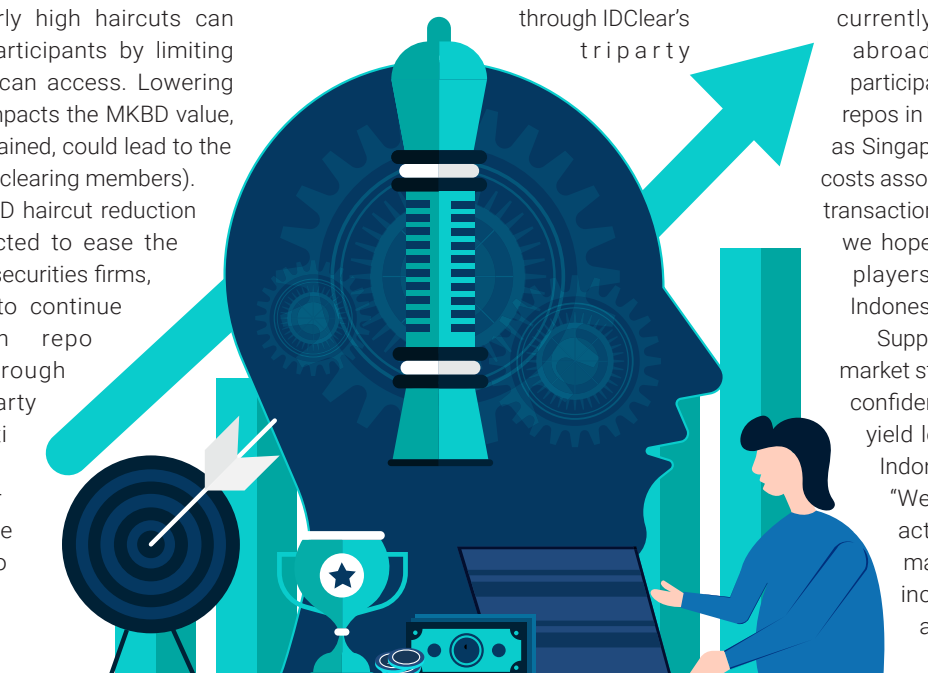
repo facility. "With more participants utilizing IDClear's platform, repo transactions are expected to become more transparent and easier to monitor," Raja explained.

He added that daily validation would be enforced to ensure compliance among AKs benefitting from the incentive. "We need to ensure that only eligible parties receive the incentive and that all transactions occur through IDClear's facility. Therefore, rigorous daily checks will be carried out," he said.

Ahmad Dwi Murdani from IDClear's Risk Monitoring Unit stressed the importance of stringent supervision to ensure the security of transactions and mitigate systemic risks. "By conducting transactions through our platform, all repo-related data is recorded systematically, enabling easier monitoring and risk mitigation. This will contribute to a safer and more orderly repo market," Murdani explained.

Ranti also noted that this policy could help repatriate repo transactions currently being conducted abroad. "Some market participants prefer conducting repos in foreign markets, such as Singapore, due to the higher costs associated with Indonesian transactions. With this incentive, we hope to encourage these players to return to the Indonesian market," she said.

Supported by OJK, IDX, and market stakeholders, IDClear is confident that this policy will yield long-term benefits for Indonesia's capital market. "We anticipate a more active and secure repo market in Indonesia, with increased transparency and easier oversight," Ranti concluded.



ESG Integration in Bilateral Securities Lending: Ensuring Sustainable Financial Practices

The adoption of ESG principles in bilateral securities lending aims to bolster transparency, mitigate risk, and align investment practices with sustainability goals.

The ESG (Environmental, Social, and Governance) has been in the sight of global investment management in recent years, prompting companies and investors to incorporate these principles into every financial activity, including bilateral securities lending transactions. As the push for sustainability intensifies, market participants are weaving ESG considerations into their investment strategies—not only in the selection of assets but also in managing the risks inherent to securities lending.

These risks include counterparty risk, where a borrower might default, and market risk, where stock price volatility could result in insufficient collateral or reinvestment losses.

Embracing ESG in these transactions enhances risk management, while upholding the integrity and long-term stability of the market. ESG principles also allow asset managers to gauge a borrower's credibility based on adherence to ESG standards, ensuring that lending activities remain responsible and do not amplify systemic risks.

ESG integration into the bilateral securities lending market presents significant opportunities for market players, particularly through increased investor interest in sustainable practices. Companies adhering to ESG standards can attract investors with a strong focus on environmental, social, and governance factors.

However, challenges such as limited resources and a lack of awareness among some stakeholders in Indonesia's capital

market persist. Many companies have not yet fully integrated ESG into their operations, necessitating further efforts to raise awareness and understanding of ESG's role in bilateral securities lending transactions.

Indonesia's Financial Services Authority (OJK) has made efforts in promoting ESG adoption in the capital market. The issuance of Regulation No. 51/POJK.03/2017 on sustainable finance requires financial institutions and publicly-listed companies to embed ESG aspects in their operations. The Indonesia Stock Exchange (IDX) has also introduced the ESG Leaders Index and the SRI-KEHATI Index, aiming to drive transparency and accountability in corporate ESG practices.

Through such regulatory support, OJK and IDX aspire to encourage broader adoption of ESG principles among companies and market players, fostering a more sustainable and resilient capital market.

Incorporating ESG into the bilateral securities lending landscape is essential for fostering a more accountable and sustainable market. It ensures effective risk management and transparency, protecting investors while preserving the integrity of the capital market.

Looking ahead, the expansion of ESG practices in this area is expected to continue, buoyed by regulatory support and growing stakeholder awareness. This evolution positions ESG not merely as a passing trend but as a cornerstone for the long-term sustainability of capital markets in Indonesia and beyond.

Key Measures for ESG Implementation in Bilateral Securities Lending

To implement ESG in bilateral securities lending, several critical measures are necessary to manage risks and maintain market sustainability:

01

Voting Rights

Investors must retain the ability to vote on key company decisions. In securities lending, a recall mechanism allows lenders to reclaim loaned shares when they are required for shareholder votes.

02

Lending Chain Transparency

Transparency throughout the lending process ensures that all parties understand ESG-related risks. Investors should have access to information on borrowers and the purposes for which the securities are used, including short selling. This transparency is vital for maintaining the trust of ESG-focused investors.

03

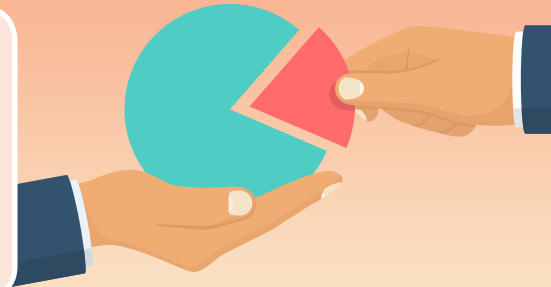
Considerations for Non-Cash Collateral and Cash Reinvestment

Securities lending transactions should manage collateral with a focus on sustainability, ensuring that selected assets meet ESG criteria and that cash reinvestment is conducted in a responsible manner.

EXCHANGE TRANSACTION

	Frequency (Times)	Volume (Shares)	Value (Rp)
Total 2024	193.095.611	3.266.211.630.936	2.255.362.799.456.790
Daily Average 2024	1.103.403	18.664.066.462	12.887.787.425.467

Data until 30 September 2024



EXCHANGE TRANSACTION SETTLEMENT

	Settlements		Efficiency	
	Volume (Shares)	Value (Rp)	Volume (%)	Value (%)
Total 2024	1.140.574.813.400	751.382.784.392.500	60,47	56,73
Daily Highest	15.289.028.600	15.055.518.814.900	73,45	64,30
Daily Average	6.517.570.362	4.293.615.910.814	60,26	56,73
Daily Lowest	4.265.198.300	2.643.119.106.200	46,96	50,72

Data until 30 September 2024

ALTERNATE CASH SETTLEMENT (ACS)

	ACS		Clearing Members (ACS)	
	Volume (Shares)	Value (Rp)	CM Deliver	CM Receive
Total	7.589.500	18.972.289.375	16	64
Highest	2.285.200	7.369.770.000	1	25
Average	474.344	1.185.768.086	1	4
Lowest	100	6.500	1	1

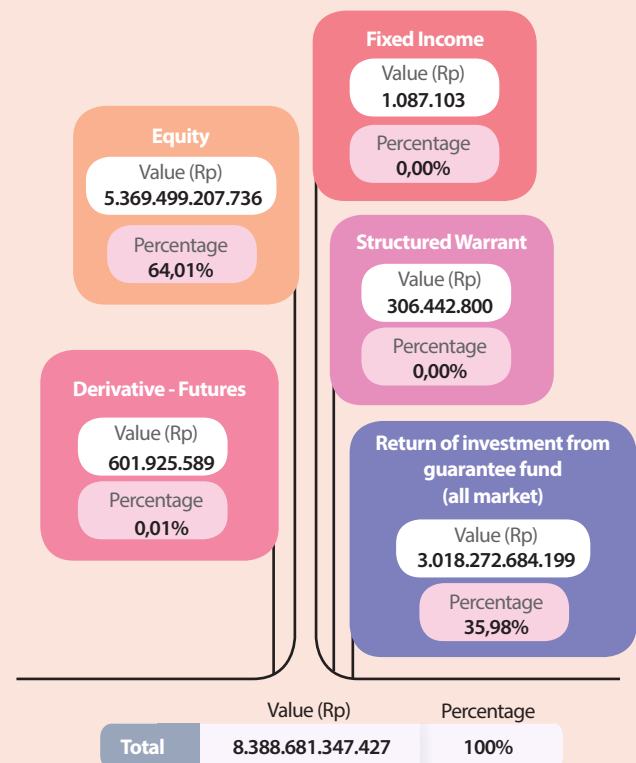
Data until 30 September 2024

INTRADAY FACILITY

Usage (Rp)		Fees Paid (Rp)
215.082.075.438.863	Total	2.869.325.417
23.898.008.382.095	Monthly Average	318.813.935
1.229.040.431.079	Daily Average	16.396.145

Data until 30 September 2024

GUARANTEE FUND POSITION



Data per 30 September 2024

GUARANTEE RESERVE POSITION

	Value (Rp)
Guarantee Reserve	199.440.638.040

Data per 30 September 2024

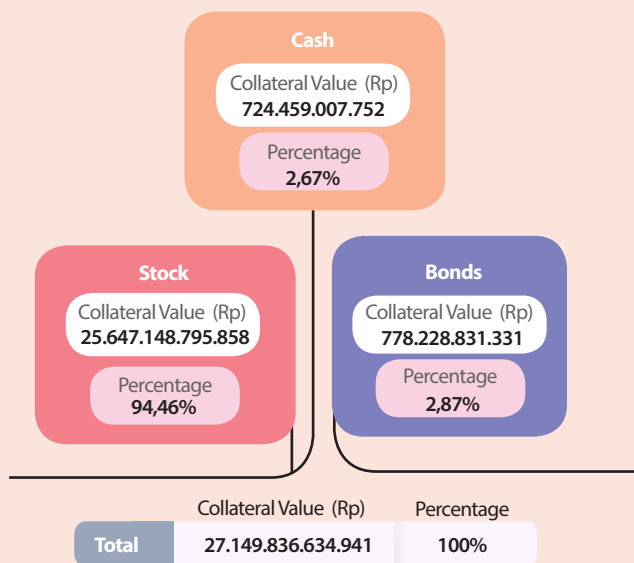


SECURITIES BORROWING AND LENDING TRANSACTIONS

Total			Daily Average			Number of Days
Value (Rp)	Volume (Shares)	Frequency (Times)	Value (Rp)	Volume (Shares)		
January	4.945.835.300	841.500	11	159.543.074	27.145	31
February	849.835.600	130.500	4	29.304.676	4.500	29
March	598.145.000	150.900	6	19.295.000	4.868	31
April	915.714.500	185.400	15	30.523.817	6.180	30
May	879.922.000	163.500	11	28.384.581	5.274	31
June	3.122.337.800	1.148.400	35	104.077.927	38.280	30
July	1.737.239.500	382.400	14	56.039.984	12.335	31
August	10.598.377.500	1.342.100	12	341.883.145	43.294	31
September	9.179.097.500	2.109.000	39	305.969.917	70.300	30
Total	32.826.504.700	6.453.700	147	119.804.761	23.553	274

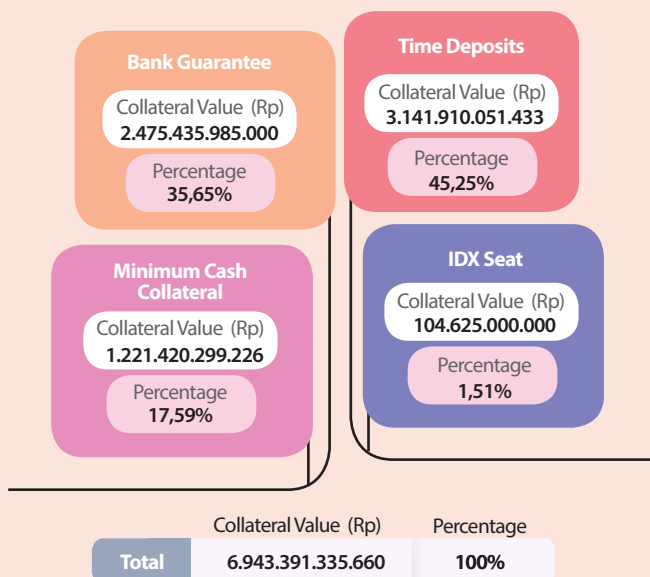
Data until 30 September 2024

ONLINE COLLATERAL COMPOSITION



Data per 30 September 2024

OFFLINE COLLATERAL COMPOSITION



Data per 30 September 2024

TRIPARTY REPO TRANSACTIONS

	Total	
	Value (Rp)	Volume
January	8.800.000.000	11.000.000.000
February	57.500.000.000	183.042.900
March	134.521.223.424	598.000.000
April	90.000.000.000	302.737.400
May	-	-
June	-	-
July	39.000.000.001	40.950.000.000
August	43.000.000.000	11.472.169.900
September	20.000.000.000	112.500.000
Total	392.821.223.425	64.618.450.200

Data until 30 September 2024

DERIVATIVE TRANSACTIONS

	Frequency (Times)	Volume (Contract)	Value (Rp)
LQ 45	0	0	0
IDX 30	0	0	0
SSF (ASII,BBCA, BBRI,MDKA,TLKM)	68	741	553.403.500
Single Stock Futures (Total)	68	741	553.403.500
Index Futures (Total)	0	0	0
Indonesia Government Bond Futures	0	0	0

Data until 30 September 2024



IDClear

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