

BI SETS OUT ARRANGEMENT FOR COMMERCIAL PAPER ISSUANCE AND TRANSACTIONS

In order to deepen the financial market and support the issuance of short-term debt securities by Indonesian companies, on July 20, 2017 the central bank of Indonesia (Bank Indonesia - "BI") issued BI Regulation No. 19/9/PBI/2017 regarding Commercial Paper Issuance and Transactions in the Financial Market (the "**BI Regulation**"), replacing Decree Letter of the Board of Directors of Bank Indonesia No. 28/52/KEP/DIR on the Requirements for the Issuance and Trade of Commercial Papers through Commercial Banks in Indonesia.

❖ Commercial Paper under the BI Regulation

Under the BI Regulation, commercial paper ("**CP**") is defined as a marketable financial instrument issued by a non-bank corporation in the form of a promissory note, which shall be registered with BI and have a maturity date of less than one year.

Companies that can issue CP must meet the following criteria:

- Listed Companies – shares listed on the Indonesian Stock Exchange, including companies that have issued bonds and/or sukuk in the 5 years prior to the date of application to issue CP.
- Private Companies – the company must have been operating for at least 3 years, or less than 3 years with a covered guarantee, have at least IDR 50 billion of equity, and generating net income for the last 1 year.

The CP will be issued in electronic form, scriptless, with a discount, in Rupiah or foreign currency denominations. The CP must have a minimum nominal value of IDR 10 billion or its equivalent, with a maturity period of 1 month, 3 months, 6 months, 9 months, or 12 months, and must to be rated by a rating agency registered in BI.

Prior to issuing CP, companies are required to register at, and obtain approval from, BI. Companies also must disclose certain information about the corporation and the CP to be issued (e.g., summary of the structure of the CP, plan for using the funds, and summary of the company's financial performance). After the issuance, the company is required to disclose any changes in information or material facts that might impact the value of the CP, the ability of the company to pay its obligations under the CP, or investor decision making.

Investors looking to invest in CP must purchase at least IDR 500 million or its equivalent per transaction. CP transactions may be performed directly or through licensed intermediaries registered at BI.

❖ **Supporting Institutions**

The BI Regulation provides for certain parties to be involved in the issuance and transactions of CP, subject to mandatory registration and approval from BI, namely supporting institutions, with the following classifications:

- Supporting institutions for the issuance of CP comprise commercial banks or securities companies as arrangers of CP issuance, rating institutions, legal consultants, public accountants, notaries, and other institutions as stipulated by BI.
- Supporting institutions for CP transactions comprise securities companies and brokerage companies.
- Supporting institutions for CP administration and transaction settlement comprise custodian banks or securities companies.

BI may revoke the registered status of CP supporting institutions based on regulatory violations or based on information or request from the relevant authority, professional institution, or concerned parties.

❖ **Reporting**

The BI Regulation requires parties involved in CP issuance and transactions to report to BI, as follows:

- Companies issuing CP are required to submit reports on CP issuance, material information, and material changes.
- Supporting institutions are required to submit reports on competence improvement and data changes related to institutional capacity building.
- CP traders and supporting institutions providing transaction brokering services are required to submit detail reports on CP transactions.

❖ **BI supervision**

BI has powers of indirect supervision and examination with respect to CP issuance and transactions. The scope of the supervision covers the issuance process, transaction process, settlement process, administration of the CP, and supervision of information disclosure.

❖ **Entry into force**

The BI Regulation came into force on September 4, 2017, while rules concerning CP registration will come into force on January 2, 2018 and certain mandatory reporting in relation to CP transactions submitted by securities companies, brokerage companies, and commercial banks will come into force on July 1, 2018.

A grace period for enforcement of the new rules will allow time for banks, securities companies, and other eligible supporting institutions and professions to register with BI as CP supporting institutions.

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