

Overview

A. Introduction

Indonesia's Financial Services Authority (OJK) has prioritized the development of the corporate bond market ecosystem by building strong domestic investor and issuer bases. OJK views that strengthening such domestic bases is important for the stability of the capital market and Indonesia's overall monetary, fiscal, and financial systems.

In pursuit of these objectives, OJK and the market institutions—such as the Indonesia Stock Exchange (IDX), Indonesia Clearing and Guarantee Corp (IDClear), and Indonesia Central Securities Depository (KSEI)—issued many new or amended regulations and rules since the publication of the *ASEAN+3 Bond Market Guide for Indonesia* in 2017 that have augmented the regulatory framework for the bond and capital markets at large.³ The revised or new regulations range from consolidating credit rating requirements and improving disclosure to new instruments and issuance types. They have also subsumed or superseded regulations originating during the capital market's supervision by either Bapepam or Bapepam-LK. Major new or revised regulations and rules, and the market developments they support, are explained in this update note in the context of the chapters and sections in the *ASEAN+3 Bond Market Guide for Indonesia* that they relate to.

New market features and functions include the introduction of a professional investors concept (Chapter III.N) and triparty repurchase agreement (repo) services by a market institution (Chapter IV.G). IDX launched bond-related futures contracts on its market in May 2017 (Chapter IV.I) and listed the first green bond in 2018 (Chapter III.I).

The use and application of technology has played an ever-increasing role in the Indonesian bond market—as evidenced by a dedicated government portal for electronic subscription for retail government securities, both sovereign bonds and *sukuk*; the inception of crowdfunding organizers and their platforms for the issuance of securities (including debt securities); and also the number of regulations enabling electronic submission of issuance documentation and disclosure information to authorities and self-regulatory organizations (SROs). New issuance types and channels are explained in Chapter III.E.

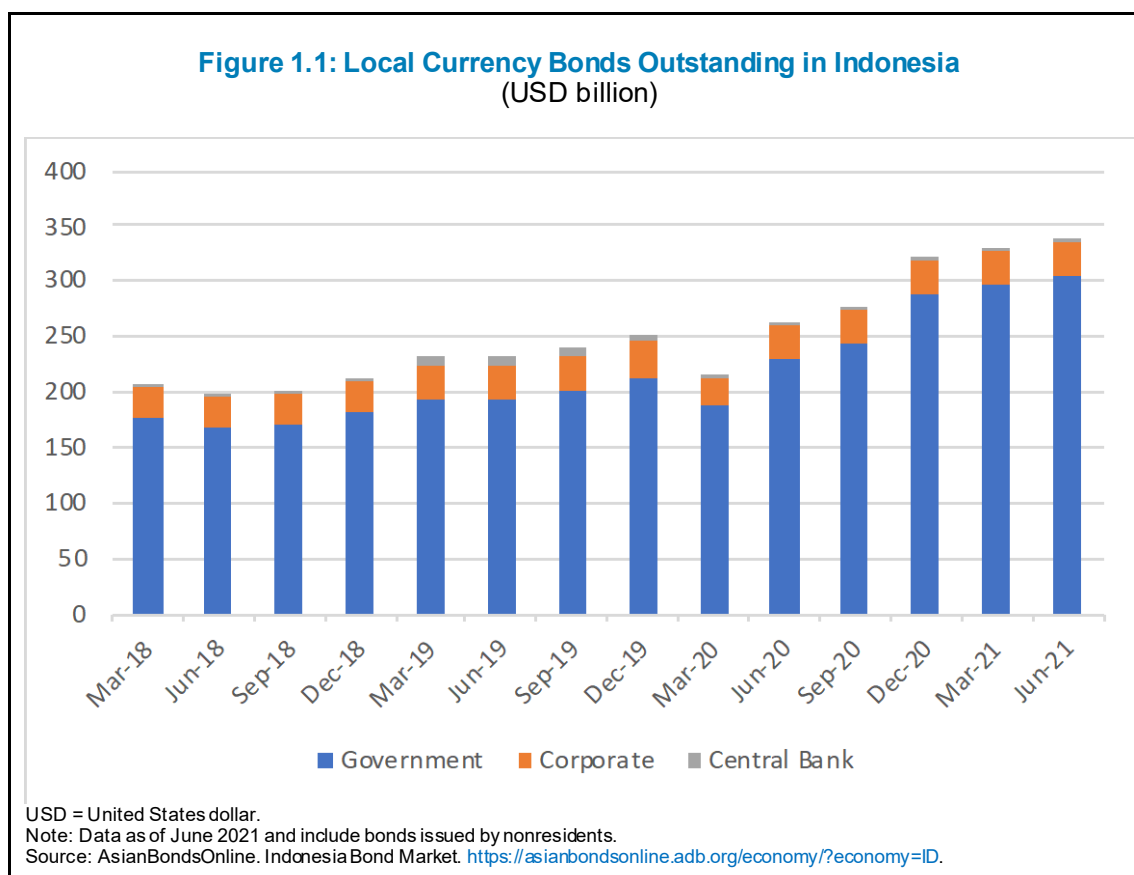
The number and variations of debt instruments and *sukuk* issued by both the Government of Indonesia and corporate issuers has also increased further (Chapter III.B) and resulted in a number of international firsts, such as the first sovereign green *sukuk* issued in 2018 and the first EUR-denominated, sovereign Sustainable Development Goals (SDG) bond in September 2021 (Chapter X.A).]/issuance segment in line with increasing demand from investors and the coordinated approach toward more sustainable finance options among Indonesian policy makers.

³ ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea. Asian Development Bank. *ASEAN+3 Bond Market Guide for Indonesia*. 2017. <https://asianbondsonline.adb.org/abmg.php#no-2017>.

The particular focus on Sharia instruments and the increasing number of *sukuk* varieties prompted IDX to distinguish listing rules for *sukuk* from those for conventional debt securities, owing also to the special characteristics of the Islamic principles underlying *sukuk* and their disclosure practices.

To frame and support capital market development, the Government of Indonesia published its *National Strategy for Financial Market Development, 2018–2024* (see section E of this chapter), while Bank Indonesia (BI) published its own *Blueprint for Money Market Development, 2025* (see section F of this chapter). In addition to strengthening the regulatory framework for the bond and capital markets, OJK also issued the *Sustainable Finance Roadmap Phase II (2021–2025)* that integrates sustainable financing approaches across instruments and industries (see section H of this chapter).

These market initiatives and changes to the regulatory framework contributed to a significant increase since 2016 in the amount of IDR-denominated debt securities and *sukuk* outstanding in Indonesia, the last year for which data was included in the *ASEAN+3 Bond Market Guide for Indonesia* (Figure 1.1). In addition, the Government of Indonesia's response to the coronavirus disease (COVID-19) pandemic resulted in a 119.6% year-on-year increase in sovereign bond and *sukuk* issuance in 2020 to IDR956.3 trillion.⁴



At the end of June 2021, the total outstanding amount of local currency bonds and *sukuk* was nearly exactly double the amount at the end of June 2016. While the bond market continues to be dominated by sovereign issuances, outstanding corporate

⁴ Total issuance amounts for 2019 and 2020 are based on the January 2020 and January 2021 editions of the Ministry of Finance's *Determination of the State Budget*, respectively. The reports are available in Bahasa Indonesia from the Ministry of Finance website at <https://www.kemenkeu.go.id/publikasi/apbn-kita/>.

bonds and *sukuk* have increased by more than 50% in the past 4.5 years. Foreign investors held IDR997.41 trillion in IDR-denominated bonds and *sukuk* as of 21 December 2020, reflecting a decline of about 6% from a year earlier.⁵

In addition to bond market information available on *AsianBondsOnline*, comprehensive data on outstanding bonds and *sukuk*—including their issuances, composition, and trading volumes, as well as a breakdown by investor type—are available on the websites of BI, IDX, and other market institutions (see Chapter VII for appropriate links).

D. Regional Cooperation

2. Bilateral Cooperation of the Indonesia Central Securities Depository

To improve its regional and international cooperation framework, KSEI entered into bilateral cooperation agreements with, among others, the Central Depository (Pte.) Limited of Singapore; Japan Securities Depository Center, Inc.; Korea Securities Depository; Central Securities Depository of Iran; Merkezi Kayit Kuruluşu A.S., Turkish Central Securities Depository; and Thailand Securities Depository Co., Ltd. The expanded cooperation is expected to support KSEI's activities in the Indonesian capital market as well as international markets.

E. National Strategy for Financial Market Development, 2018–2024

The Ministry of Finance (MOF), BI, and OJK co-authored the *National Strategy for Financial Market Development, 2018–2024*, published on 15 January 2019. The strategy is officially known as the National Financial Market Development and Deepening Strategy (SN-PPPK). The bond market is one of six focus market segments named in SN-PPPK.

According to the authoring institutions, the depth of the financial markets in Indonesia is not yet on par with peer jurisdictions, as evidenced by the infrastructure funding gap, which is massive and necessitates bond and other instrument issuance on a regular basis.

SN-PPPK identifies three pillars of financial market development and defines seven elements of the targeted financial market ecosystem for Indonesia. SN-PPPK further lists and discusses in great detail eight objectives for the development of the government bond market and seven objectives for the corporate bond market, plus additional goals for the money market; each objective or goal was assigned to one or more pillars.

SN-PPPK is to be implemented in three phases: (i) strengthening the foundations in 2018–2019, (ii) an acceleration of market development in 2020–2022, and (iii) a deepening phase in 2023–2024. Each phase contains key performance indicators to be achieved, ranging from indicators for growth and absolute size for turnover and volume to the composition of financial instruments. An increase in the number of issuers and the broadening of the investor base is a common goal in all three phases. Please also see subsequent sections of this chapter for information on the master plans and road maps of individual market authorities as a follow-up to SN-PPPK.

⁵ Some information compiled from reports in the public domain.

An English language version of the *National Strategy for Financial Market Development, 2018–2024* is available from the website of BI and other market authorities.⁶

F. Indonesian Financial Services Sector Master Plan, 2021–2025

OJK authored the Indonesian Financial Services Sector Master Plan, 2021–2025 (MPSJKI). The MPSJKI represents a continuation of the Indonesian Financial Services Sector Master Plan, 2015–2019 published in January 2016. The MPSJKI, 2021–2025 was intended to be effective in early 2020 but due to the disruptions caused by COVID-19, it was carried out in separate stages; the complete MPSJKI, 2021–2025 was eventually published in December 2020.

OJK considered it necessary to formulate the MPSJKI, 2021–2025 to address various conditions and challenges in the financial services sector and build on the achievements and market developments guided by the previous version. For the bond and capital markets, the previous MPSJKI had delivered, among other achievements, a more robust regulatory framework, the integration of fintech into that framework through initiatives such as equity crowdfunding, as well as new instruments and issuance types. OJK will use the MPSJKI, 2021–2025 as a basic framework for the strategic direction of its policies for the financial services sector.⁷ The MPSJKI, 2021–2025 also integrates elements from presidential directives and objectives of national development agendas. Furthermore, OJK recognizes that economic and financial activities in Indonesia are increasingly integrated with the initiatives of the ASEAN Economic Community.

In relation to the bond and capital markets, the MPSJKI, 2021–2025 identifies challenges that include a limited range of sustainable financing instruments and related incentives; a lack of financing options for micro, small, and medium-sized enterprises; as well as the need to obtain and analyze more data to aid effective market supervision. The MPSJKI, 2021–2025 contains broad policy objectives to address these challenges. One of the pillars of OJK’s framework is digital transformation acceleration, including the development of a regulatory framework that supports a digital financial sector ecosystem.

An English language version of the MPSJKI, 2021–2025 is available for download from the OJK website.⁸

G. Blueprint for Money Market Development, 2025

BI published its *Blueprint for Money Market Development, 2025* in December 2020. It is referenced as the BPPU 2025 in the document and the public domain at large. The BPPU 2025 supports the guidance of the SN-PPPK policy framework and seeks to address the current and future challenges faced by BI as both the central bank and a key component of Indonesia’s financial market infrastructure. The BPPU 2025 is organized into five visions, with specific deliverables under each one.

⁶ Bank Indonesia. 2018. *National Strategy for Financial Market Development, 2018–2024*.

<https://www.bi.go.id/en/publikasi/kajian/Pages/Strategi-Nasional-Pengembangan-dan-Pendalaman-Pasar-Kuangan-2018-2024.aspx>.

⁷ Text adapted from the MPSJKI, 2021–2025 and reports in the public domain.

⁸ OJK. 2020. *The Indonesian Financial Services Sector Master Plan to Recover the National Economy and Enhance the Financial Services Sector Resiliency and Competitiveness 2021–2025*. Indonesia Financial Services Authority. <https://ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Master-Plan-Sektor-Jasa-Kuangan-Indonesia-2021-2025/The%20Indonesian%20Financial%20Services%20Sector%20Master%20Plan%202021-2025.pdf>.

Among the key deliverables identified in the BPPU 2025 are the further development of the repo remarket to strengthen the effectiveness of monetary policy transmission, development of sustainable and green financing as an alternative financing source, and development of long-term hedging instruments. Specific objectives include the use of a matching system for money market transactions and a shift from voice trading to electronic trading. BI will also modernize its depository and settlement system and its auction platform for government securities to accommodate all auction mechanisms and price allocation methods.

An English language version of the BPPU 2025 is available for download from the BI website.⁹

H. Sustainable Finance Roadmap Phase II (2021–2025)

OJK launched the *Sustainable Finance Roadmap Phase II (2021–2025)* in January 2021.

The *Sustainable Finance Roadmap Phase I (2015–2019)* aimed to increase the understanding and capacity of financial services sector actors to move toward a low-carbon economy. Phase I achieved several milestones, such as introducing sustainable finance principles, establishing relevant regulations, identifying numerous sustainable business criteria, developing an incentive scheme, and conducting a series of training programs for the financial industry.

Priorities expressed in Phase II of the roadmap include the development of a green taxonomy, which aims to classify sustainable financing and investment activities in Indonesia; the implementation of environmental, social, and governance aspects into risk management; and the development of a program for innovative green schemes to enhance the role of the financial industry in sustainable financing. The identified goals range from green certification of products and services to increased demand for sustainable financing products and expanded investments in information technology and capacity building to be achieved through regulatory and fiscal approaches (e.g., incentives).¹⁰

For further information, the *Sustainable Finance Roadmap Phase II (2021–2025)* is available as a bilingual document in Bahasa Indonesia and English from the OJK website.¹¹

⁹ BI. 2020. *Blueprint for Money Market Development 2025–Bank Indonesia: Building a Modern and Advanced Money Market in a Digital Era*. <https://www.bi.go.id/en/publikasi/kajian/Documents/Blueprint-For-Money-Market-Development-2025.pdf>.

¹⁰ Text in part adapted from OJK. 2021. *Sustainable Finance Roadmap Phase II (2021–2025): The Future of Finance*. Indonesia Financial Services Authority. Jakarta.

¹¹ OJK. *Sustainable Finance Roadmap Phase II (2021–2025)*. <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Roadmap-Keuangan-Berkelanjutan-Tahap-II-%282021-2025%29/Roadmap%20Keuangan%20Berkelanjutan%20Tahap%20II%20%282021-2025%29.pdf>.