



Recent Developments and Future Direction

A. Recent Major Developments

Recent major developments are considered those that occurred or have been announced in the Indonesian market since the first publication of the ASEAN+3 Bond Market Guide for selected economies in April 2012.

1. Financial Services Authority Established as Single Market Regulator

OJK assumed the role as the single regulatory authority for the financial and capital markets in Indonesia, taking over the remit of the previous Bapepam-LK for the capital market in 2013 and the banking supervisor function from BI in 2015. For further details on this change, please refer to Chapter I.B.

2. Bank Indonesia Upgraded Scripless Securities Settlement System

BI concluded the implementation of the second generation of its key market infrastructure in July 2016.

According to the press release of BI, the implementation of the second-generation BI-SSSS, along with real-time gross settlement and ETP platforms, was based on five important considerations: (i) improve efficiency and risk mitigation in line with best practices; (ii) extend domestic and cross-border interoperability; (iii) accommodate global and domestic market and financial system dynamics, including BI and government policy amendments as required; (iv) accommodate a growing transaction volume; and (v) update existing technology that had been in place for more than a decade.⁵⁹

3. Tax Incentives for Government Securities Denominated in Foreign Currency

The June 2016 announcement of the MOF on tax incentives to investors in conventional and Islamic foreign-currency-denominated government bonds once again highlighted existing tax concessions available to investors. While possibly not widely known, this MOF policy officially known as Tax Borne by the Government for Global Bond Issuance renews the tax concessions on an annual basis as part of the implementing regulations of the Budget Law for a given year. The policy stipulates the removal of withholding tax on principal and interest payments and is available to residents and nonresidents alike. It is valid retroactively from 1 January of a budget year. Further information is available in Chapter VI.G.2.

⁵⁹ The full press release is available at http://www.bi.go.id/en/ruang-media/siaran-pers/Pages/sp_178215.aspx

4. Shelf Registration Concept for Public Offering of Debt Securities and/or Sukuk

In December 2014, OJK introduced the Regulation concerning Shelf-Registration to improve access to funding for issuers or public companies in the capital market so that the capital market could become an alternative source of funding for businesses. Please see Chapter III.E for further details.

5. Financial Services Authority Introduced Repurchase Agreement Regulation

With effect from 1 January 2016, OJK introduced the Regulation concerning Guidelines on Repurchase Agreement Transactions for Financial Services Institutions, together with the OJK Circular No. 33/SEOJK.04/2015 on Indonesia Global Master Repurchase Agreement in support of the official Indonesia Annex of the GMRA (afterwards known as GMRA Indonesia), which became binding for use by all financial market participants (see Chapter IV.G for details).

With the regulations, repo transactions in Indonesia follow international standards for repo, while allowing for specific features in the domestic bond market, including the choice of eligible collateral.

6. Banks May No Longer Invest in Debt Securities Issuances by Nonresidents

As part of its continuing remit for the stability of the Indonesian rupiah and the management of FX, BI prescribed in September 2014 that banks may no longer purchase for their own account debt instruments in Indonesian rupiah issued by nonresidents. Banks may, however, purchase and hold such instrument for and on behalf of their clients. This regulation remains in force and details are provided in Chapter II.M.3.

7. Cooperation among Bond Pricing Agencies

In 2013, IBPA signed a cooperation agreement with bond pricing agencies from Malaysia (Bond Pricing Agency Malaysia) and Thailand (Thai Bond Market Association) to reference bond pricing data and information on the respective partner markets on each other's websites.

As a result, IBPA's website carries a section on partner institutions, which contains a link to a landing page with a dashboard display of key Malaysian bonds, notes, and *sukuk*, as well as yields and yield curves, and the Thomson Reuters BPA Malaysia Bond Index family calculated by BPAM. Visitors to the landing page can use a link to the main website of BPAM at their discretion.

B. Future Direction

Market participants in the Indonesian bond market are looking forward to a number of policy initiatives and proposed market developments in the near future. This section is intended to provide an overview of these initiatives or developments already announced.

1. Review of Issuance Documentation and Practices

At the time of the compilation of the Indonesia Bond Market Guide, OJK was in the process of conducting a study on how to simplify the securities issuance process and

related documentation, with the aim of defining an easier and more streamlined issuance approval process, leading to a faster time to market for issuers. One focal point of the review was the simplification of issuance related documentation. The study was expected to be completed by the end of 2016 or in early 2017, with conclusions to be published by OJK soon thereafter.

2. ASEAN+3 Multi-Currency Bond Issuance Framework

The introduction of AMBIF in regional markets in the course of 2015 signaled another potential opportunity for bond or note issuance activities in markets other than the original adopters (Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand).

Potential issuers have identified Indonesia as one of the markets of particular interest, largely due to the increased focus on decentralized funding for the support of domestic business operations by ASEAN+3-based corporates.

Aimed particularly at the issuance of bonds, notes, or *sukuk* to professional investors in participating markets, AMBIF encourages domestic and regional issuers to take advantage of streamlined issuance approval processes across the region. For additional information on AMBIF, kindly refer to Chapter IX.5.

The key advantage of AMBIF for Indonesia lies in the ability of regional issuers to tap multiple markets in addition to Indonesia while using the same or similar approval processes. This is seen as offering an alternative for corporate issuers to issue bonds, notes, or *sukuk* across markets instead of (or in addition to) relying on other forms of funding.