

**SECOND AMENDMENT TO CIRCULAR LETTER OF BANK
INDONESIA NUMBER 16/2/DPM, DATED JANUARY 28,
2014 CONCERNING PROTECTED VALUE SWAP
TRANSACTION WITH BANK INDONESIA
(Circular Letter of the Head of Department of Monetary
Management Of Bank Indonesia
Number 18/13/DPM, dated May 24, 2016)**

WITH THE BLESSING OF THE ONE AND ONLY GOD

To

ALL FOREIGN EXCHANGE COMMERCIAL BANKS IN
INDONESIA

With respect to the validity of Regulation of Bank Indonesia Number 15/17/PBI/2013, concerning Protected Value Swap Transaction with Bank Indonesia (Statute Book of the Republic of Indonesia Year 2013 Number 237, Supplement to Statute Book of the Republic of Indonesia Number 5480) as amended several times and lately amended by Regulation of Bank Indonesia Number 18/8/PBI/2016, concerning Second Amendment to Regulation of Bank Indonesia Number 15/17/PBI/2013, concerning Protected Value Swap Transaction with Bank Indonesia (Statute Book of the Republic of Indonesia Year 2016 Number 94, Supplement to Statute Book of the Republic of Indonesia Number 5881), hereinafter referred to as PBI, and to strengthen exchange reserve and expand

types of foreign exchange used in Protected Value Swap Transaction with Bank Indonesia, it is necessary to make second amendment to Circular Letter of Bank Indonesia Number 16/2/DPM, dated January 28, 2014 concerning Protected Value Swap Transaction with Bank Indonesia as amended by Circular Letter of Bank Indonesia Number 16/19/DPM, dated November 28, 2014 as follows:

1. Provision in letter A has been amended so as to read as follows:

**A. DOCUMENT ON UNDERLYING PROTECTED
VALUE SWAP TRANSACTION WITH BANK
INDONESIA**

1. The underlying document belonging to Bank in Protected Value Swap Transaction with Bank Indonesia referred to in Article 2 paragraph (4) PBI, shall be governed as follows:

a. If Underlying Transaction is in the form of Bank Overseas Loan in the

form of credit agreement, the underlying document in the form of loan agreement between the Bank and the Creditor Bank.

b. If Underlying Transaction is in the form of Bank Overseas Loan by issuing Debenture, the underlying document shall be among other things, in the form of report on sales of debenture issued by global custody.

c. If Underlying Transaction is in the form of business fund declared as business fund (declared business fund) the underlying document shall be governed as follows:

1) For declared business fund not encountering any change, the underlying document in the form of declared business fund shall be approved by the Office of Central Bank or by the Bank to the competent authority.

2) For declared business fund that encounters any change, the underlying document in the form of declared business fund shall be approved by the competent authority as to the change in the declared business fund submitted by the Office of Central Bank or Bank.

2. The underlying document belonging to customer in the Protected Value Swap Transaction with Bank Indonesia as referred to in Article 2 paragraph (5) PBI, in the form of swap sale Transaction between the Bank and customer in the form of deal ticket or swap contract.

3. The Underlying document in the form of swap sale Transaction between the Bank and the customer shall be governed as follows:

a. Underlying Transaction in the form of Overseas Loan in credit form, the underlying Transaction in the form Loan Agreement (loan agreement) between customer and customer creditor.

b. Underlying Transaction in the form of Overseas Loan in the form Issued Debenture, such as underlying document Transaction in the form of report on sale of debenture issued by global custody.

c. Underlying Transaction in the form of Direct Investment, such as underlying document Transaction in the form of document that relates to accomplished investment.

d. Underlying Transaction in the form of Export Result Exchange (DHE), such underlying document Transaction in the form of Authenticated SWIFT message (MT910) containing information on receipt of DHE.

e. Underlying Transaction in the form of investment at construction of infrastructure and public facilities and/or production facilities, such underlying document Transaction in the form of document on investment activity that governed as follows:

1) if the owner of infrastructure project is the Government, the document on investment, among other things, shall be in the form of approval for the project from the competent authority;

2) if the owner of infrastructure project is non-Governmental institution, the document on investment activity shall be among other things, in the form of approval of the project granted by the institution possessing such project.

f. Underlying Transaction in the form of investment in Commercial Paper issued by the Government of the Republic of Indonesia, the underlying document Transaction such as in the form of plan and proof of realized investment in State Commercial Paper.

4. If any Underlying Transaction uses one (1) type of foreign exchange, such Underlying Transaction is only valid for one (1) Protected Value Swap Transaction with Bank Indonesia.

5. If any Underlying Transaction has more than one (1) types of foreign exchange, the Bank may use the same Underlying Transaction for more than:

- a. one (1) Value Protection Contract; and
 - b. one (1) Protected Value Swap Transaction with Bank Indonesia,
- as declared in the respective foreign exchange.

Example:

During the month of September 20XX Bank A signed one (1) Loan Agreement from overseas in foreign exchange. The amount of Overseas Loan received by Bank A is USD.500,000,000.00 (five hundred million US Dollar) and JPY.150,000,000.00 (one hundred fifty million Japan Yen). Based on such Overseas Loan Bank A may submit two (2) Protected Value Swap Transactions with Bank Indonesia, namely one (1) Transaction in US Dollar and one (1) in Japan Yen Bank A made Protected Value Swap Transaction with Bank Indonesia with nominal value of respectively USD.500,000,000.00 (five hundred million US Dollar) with a term of 12 (twelve) months and JPY.150,000,000.00 (one hundred fifty million Japan Yen) with a term of 12 (twelve) months. For such Protected Value Swap Transaction Bank A provides two (2) Protected Value Contracts, provided two (2) Protected Value Contract, namely one (1) Protected Value Contract in US Dollar and one (1) Protected Value Contract in Japan Yen.

6. The Bank shall responsible to administer for the complete original Underlying document Transaction and photocopy of Underlying document swap sale Transaction between the Bank and customer as referred to in Article 12 PBI.

7. The document referred to in figure 6 must have been received from customer in one (1) month at the latest as of the date of Protected Value Swap Transaction with Bank Indonesia.

2. The provision in letter B has been amended so as to read as follows:

B. IMPLEMENTATION OF PROTECTED VALUE SWAP TRANSACTION WITH BANK INDONESIA

1. Protected Value Swap Transaction with Bank Indonesia shall be exercised through Swap Purchase Transaction with the Bank to Bank Indonesia in foreign exchange against Rupiah, in the context of Protected Value exercised between Bank and Bank Indonesia.

2. Type of foreign exchange in Protected Value Swap Transaction with Bank Indonesia shall be according to type of foreign exchange as announced by Bank Indonesia within at the latest before window time Transaction is open.

3. For Protected Value Swap Transaction with Bank Indonesia in US Dollar against Rupiah, spot rate

used shall be rate of Jakarta Interbank Spot Dollar Rate (JISDOR) on the date of Transaction.

4. For Protected Value Swap Transaction with Bank Indonesia in foreign exchange other than US Dollar against Rupiah, spot rate used shall be middle rate Transaction of Bank Indonesia in foreign exchange against Rupiah on the date of Transaction.

5. The middle rate Transaction of Bank Indonesia referred to in figure 4 shall be calculated using the formula below:

$$\text{Middle Rate Transaction} = \frac{\text{Selling Rate Transaction} + \text{Buying Rate Transaction}}{2}$$

Bank Indonesia Bank Indonesia

6. Protected Value Swap Transaction with Bank Indonesia shall be exercised based on the provisions below:

- a. Announcement and implementation of Protected Value Swap Transaction with Bank Indonesia

- 1) Protected Value Swap Transaction with Bank Indonesia shall be exercised on every working days.

- 2) Protected Value Swap Transaction with Bank Indonesia may have a term of three (3) months, six (6) months, or 12 (twelve) months, calculated as day one (1) after the date of exchange (date of settlement) up to the due date.

- 3) Bank Indonesia shall announce Protected Value Swap Transaction with Bank Indonesia at the latest prior to window time Transaction is open through Daily Reporting System of Commercial Bank LHBUs and/or other information as stipulated by Bank Indonesia.

- 4) The announcement referred to in figure 3) shall at least cover:

- a) term of swap;
- b) premium of swap;
- c) date of Transaction;

- d) window time Transaction;
- e) date of exchange (date of settlement);
- f) JISDOR rate or middle rate of Transaction with Bank Indonesia;
- g) type of foreign exchange;
- h) offer minimum amount and offer multiplied amount; and
- i) facilities for submitting Protected Value Contract and facilities for submitting Protected Value Swap Transaction with Bank Indonesia.

5) Bank may exercise Protected Value Swap Transaction with Bank Indonesia starting at 14.00 WIB until 16.00 WIB, or at other time as stipulated by Bank Indonesia.

b. Submission of Protected Value Contract

1) Protected Value Contract shall be submitted by the Bank at submission of Protected Value Swap Transaction with Bank Indonesia through communication facilities as stipulated by Bank Indonesia.

2) The Protected Value Contract referred to in figure 1) takes effect on the date of exchange (settlement date).

3) The Protected Value Contract referred to in figure 1) covers information as below:

- a) name of Bank;
- b) term of Protected Value Contract;
- c) Underlying Transaction as referred to in point A.1 and/or point A.3;
- d) type of foreign exchange; and
- e) underlying nominal value as set forth in Protected Value Contract.

Example: Protected Value Contract for underlying swap Transaction belonging to Bank shall be as follows:

Name of Bank : Bank A

Term of : 2 Years

Underlying : Bank Overseas Loan Contract

Type of Foreign

Exchange : USA Dollar

Nominal Value : USD.500 million

Example: Protected Value Contract for underlying swap Transaction belonging to Bank's customer shall be follows:

Name of Bank : Bank A

Term : 2 Years

Underlying : swap Transaction by Bank A with PT X of Overseas Loan

Type of Foreign : USA Dollar

Currency

Nominal Value : USD.500 million

Example: Nominal value and underlying Transaction declared in Protected Value Contract as set forth in ATTACHMENT- I to Circular Letter of Bank Indonesia Number 16/2/DPM, dated January 28, 2014 concerning Protected Value Swap Transaction with Bank Indonesia.

4) Bank shall be responsible for the authenticity of the data on Protected Value Contract submitted to Bank Indonesia.

c. Submission of Protected Value Swap Transaction to Bank Indonesia

1) Bank shall submit Protected Value Swap Transaction to Bank Indonesia directly without going through agency institution.

2) The Transaction referred to in figure 1) shall be submitted through communication facilities as stipulated by Bank Indonesia.

- 3) The Protected Value Swap Transaction submitted to Bank Indonesia contains information at least as follows:
 - a) name of Bank;
 - b) type of foreign exchange;
 - c) identification of document of Underlying Transaction;
 - d) term and nominal value of Underlying Transaction as set forth in the Protected Value Contract;
 - e) date of Transaction;
 - f) date of exchange;
 - g) term of Protected Value Swap Transaction to Bank Indonesia;
 - h) due date;
 - i) nominal value;
 - j) Bank Account Number in foreign exchange at correspondee Bank; and
 - k) Bank Demand Account Number in Rupiah in Bank Indonesia.
- 4) Any submission of Protected Value Contract as referred to in letter b must be supported by information containing Bank statement that all requirements for Protected Value Swap Transaction to Bank Indonesia has been complied with.
- 5) If the Bank exercise Protected Value Swap Transaction with Bank Indonesia with Underlying Transaction in the form of declared business fund without information on the term of the declared business fund, such statement as referred to in figure 4) additional information shall be made pertaining to the term of declared business fund.
- 6) Example: the Bank declaration on compliance with the requirements for Protected Value Swap Transaction to Bank Indonesia referred to in figure 4) and figure 5) shall be as set forth in ATTACHMENT-II to Circular Letter of Bank Indonesia Number 16/19/DPM, dated November 28, 2014 concerning Amendment to Circular Letter of Bank Indonesia Number 16/2/DPM, dated January 28, 2014 concerning Protected Value Swap Transaction with Bank Indonesia.
- 7) At receipt of Protected Value Contract referred to in point b.3) and Protected Value Swap

Transaction by Bank Indonesia as referred to in figure 3), Bank Indonesia shall issue Reference Number to the Bank for the respective Protected Value Contract.

- 8) Minimum nominal value of Protected Value Swap Transaction submitted to Bank Indonesia and its multiplication shall be announced by Bank Indonesia through Daily Reporting System of the Commercial Bank (LHBU System) or other information facilities as stipulated by Bank Indonesia, with maximum nominal value of the value of the Underlying Transaction.
 - 9) If there is any correction to Transaction, the Bank may only make one (1) correction for each Protected Value Swap Transaction submitted to Bank Indonesia at window time Protected Value Swap Transaction to Bank Indonesia.
 - 10) If correction is made to the nominal value as referred to in figure 9), such nominal value must comply with the provision referred to in figure 8).
 - 11) The Bank shall be responsible for authenticity of the data in Protected Value Swap Transaction submitted to Bank Indonesia.
 - 12) The Bank may not cancel the Protected Value Swap Transaction that has been submitted to Bank Indonesia.
 - 13) Protected Value Contract shall expire if Protected Value Swap Transaction with Bank Indonesia expires and not extended by the Bank.
 - 14) Bank Indonesia may reject the Protected Value Contract and Protected Value Swap Transaction submitted to Bank Indonesia.
- d. Confirmation on Protected Value Swap Transaction to Bank Indonesia
- Bank Indonesia shall request the Bank to confirm the Protected Value Swap Transaction with Bank Indonesia submitted by the Bank through communication facilities as stipulated by Bank Indonesia covering:

- 1) type of foreign exchange;
 - 2) nominal value of Transaction;
 - 3) term of Transaction;
 - 4) date of exchange and due date;
 - 5) JISDOR rate or middle rate of Transaction with Bank Indonesia;
 - 6) forward rate;
 - 7) swap premium;
 - 8) Bank Account in foreign currency at Correspondent Bank; and
 - 9) Bank Demand Account Number at Bank Indonesia.
- e. Settlement of Protected Value Swap Transaction with Bank Indonesia
- 1) Settlement of first leg
 - a) Bank Indonesia shall make first leg settlement within two (2) working days at the latest as of the date of Protected Value Swap Transaction with Bank Indonesia, by crediting the Bank Rupiah Demand Account equivalent to the value of first leg settlement.
 - b) Value of first leg settlement shall be the nominal value in foreign exchange proposed multiplied by JISDOR spot rate if the foreign exchange used is US Dollar or middle rate of Transaction of Bank Indonesia if the foreign exchange used is US Dollar.
 - c) The Bank shall be obliged to settle transfer of foreign exchange to the Account of Bank Indonesia at the Correspondent Bank on the date of the exchange (date of settlement) as referred to in Article 13 paragraph (2) PBI.
 - d) In on the date of first leg settlement, the Bank fails to transfer the business fund in foreign currency equivalent to the proposed amount, the Bank shall be obliged to make settlement transfer of the business fund in the amount equivalent to proposed amount of Transaction on the next working day.
 - e) Delay in settlement of the obligation referred to in letter d), the Bank is subject to penalty as governed in Article 15 paragraph (4) letter a and letter b PBI.

2) Settlement of second leg

- a) On the due date of Protected Value Swap Transaction to Bank Indonesia (second leg), Bank Indonesia shall transfer the fund in foreign exchange to the Correspondence Bank's Account in nominal value of foreign exchange at first leg settlement.
- b) Bank Indonesia shall debit mendebet rekening giro Rupiah Bank sebesar nilai nominal valuta asing pada setelmen first leg dikalikan kurs setelmen second leg.
- c) The rate of second leg settlement shall be spot rate on the date of Transaction plus swap premium paid by the Bank to Bank Indonesia.
- d) The Bank shall be obliged to provide Rupiah fund on the date of the exchange (date of second leg settlement) to the Bank's Demand Rupiah Account at Bank Indonesia as referred to in Article 13 paragraph (3) PBI.
- e) If on the date of second leg settlement the Bank has not sufficient Rupiah fund to fulfill its obligatory settlement as referred to in letter d), the Bank shall be obliged to provide sufficient Rupiah fund to fulfill its obligatory settlement on the following working day.
- f) The nominal value of Protected Value Swap Transaction with Bank Indonesia as referred to in letter d) shall be paid by debiting the Bank's Rupiah Demand Account at Bank Indonesia.
- g) Any delay in obligatory settlement as referred to in letter e), the Bank is subject to penalty as governed in Article 15 paragraph (4) letter a and letter b PBI.

- 3) If after the event of Protected Value Swap Transaction with Bank Indonesia, the date of first leg settlement as referred to in figure 1) and/or on the date of second leg settlement as referred to in figure 2), is decided as holiday by the Government, settlement shall be made on the next working day without making deduction and/or addition to the premium for such holiday.

3. The provision in point C.16 has been amended so as to read as follows:

16. Bank Indonesia shall request the Bank to confirm on the proposal for extension of Protected Value

Swap Transaction with Bank Indonesia through the communication facilities stipulated by Bank Indonesia that at least cover:

- a. type of foreign exchange;
- b. nominal value of Transaction;
- c. term of Transaction;
- d. date of exchange and term;
- e. JISDOR rate or middle rate of Transaction of Bank Indonesia;
- f. forward rate;
- g. swap premium;
- h. netting nominal value either in foreign exchange or in Rupiah, if settlement is made by netting;
- i. Bank/s Account Number at Correspondent Bank; and
- j. Bank's Rupiah Demand Account Number at Bank Indonesia.

4. The provision in point C.18 has been amended so as to read as follows:

18. Netting settlement for equivalent nominal value on any extension as referred to in point 17.a shall be made by mechanism as follows:

- a. Value of netting settlement for Rupiah nominal shall be computed as follows:

Value	Nominal	Settlement Rate 2nd Leg of Swap Settlement	Rate Transaction
Settlement =	Foreign	x Protected Value against	1st Leg
Netting	Exchange	of Bank Indonesia	Initial Extension

- b. If the result of computation referred to in letter a is negative difference, Bank Indonesia shall credit the Bank's Rupiah Demand Account the amount of computation resulting as referred to in letter a.
- c. If the result of computation referred to in letter a is positive difference, Bank Indonesia shall debit the Bank's Rupiah Demand Account the amount as referred to in letter a.

Example: Computation of netting settlement in the same nominal value as specified in ATTACHMENT -III and ATTACHMENT-IV to Circular Letter of Bank Indonesia Number 16/19/DPM, dated November

28, 2014 concerning Amendment to Circular Letter of Bank Indonesia Number 16/2/DPM, dated January 28, 2014 concerning Protected Value Swap Transaction with Bank Indonesia.

5. The provision in point C.19 has been amended so as to read as follows:

19. Netting settlement which nominal value is smaller at any extension as referred to in point 17.b shall be made using the mechanism below:

a. Value of netting settlement for foreign exchange shall be computed as follows:

Nominal Value	Nominal Value
Value	Foreign Exchange
Settlement	At extension
Netting	Protected Value Swap Transaction
	Swap Netting Transaction
	Initial Protected Value

b. Bank Indonesia shall transfer the fund in foreign exchange to the Bank's Account at Correspondent Bank in the amount of netting settlement as referred to in letter a.

c. Value of netting settlement for Rupiah shall computed as follows:

Nominal Value	Settlement Rate 2nd Leg	nominal value	The first leg
Value	Foreign Exchange	of Swap Settlement	renewal rate
Settlement	= Value at Protected	x Protected Value against	- when the extension of
Netting	Swap Transaction	of Bank Indonesia initial	swap hedging transactions
	Initial protected with	to bank Indonesia	Indonesian
	Bank Indonesia		

d. If the result of computation referred to in letter c shows positive difference, Bank Indonesia shall debit the Bank's Rupiah demand account equivalent to the result of computation as referred to in letter c.

e. If the result of computation as referred to in letter c shows negative difference, Bank Indonesia shall credit the Bank's Rupiah demand account equivalent to the result of computation as referred to in letter c.

Example of computation of netting settlement of lesser nominal value at each extension as specified in ATTACHMENT-V and ATTACHMENT-VI to Circular Letter of Bank Indonesia Number 16/19/DPM, dated November 28, 2014 concerning Amendment to Circular Letter of Bank Indonesia Number 16/2/DPM, dated January 28, 2014, concerning Protected Value Swap Transaction to Bank Indonesia.

6. The provision in letter E has been amended so as to read as follows:

If the Bank is charged penalty for violating Protected Value Swap Transaction (Protected Value Swap Transaction) to Bank Indonesia and/or violating the obligatory settlement of Protected Value Swap Transaction to Bank Indonesia as referred to in Article 15 of Regulation of Bank Indonesia concerning Protected Value Swap Transaction to Bank Indonesia, mechanism for charging penalty shall be as follows:

1. Bank Indonesia shall charge penalty in the form of written reminder, with copy to the Financial Service Authority.
2. The penalty for obligatory payment as referred to in Article 15 paragraph (1) letter b and Article 15 paragraph (4) letter b PBI will be charged by debiting the Bank's Rupiah demand account or foreign exchange demand account at Bank Indonesia.

This Circular Letter of Bank Indonesia takes effect effective as of May 24, 2016.

For public cognizance, this Circular Letter of Bank Indonesia shall be announced by placing it in the State Gazette of the Republic of Indonesia.

Thus for information.

BANK INDONESIA,

Sgd.

DODDY ZULVERDI

HEAD OF MONETARY MANAGEMENT DEPARTMENT

(MA)