

Business News

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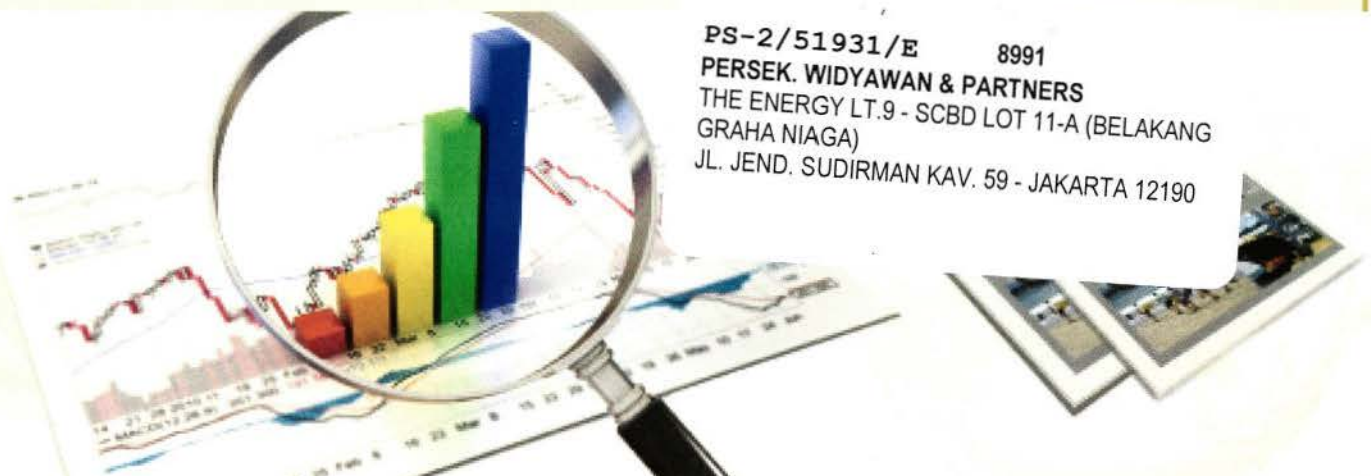
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SEEKING BENEFITS OF PARIS AGREEMENT

Some 195 countries participating in the 21st United Nations Summit on Climate Change (Conference of Parties/COP) have approved Paris Agreement on December 12, 2015. The main point of the agreement is preserving the tolerable limit of earth temperature below 2°C and striving to curb up to 1.5°C above the earth temperature in the pre-industry era (reduction of greenhouse gas emission).

In the country, the agreement is responded calmly. In relations thereto, it is attractive to observe note of Indonesia Environmental Protection Advocacy Institution (Walhi). The non-governmental organization considers that Paris Agreement does not assure the change in the natural resources management system in Indonesia. As disclosed by Campaign Manager of Walhi Kurniawan Sabar, the agreement naturally would not bring about a very significant impact to communities and environmental conservation unless otherwise benefiting only rich countries. Walhi also criticized the position of the government which is deemed pragmatic and not playing strategic role in the negotiation. (antaranews.com, December 13).

The whole formats of agreements ratified for and on behalf of human being always put national interests of participating countries at stake. In relations thereto, the smartness is absolutely needed in negotiation to ascertain benefit of agreement to national interest. We do not know precisely how the negotiation run at the meeting and efforts taken by Indonesian delegates to utilize the momentum of the meeting to bring the encountering fundamental issues in the country.

Document of the Paris Agreement contains weaknesses. The commitment to preserving the tolerable limit of the earth temperature below 2°C and striving to curb up to 1.5°C above the earth temperature in the pre industry era is apparently not escorted by binding rules regarding procedures for fulfilling the

limit so that the decision is returned to every country to determine it. In the other word, it is difficult to expect the document to become an effective instrument to prevent disaster triggered by global climate issue.

Two risks may come here. Firstly, the models of pressure from developed countries to developing countries are opened up. Like the previous condition, products and commodities of developing countries are always linked to the commitment. Secondly, developing countries have choice, unless it is freedom, to take concrete measures which are needed and applicable (according to capability) to preserve the tolerable limit of the earth temperature. The option surely minimizes pressure of developing countries on developing countries with the note that the pressure may be executed in whatever issue, including trade.

Therefore, the most important thing for Indonesia is taking concrete measure to secure the environment so that the outcome could be enjoyed by not only the whole human being but also Indonesian people. Smoke disaster triggered by forest fire should become a valuable lesson for the government so that serious and sustainable efforts must be taken to prevent it.

In relations to the restoration of peat land and damaging forest attributable to fire, as example of the most spotlighted environmental issue, huge cost is absolutely needed. There is obstacle encountering developing countries with limited funds to make more. The compensation from developed countries for the damage of forests in developing countries (mostly attributable to the demand to fulfill the need of developed countries for forestry products) is a must. Without the commitment, not many could be expected from the Paris Agreement.

Jakarta, December 17, 2015

POWER PROJECT OF USD 73 BILLION, A SNOWBALL EFFECT ON ECONOMIC GROWTH

Jakarta, *Business News*

Ministry of Energy and Mineral Resources believes that the investment value of electricity project of USD 73 billion for the fulfillment of target of 35 thousand megawatts (MW) is like a snowball effect on economic growth and labor absorption. "Electricity demand in various areas of up to 35 thousand Megawatts supports economic growth of an average of six percent," Director General of Electricity of Ministry of Energy and Mineral Resources, Jarman, told Business News (December 16).

The administration of President Joko Widodo launched the construction of power plants with a total capacity of up to 35 thousand megawatts (MW). The target which is set for 2014 - 2019 time span was once doubted. But President Jokowi has several times affirmed that electricity projects are realistic and achievable within the time set. The fulfillment of the target of 35 thousand MW is fully undertaken by the government, but also by the private sector with the largest portion. "We see that the financial condition of the government and the state electricity company (PLN) is very limited. Pak Jokowi builds a vision by looking at the present and future conditions. 75 percent of electricity by private IPP (Independent Power Producer). We have to calculate the needs, especially for the time span until 2019. There is no oversupply, but there is a need for electricity. "

Foreign private IPP will also follow the regulations and legislation in force. The Ministry of Energy and Mineral Resources believes that the use of local components, absorption of local workers can run in accordance with the applicable rules. Energy sector is parallel with economic growth. Foreign investment

is also not a scourge. "The current condition is that electricity target is nearly 10 thousand megawatts. The 35 thousand megawatt program will be resolved until 2019. "

Electricity company from China also helped build IPP, including methods of engineering design, procurement, and construction (EPC) control. Innovation simultaneously increases the speed of electricity projects. "IPP project with China will certainly encourage acceleration. This year, by the end of December, 10 thousand megawatts can be reached. The majority, about 75 percent, is built by IPP. The rest is built by PLN."

China with the 'portfolio' that exists today, runs relatively well. Suppose that 3x350 steam power plant (PLTU) in Pelabuhan Ratu, West Java was done by Shanghai Electric Group Corp. Shanghai Electric from China completed the project in Adipala. The technology has been proven for IPP, including the ultra-super critical second reheat technology. In addition, the development of gas turbine business and combustion unit with coal (coal fired units) with above-average parameter and capacity. "The technology has been proven in several power projects, including Adipala, Pelabuhan Ratu, Cilacap."

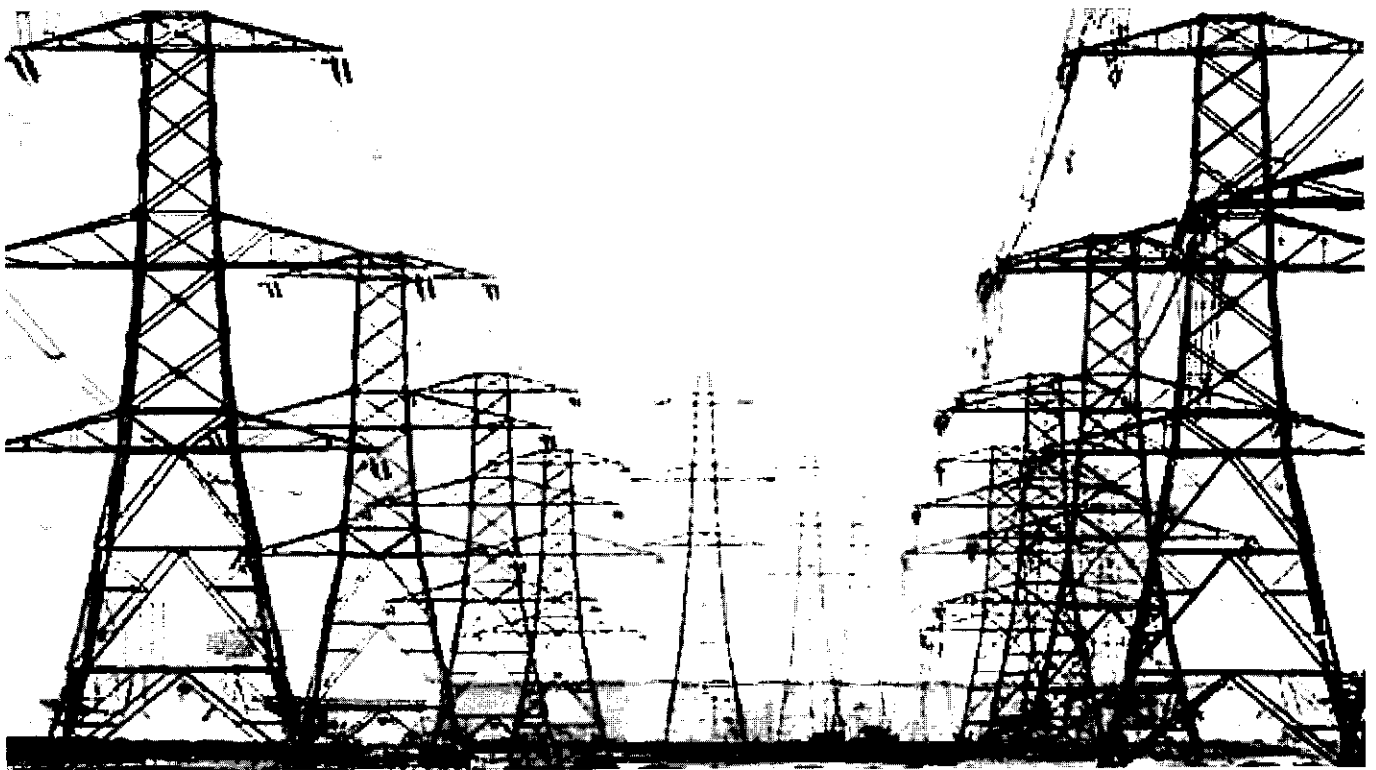
Meanwhile, PT PLN (State Electricity Company) continues to apply tender procedure for procurement of goods / services, including offers from companies from China for electricity projects throughout Indonesia. It is generally accepted, even though Chinese companies have proven the acceleration of completion of power projects in various regions in Indonesia. "We are still conducting auctions, tenders and selecting the best company. Prices from China are cheaper, but we also consider the best quality,

"Nasri Sebayang, Regional Business Director of Central Java, told Business News (December 16).

Nasri had attended presentation of the electricity manufacturing company from China, namely Shanghai Electric (SE). The technology applied is very innovative, i.e. extra super critical. Despite PLN sees many competitors of SE or other electricity companies from China who submitted a proposal for cooperation. In addition, some competitors from Japan (Mitsui & Co.), Germany (Siemens), and others also offer a cooperation on electricity project in Indonesia. "Everything is aggressive, including China (who offers cooperation). We also continue to pursue the completion of various projects in various regions. The priority remains the combination of quality and price.

Although it is inexpensive, such as the offers from China, it must be qualified. "

PLN is increasingly optimistic about the continuation and completion of the electricity project in Central Java. For example, the steam power plant (PLTU) in Batang, Central Java which had been inaugurated by President Jokowi some time ago. The steam power plant with a capacity of 1 x 700 MW in the village of Bunton, Adipala District, Cilacap Regency, Central Java is going smoothly. "The project is currently on testing stage, and continues to grow. Because land acquisition, which is considered the most difficult, has also been completed. Steam power plant (PLTU) Mulut Tambang Simpang Belimbing (2x150 MW) is also smooth. Everything is done by a contractor from China. " (E)



THE PROSPECTIVE MARKET OF EDUCATIVE TOY PRODUCTS

Jakarta, *Business News*

The Association of Educative Toy Producers stated that sales of products soared up in the first 3 months of 2015, supported by many procurement projects by the Government and private companies. Danang Sasongko, Chairman of APMETT stated in Jakarta (14/12) that since October demand for toys jumped up by 20,000 units on the average per month to 80,000 units per month making monthly turnover to increase to Rp 5.6 billion against the usual Rp1.4 billion.

He stated that the increase made unsold stock of products to be sold out. Previously Danang said there had been low sales due to suspended Government products. Furthermore he set sales target of educative toys to grow by 20% next year as imported toys were hard to enter by SNI quality standard barrier and tight screening at seaports.

Danang said that application of mandatory SNI for toy products made cheap imported toys hard to enter Indonesia's market. Tight screening at harbors as entry gate had been effective to wall out uncertified products.

Danang did not deny that implementation of mandatory SNI troubled Small-and-Medium Industry (IKM) making them more dependent on big scale industry. Most producers of educative toy of IKM category would be forced to sell their products cheap to big companies who were SNI certified because IKM could not afford to obtain SNI.

Danang showed as an example to partake in Government tender IKM had to do it through big companies having SNI. What happened was that the big companies prioritized on cheap price. With reduced sales to the conventional market, he said, sales to Government projects would be a place to rely on, which increased IKM dependency on big industries.

He showed that IKM could only make an average profit of 5% if they sell to big companies against the usual 20% per unit. Other problem was lack of control on the products bought by the big company such as paint and raw materials.

To overcome the problem he said it was necessary for the Government who had pocketed SNI to make sure that the products were of the same quality as in time of testing. He also expected the Government would ease requirements for SNI application for IKM especially for industry location permit. He said that SNI could be given for 2 years, thereafter leave it to natural selection. This was believed to be healthier than to kill IKM with administrative requirement.

Meanwhile about sales record, although educative toy industry was posting slowdown in the first 3 quarters, betterment was beginning to be felt since October 2015. Danang said that the many procurement projects compensated sales downturn over the year caused by people's low purchasing power. Now procurement projects by the Government was at peak. "We hope marketing of educational toy products would be prospective next year" Danang said. (SS)

NOT ALL HOUSE MEMBERS ARE MORALLY UNETHICAL

Jakarta, *Business News*

Drs. Setia Novanto had been news maker of the month. Drs. Setia Novanto, who was Chairman of Parliament (DPR) was accused of doing dishonorable act of making business negotiations with PT Freeport Indonesia on behalf of the President who did not even know his name was used in making the business deals. As honorable Chairman of House, Setia Novanto was supposed to play the role of Legislative, but by making business deals, which was also allegedly corruptive, he was doing someone else's job and was therefore charged as being morally unethical; which made him headline news in the mass media. For the mistake he made Drs. Setia Novanto had to be accountable to the panel of judges at the Parliamentary Council of Honor.

Some House members were against the common perception that all House members were low performers or corrupted. One of them was Member of Commission I of Parliament Charles Honoris who stated that he was thankful to God to be raised in a well-to-do family. "I was born and raised in well to do family so I don't have to seek for money at Parliament where I work, to live well" Charles disclosed to *Business News* (14/12).

Furthermore Charles said, "Not all House members are bad. Of 560 members, quite many are good, some are even high achievers, persons whom the people can be proud of" Charles was quoted as saying.

Many House members performed good actions. Recess time was the best moment to judge how house members spend their time, whether they

do things for the good of other people. Recess was 5 times in a year when house members were supposed to listen to people's aspirations, but not many house members did well in recess, even the publication they made was barely seen. During recent recess, Charles claimed he paid a visit to a certain community when a thankful citizen said, "For 64 years being an Indonesian citizen I never had the opportunity to speak up the way I do now". Charles' visit should be a reference to all house members for better image building of Parliament. "But it cannot be denied that some are never tired to play with fire."

Charles did not deny that he was being among big businesspeople. Some House members claimed that their salary was cut by the political party who supported his membership in House. From the very beginning he was committed that salary of House members not be used for personal need but for empowerment of the people. "How do I spend my Rp 60 million salary as House member? For the benefit of the people."

The House of Aspiration was built in Pademangan, Ancol, North Jakarta as a place where people tried to solve their problems. The team helped 30 – 40 families whose homes were being demolished by the Municipality, now they were resettled in apartments in Marunda, Cilincing, North Jakarta.

As public official, one could do more to do good for the people. A businessman could employ thousands of people, but a House member could influence Government's policy which would have impact on the faith of 140 million people. "This is what motivated me to embark on politics." (SS)

MORE SUBMARINES NEEDED FOR PROMOTING TECHNOLOGICAL OCEANIC DEEPSEA RESEARCH

Jakarta, *Business News*

Indonesian Institute of Maritime Studies rated that the effort to realize World's Maritime Axis especially for technological deepsea research was rated as adequate although armada expansion was necessary. "The oceanic technology by submarines was rated as adequate unless the Navy wished to explore the horizons toward building maritime axis." Bernard Kent Sondakh, founder of IIMS told Business News (14/12).

Development of submarine armada by TNI Navy had been going on for long but buying of submarines had not always been well underway. "There was no buying of submarine by tender because silent operation had always been the way of the navy. Submarines did not operate on water surface like sailing from Makassar to Balikpapan. Marines never announced submarine operation schedule."

In any submarine operation in the world even the Commander did not know. The underwater force connects with Station Keeping Data Relay (SKDR) to the sea. Opening of force at sea always started from submerge point. "Start from one point and the ship

could surface anywhere. In a submarine, even to take a shower is hard. In time of blackout the crew take power from the mother tank. In time of sub-knot, the ship surface for loading logistics, rest, then submerge again. Where the ship would emerge nobody knows."

Submarine building project was pioneered in the days of President Megawati Sukarnoputri which was in parallel with procurement of Arm Main Instrument System (Alutista) considering the strategic and economic aspect. PT PAL Indonesia, one of the BUMN had made six submarine ships and sold the product to the Philippines and Saudi Arabia. "Let's not be naïf, even TNI Navy did not know war tactics so I feel it necessary to give input, because there was official statement by the Navy about submarines which was questionable."

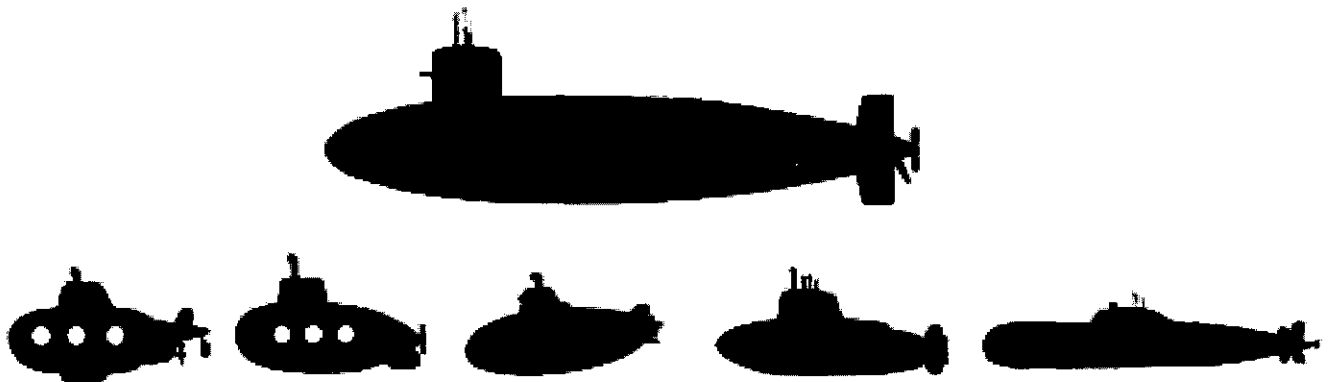
The economy orientated strategy was already adopted when Admiral Ken Sondakh was Navy Chief of Staff in the office period of April 2002 – February 2005. The submarine building program began with gradual take over of shipbuilding technology from Korea. "Apparently with PT PAL we managed to build 2 ships in 2007. The Philippines had bought 2 ships. The Government of Saudi Arabia had signed MoU to



buy 6 submarines. They buy not only because the price is cheap but also because our steel is number one quality. Not all the components are from Korea, We take torpedo from Sweden and sonar from Germany."

Buying strategy did not always mean we have to buy with financing from overseas debt but the Government must also refer to trade balance with counterpart countries. IMS felt that statement of Navy Chief of Staff about arms was a reflection of ignorance and it was ridiculous.

"Before deciding to buy arms from Russia, it would be smart to see what our bilateral trading with Russia is like. Suplus or deficit against Russia? Russia never bought anything from us, not even coffee. But look how great Korea's investment is in Indonesia. Enormously high. Korea's investment is only slightly below America, there is Cornio, Samsung etc. All the nations of the world, and all the generals of the army never cast aside economic considerations. We must be cautious especially in the present coinditiin when USD exchange rate is high against Rupiah."(SS)



GOVERNMENT TO EASE PERMIT ISSUANCE PROCEDURES FOR IMPORTING MACHINERIES

Jakarta, *Business News*

BKPM was constantly striving to accelerate realization of investment project entering construction stage. BKPM collaborated with the Director General of Taxation (DJBC) to facilitate importing of machineries for companies at construction stage. The convenience was in the form of acceleration of green lane status which was still at construction stage through company's profiling. Such was disclosed by Head of BKPM Franky Sibarani to the press (14/12).

By BKPM recommendation, updating of company's profiling of becoming green lane would run faster. As green lane the company could benefit of not undergoing physical examination, only document examination after issuance of Goods Clearance Approval (SPPB). The process might take 3 to 5 days, Sibarani said in a press conference with the Dir. Gen. of Taxation Heru Pambudi in Jakarta on Monday (12/14). Franky believed that the process would accelerate company construction process as there was certainty in customs clearing process at harbor so the imported machine could be used at once as planned.

Franky remarked further that the company could be given recommendation for acceleration of machine importing provided the following requirements were met: actually in the process of construction of factory, submitting latest report of investment activity, consistent with submission of the previous LKPM and to make a letter of statement not to abuse import document.

Besides the company must also enclose factory development plan including business plan until completion of factory building. With acceleration of machinery importing, companies who already pock-

eted Principle Permit could realize their investments, thereby expected to meet target of investment realization 2016 amounting to Rp594.8 trillion.

The Dir. Gen. of Taxation Heru Pambudi remarked that with easing of import procedures for machineries, companies were demanded to exercise good governance and obey regulations. In this case the Tax Dept. would exercise random examination by intelligence role. Inspection would also be exercised through joint exercise by BKPM inspection unit and DJBC.

BKPM Recommend 48 Companies

In the first stage there were around 48 companies proposed by BKPM to obtain permit for acceleration of machineries importing from the Directorate General of Taxation. Total investment plan for the 48 companies was Rp127.7 trillion and employment plan was for 39,209 people.

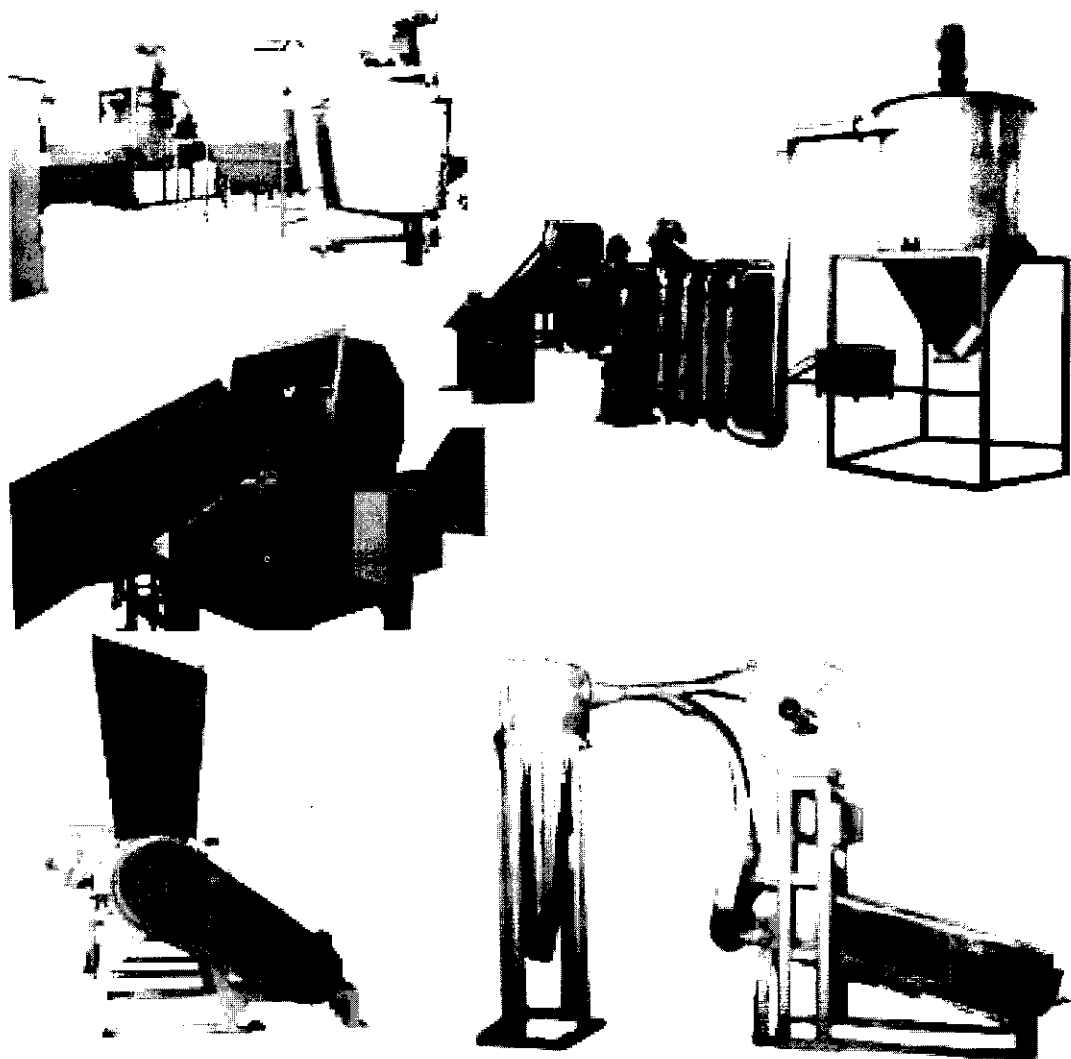
The company consisted of 39 PMA companies and 9 PMDN companies active in basic metal industry, metal products, machineries and electronics; electricity, gas and water; basic metal industry, chemicals and pharmaceuticals, rubber and rubber goods, housing, industrial estates and office buildings, transportation; heavy equipments and other transportation warehousing and telecommunication, textile industry; hotel and restaurant; animal farming, paper industry and printing companies.

In terms of location, the 48 companies were based in East Java 8 companies, South Sulawesi 5, the Province of Papua 5, West Java 4, Central Sulawesi 4, Banten 3, Riau mainland 2, Riau islands 2, West Kalimantan 2, North Sumatra 2, South Sumatra 2, West Sulawesi 1, NTB 1, Jakarta 1, Maluku 1,

Southeast Sulawesi 1, Lampung 1, Central Java 1, West Papua 1, and North Maluku 1 company.

According to Principle Permit issued by BKPM of January-November 2015 on investment plan amounting to Rp1,660.5 trillion consisting of Rp1,079.7 tril-

lion (PMA) and Rp580.8 trillion (PMDN) and employment plan for 871,640 people. BKPM set target for investment realization amounting to Rp519.5 trillion in 2015 and Rp594, trillion in November 2015.(SS)



GOVERNMENT SCHEME UP DISTRIBUTION PLAN FOR RURAL TRANSPORTATION VEHICLES

Jakarta, *Business News*

The Government was preparing special scheme for the development and sales of rural transportation services (KAUP) in agriculture and plantation. According to I Gusti Putu Suryawirawan Dir, gen, ILMAT Ministry of Industry the Government was now scheming up a marketing plan for the products including who the buyer was and how was the paying platform.(4/12).

At the moment the Ministry of Industry was focusing attention on supply of components. Thereafter producers would be asked to design distribution platform. "We propose some sales mode, for example on credit basis like KUR etc.," he said. The Government would not extend fund directly but try to find a niche to promote sales"

"We would evaluate and propose. For example we propose four schemes, and the people would be asked to choose" he said. The type of vehicle would also be focus of attention to make sure that the specification is as proposed by the Government" he said.

Product Sales and Marketing

Marketing and sales was among the main handicaps of local vehicle producers such as experienced by PT Fin Komodo Technology. Producers

of rural vehicles for plantation, mining and agriculture needed Government's aid to promote product's sales.

"We need Government's aid in facilitation and sales of our products," Marketing Director of Fin Komodo Dewa Yuniardi was quoted as saying. The Government's support was reasonable to consider that local content of products of Fin Komodo had come to 80%. With local content of that level, in fact Fin Komodo could get Government's facilitation, through Promotion of Use of Domestic Products (P23DN) Program.

He stated that Fin Komodo vehicles were now used by companies of the plantation and mining sectors in rural areas where the condition of roads were not always good. Fin Komodo vehicles could be used for transporting plantation yields in areas not accessible by conventional cars. With body which was small and light, Komodo could maneuver through trees with spacing of 4 meters.

"Komodo could also be used for security patrols and could be modified for activities in plantations" Dewa stated. He showed as an example there were Komodo vehicles which were modified for mobile doctors in the villages. "We focus usage more on non-asphalt roads because of the high potentials, if we play in asphalt roads competition is hard." Dewa said.



Beside business and social function, Fin Komodo had also been used for military purpose. Today TNI was using Fin Komodo as military vehicles. Dewa explained that today he had produced around 120 units of Fin Komodo for various purposes each year. Product capacity could be stepped up by request. Fin Komodo production center was based in Cimahi, West Java.

"We can increase production if demand was high. For that matter Government's help was needed in promoting our product. The target market is state owned companies operating in plantation and mining

sectors," he said. The role of special vehicle for rural areas was the Government's concern who planned to produce vehicles made at home by the best sons of the nation.

The Government's ambition to build rural transportation was reflected in limited meeting on automotive industry led by President Jokowi last February. The meeting dissected the type of rural transportation to be developed, "If possible self produced" said the Minister of Industry Saleh Husin at the meeting. (SS)



STANDARDIZATION OF GREEN INDUSTRY ENHANCE EFFICIENCY AND COMPETITIVENESS

Jakarta, *Business News*

Now it was time for Indonesian businesspeople to move one step ahead in doing business from business as usual to green industry. This was an important issue toward product efficiency and to produce products which was environmentally friendly, "Green industry is an industrial icon to be comprehended and executed, an industry which focused on efficiency in using natural resources sustainably. This was disclosed by Haris Munandar Head of BPPI on last minute preparation for Green Industry 2015 at the Ministry of Industry in Jakarta (14/12).

Harris stated that development of green industry could be realized among others by making clean products, energy saving, resources efficient, eco-designed, and by low carbon technology. "Through application of green industry, there would be efficient use of raw materials, energy, water, so wastage or emission could be minimized. Hence production process would be more efficient and eventually increase competitiveness of products" Harris said.

Moreover in terms of cost and processing time, application of green industry would in the short run need high investment but in the long run production cost would be cheaper but offer bigger margin in broader market.

"Production cost by green industry is much cheaper than by conventional industry, because the process by green industry was more orientated to efficiency and effectiveness. For that matter investment in machinery procurement of this green industry would be compensated by efficiency" he said while explaining that in the Green Industry Standardization process was free of charge.

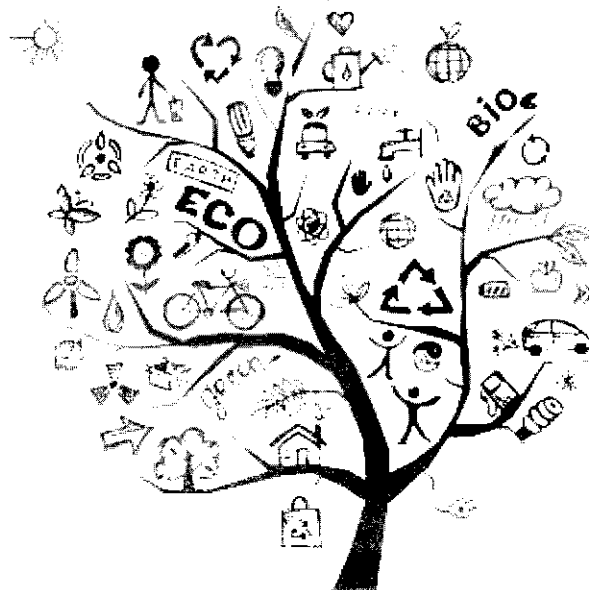
That was the reason there was dispensation for Small and Medium Industry. Meaning there were some procedures which were not mandatory for IKM; it served as some sort of incentive for them.

The challenge for the Government today was to build Green Industry which was competitive, to create new job opportunities and to increase GDP. "Although more and more industry had adopted Green Industry, to present award would still be necessary" he said.

Award for Green Industry

To appreciate industry who had applied green industry, the Ministry of Industry regularly presented Green Industry Award to industries who had arrived at Beyond Compliance level in the industry process.

"To consider that application of Green Industry was voluntary, the number of adopters kept increasing and



this is an indication that awareness of the importance of green industry is increasing" he said. By 2010 the Ministry of Industry had presented Green Industry Award to producers who had adopted the principles of efficiency including application of renewable energy.

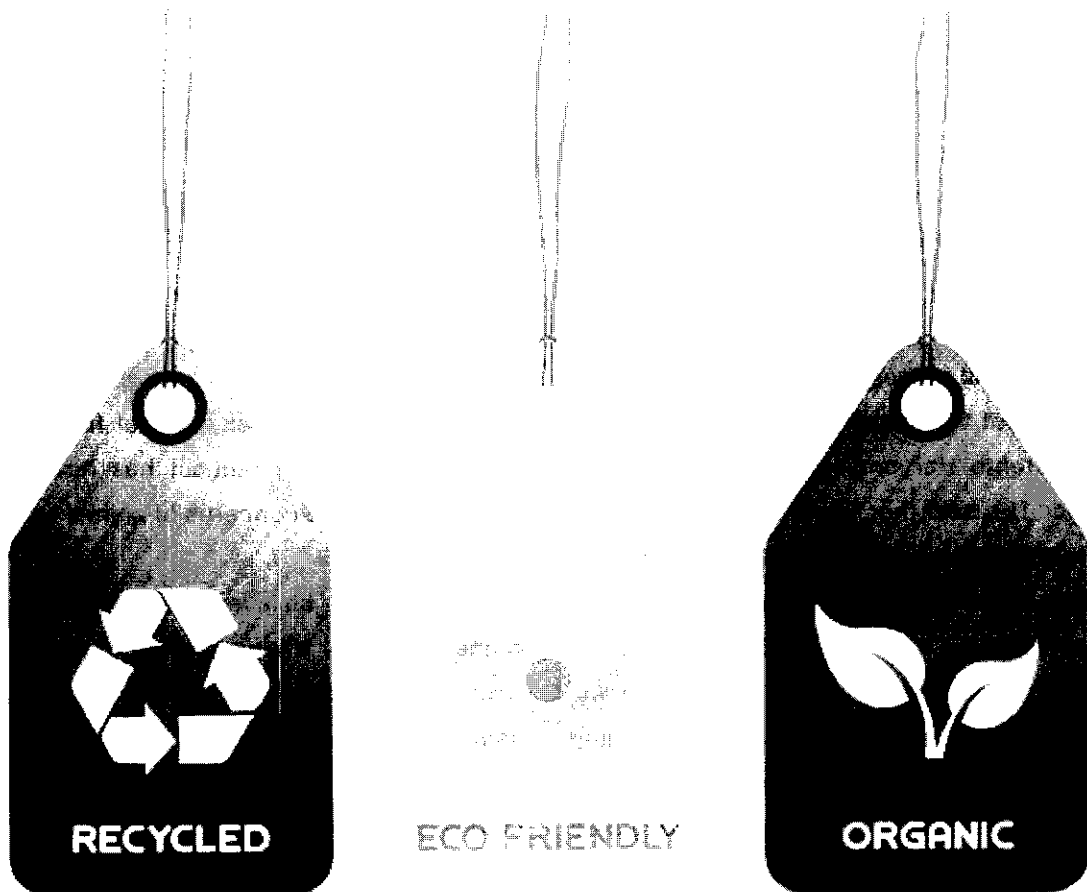
Through 2010 – 2015 there had been 458 companies who had adopted Green Industry and received the related award. The award giving was a form of incentive for the industry to adopt Green Industry principle.

Recipients of Green Industry award would be classified into 5 categories from level 1 to level 5 in which level 5 was highest and level 1 was lowest.

"Award given to companies of level 5 was rating of intervals 90.1 – 100 in the form of Trophy while level 4 of rating 80.1 – 90.0 in the form of Certificate."

Today the Government had accomplished standardization of Green Industry for Portland Cement, Ceramics Industry, Dyed textile and Pulp. "This very year there will be finalization for Iron and Steel and Steel Pressing" he said.

In 2015 the Government had accomplished standardization for Fertilizers, Crumb Rubber, Rib Smoked Sheet, powder milk, white crystal sugar, and Basic Oleochemicals. Meanwhile standardization for Fertilizer of Tunggul Hara Macro Pimer; cumb Rubber; Rib Smoked Sheet; powder milk and white crystal sugar would be stipulated this year.(SS)



INDONESIAN TANNERS ASSOCIATION: DECLINE IN DEMAND TRIGGERED A DECLINE IN TANNERY PRODUCTION

Jakarta, *Business News*

Leather tanning industry operators admitted that the tanning industry is still facing two main problems, i.e. lack of availability of raw materials in the country and the difficulty of the procedure of getting raw materials from abroad. As the secondary industries that rely on raw materials from slaughterhouses, the downward trend in meat consumption has an effect on the supply of raw materials. Moreover, leather raw materials in the country are only about 40% -50%.

Meanwhile, to meet the needs of meat in the country, government policy still leads to the imports of meat instead of live animal imports. Up to now, leather production capacity in the country reaches 250 million square feet per year. Almost 80% of industrial production went into the shoe industry, while the rest went to leather gloves and sportswear industry, jackets, bags and purses.

Chairman of the Indonesian Tanners Association (APKI), Sutanto Haryono, in Jakarta, on Tuesday (December 15), said that the drop in demand this year makes production utility to fall to approximately 50%. Sutanto said that compared to last year, the tannery industry fell by about 20% -30%.

He estimated that this year's production will be around 10 million pieces of goat skin products and 1 millions of cowhide products. According to him, the increase began to be felt in the second half compared to the previous semester with the new ordering season towards the end of the year. He explained that in the cycle, there is a rise towards the end of the year,

which is the cold season.

As an industry that produces goods outside primary necessities, he said that the condition of the tannery industry is highly dependent on the overall financial condition. An improvement in economic conditions next year is highly anticipated in order to improve the performance of the industry, both locally and globally. He cited that poor economic and political conditions in Europe made the exports of leather and leather products to decrease significantly in these markets.

According to Sutanto, this year the tannery industry is sluggish due to constrained supply of raw materials, decline in export demand, and a very high increase in the price of leather. He revealed that so far, most of the national leather manufacturers rely on Eid al-Adha momentum, which is tinged with the slaughter of sacrificial animals. To be able to meet the supply of raw materials, his party has submitted an application to the Ministry of Agriculture to be able to open imports of leather material from ASEAN countries. However, the request has not received a response due to the concerns of animal hoof and mouth disease.

Sutanto believes that the condition of the tannery industry this year is no better than last year because the problems encountered are relatively the same. Moreover, unrecovered financial crisis in Europe makes leather demand in that region to fall dramatically. In addition to the Europe crisis and limited raw materials, other problems that burden the national leather manufacturers is the high price of beef demand that results in the increase in prices of cowhide

raw material.

Typically, the price of cowhide is around IDR 20,000 - 25,000 per kg. However, at this time, the price of leather raw materials could reach IDR 30,000 per kg. Leather raw materials mostly came from Java,

because leather that comes from outside Java often does not have good quality. During this time, there are leather materials which are imported from the United States, Canada, and New Zealand, but in limited quantities.(E)



HOUSE URGE REVISION OF REGULATION ON WORKER'S WELFARE

Jakarta, *Business News*

The Parliament supported struggle of Indonesian workers in revising regulations concerning worker's welfare. Revision was proposed for PP No 78/2015 on wages and Permenakertrans No,35/2015 on Foreign Workers. The Parliament would include the amendments in National Legislation Plan 2016. This was stated by Chairman of House Setya Novanto upon receiving delegation of the Labor Union (14.15) at Parliament Hall.

Setia Novanto was flanked by Rieke Diah Pitaloka, member of Commission IX of House in receiving the Delegation. Present at the meeting was also Representative of Textile and Leather Labor Union, Federation of Indonesian Labor Union JITC, Pelindo II Labor Union, Container Labor Union, and Harbor Labor Union.

The delegation of Labor unions urged Parlia-

ment to review the present remuneration system. Moreover with AEC workers must be of good welfare. The labor union urged House to set up Special Committee for Payroll. The Parliament, Novanto said, would discuss the matter by proper mechanism. About Permenakertrans, foreign workers must be tightly selected so as not to dominate Indonesia's labor market.

Rieke who accompanied Setia Novanto also remarked that with implementation of AEC there should be no discrimination against local workers. Implementation of AEC did not mean absolute freedom for foreign workers, there should be limitations whereby local workers were protected.

Beside the two Regulations, Labor Unions also urged the Law of Industrial Dispute Settlement (PPHI) be included in Prolegnas 2016 to be discussed. After the meeting Novanto expressed his sympathy to workers in their pursuit of better welfare. (SS)

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INDONESIA PURSUE PROMOTION OF FLIGHT OPERATION SAFETY STANDARD TO GRADE ONE

Jakarta, *Business News*

Flight safety was the most important thing in flight operations. In aviation there were 3 interrelated points: security, safety and flight accidents. Lowered security and safety factors in flight could result in flight accidents.

The International Federation of Flight Safety (FAA) disclosed that the cause of flight accidents were Human Factor (59.7%), aircraft (27.1%) and weather (13.2%). In Indonesia, the aircraft factor was probably of highest percentage. The Ministry of Transportation underscored the Government's resolution to step up safety standard in national aviation which was today in still in category 2 to category 1 internationally acknowledged. The Government was optimistic Indonesia would qualify to be promoted to category 1 by FAA standard.

Pursuant to that matter it was necessary to make corrections to be promoted to category 1, which would make it easy to national airlines to be qualified to enter Europ. The serious ambition was indicated in the meeting between Indonesian Minister of Transportation with FAA in the USA where Indonesia planned to make improvements in air transport operations.

Meanwhile member of Commission V of House Yasti Soepredjo Mokoagow stated that calibration of examination on worthiness of all navigation instruments in all of Indonesia be an important part of flight safety. Yasti questioned if all airports in Indonesia had been periodically calibrated, because according to report of the Pilot Associations there were hundreds of airports in Indonesia which were not being regularly calibrated including the Sam Ratulan-

gi Airport.

According to Yasti, he had information from the Pilot Association that the Sam Ratulangi airport in Manado was categorized as high risk airport with high degree of difficulty for pilots by the time they land their aircrafts, especially in the rainy season with slippery runway and strong wind.

However, Yasti rated that performance of Region VIII Airport Authority was worthy of appreciation because they had been able to disclose various obstacles in airport operations in detail. The input was most important to Commission V of House to find out the actual condition of airports in all of Indonesia. This accounts for the fact why Indonesia's rating at FA never moved up from Category 2.

BPS data obtained on Tuesday (15/12) had it that through January-October 2015 the number of air passengers was posted at 56.1 million passengers, an increase of 15.64% against same period in 2014 at 48.5 million pax. The highest number of passengers was posted at Soekarno-Hatta airport Jakarta 25.6 million pax or 28.6% of the total number of domestic passengers followed by Juanda Airport Surabaya 5.6 million or 9.99%.

In October 2015 the number of domestic air passengers was 5.7 million, an increase of 6.49% against previous month. Increasing number of passengers was posted in all airports observed: Hasanudin airport Makassar 19.88%, Juanda Surabaya 11.01%, Soekarno Hatta 9.29%, Ngurah Rai Denpasar 8.14%, Kualanamu Medan 1.63%, The highest number of domestic passengers was through Soekarno Hatta Jakarta 1.6 million or 28.26% of total domestic passengers, followed by Juanda Surabaya 605,0 thousand pax or 10.66%.

Development of Domestic Passenger Transportation October 2015

Airport	Total Passenger			Cumulative Total Passenger		
	Sept'15 (000 pax)	Oct'15 (000 pax)	Change (%)	Jan-Oct'14 (000 pax)	Jan-Oct'15 (000 pax)	Change (%)
Kualanamu-Medan	245,6	249,6	1,63	2.626,6	2.659,3	1,24
Soekarno Hatta Jkt	1.467,6	1.603,9	9,29	16.591,4	15.849,9	-4,47
Juanda-Surabaya	545,0	605,0	11,01	5.749,8	5.599,7	-2,61
Ngurah Rai-Denpasar	328,0	354,7	8,14	3.745,1	3.497,4	-6,61
Hasanuddin-Makassar	256,8	308,1	19,98	2.607,0	2.716,5	4,20
Lainnya	2.487,6	3.555,2	2,72	17.172,5	25.756,1	49,98
Total	5.330,6	5.676,5	6,72	48.492,4	56.077,9	15,64

Source: BPS

Through January-October 2015 the number of international passengers using national or foreign airlines was 11,4 million pax, and increase of 0,40% against same period the previous year, The number of international passengers was highest through Soekarno-Hatta Airport Jakarta 5,2 million pax or 45.77% of total international passengers, followed by Ngurah Rai airport Denpasar 3,7 million pax or 32.22%.

In October 2015 the total number of international passengers was 1,1 million people, an increase of 2.95% against previous month. Increasing number of passengers was posted in Juanda airport Surabaya 13.19% and Ngurah Rai Denpasar 7,15%. Downturn of number of passengers was in Soekarno Hatta Jakarta 0.06%, Kualanamu Medan 1,77% and Hassanudin Makassar 27,91%. Highest number of international passengers was in Soekarno-Hatta 493.000 pax or 43.90% of total passengers abroad followed by Ngurah Rai Denpasar 409.000 pax or 36,35%.

Development of International Air Passengers October 2015

Airport	Total Passenger			Cumulative Total Passenger		
	Sept'15 (000 pax)	Oct'15 (000 pax)	Change (%)	Jan-Oct'14 (000 pax)	Jan-Oct'15 (000 pax)	Change (%)
Kualanamu-Medan	56,5	55,5	-1,77	706,0	674,0	-4,53
Soekarno Hatta Jkt	494,2	493,9	-0,06	5.133,8	5.211,2	1,51
Juanda-Surabaya	63,7	72,1	13,19	759,0	663,8	-12,54
Ngurah Rai-Denpasar	381,7	409,0	7,15	3.500,8	3.668,7	4,80
Hasanuddin-Makassar	4,3	3,1	-27,91	31,9	37,9	18,81
Lainnya	92,5	91,5	-1,08	1.208,2	1.129,8	-6,49
Total	1.092,9	1.125,1	2,95	11.339,7	11.365,4	0,40

Source: BPS

(SS)

BASIC NEEDS PRICE

Jakarta, *Business News*

No.	Commodity	Unit	DECEMBER 2015						
			8	9	10	11	12	13	14
1	Rice IR. I (IR 64)	Kilogram	10,890.00	10,880.00	10,915.00	10,900.00	10,900.00	10,900.00	10,800.00
2	Rice IR. II (IR 64)	Kilogram	10,044.00	10,056.00	10,056.00	10,078.00	10,078.00	10,078.00	10,078.00
3	Rice IR. III (IR 64)	Kilogram	12,078.00	12,067.00	12,078.00	12,078.00	12,078.00	12,078.00	12,122.00
4	Rice Muncul .I	Kilogram	13,300.00	13,300.00	13,320.00	13,320.00	13,320.00	13,320.00	13,320.00
5	Rice IR 42	Kilogram	12,240.00	12,270.00	12,270.00	12,270.00	12,270.00	12,270.00	12,290.00
6	Rice SETRA - I	Kilogram	11,000.00	11,073.00	11,045.00	11,045.00	11,045.00	11,045.00	11,000.00
7	Cooking oil (yellow/curah)	Kilogram	36,273.00	36,091.00	38,364.00	39,091.00	39,091.00	39,091.00	40,909.00
8	Curly red chilli	Kilogram	30,545.00	30,909.00	32,545.00	33,909.00	33,455.00	33,455.00	34,909.00
9	Red Chilli (TW)	Kilogram	31,545.00	31,545.00	31,727.00	32,182.00	33,091.00	33,091.00	36,273.00
10	Red cayenne pepper	Kilogram	31,636.00	31,636.00	31,636.00	33,273.00	32,818.00	32,818.00	35,091.00
11	Green cayenne pepper	Kilogram	24,636.00	24,909.00	25,727.00	26,727.00	26,636.00	26,636.00	33,818.00
12	Red onion	Kilogram	24,818.00	24,818.00	24,545.00	25,727.00	25,727.00	25,727.00	27,636.00
13	White onion	Kilogram	122,727.00	122,727.00	122,727.00	123,182.00	123,182.00	123,182.00	123,182.00
14	Tenderloin	Kilogram	110,909.00	110,909.00	111,364.00	111,818.00	111,818.00	111,818.00	111,364.00
15	Chuck (Semur)	Kilogram	31,900.00	31,900.00	32,100.00	32,400.00	32,500.00	32,500.00	32,500.00
16	Broiller chicken (Ras)	Pieces	22,136.00	22,136.00	22,136.00	22,136.00	22,045.00	22,045.00	22,045.00
17	Chicken egg	Kilogram	22,136.00	22,136.00	22,136.00	22,136.00	22,045.00	22,045.00	22,045.00
18	Lamb	Kilogram	107,500.00	107,500.00	107,500.00	108,125.00	108,125.00	108,125.00	107,500.00
19	Fatty pork	Kilogram	68,500.00	68,500.00	68,500.00	68,000.00	68,000.00	68,000.00	68,500.00
20	Milkfish (medium)	Kilogram	35,273.00	35,455.00	35,273.00	35,455.00	35,455.00	35,455.00	35,455.00
21	Goldfish	Kilogram	30,500.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
22	Satfish	Kilogram	24,700.00	24,700.00	24,700.00	24,700.00	24,700.00	24,700.00	24,700.00
23	Sugar	Kilogram	12,864.00	12,864.00	12,773.00	12,864.00	12,864.00	12,864.00	12,864.00
24	Wheat Flour	Kilogram	8,727.00	8,727.00	8,727.00	8,818.00	8,818.00	8,818.00	8,864.00
25	Salt	200 Gram	4,750.00	4,750.00	4,750.00	4,750.00	4,750.00	4,750.00	4,650.00
26	Gas Elpiji (3Kg)	3 Kilogram	19,688.00	19,688.00	19,688.00	19,688.00	19,688.00	19,688.00	19,813.00
27	Bendera powder milk (400 gr)	Box	42,214.00	42,214.00	42,214.00	42,214.00	42,214.00	42,214.00	42,214.00
28	Dancow powder milk (400 gr)	Box	48,575.00	48,575.00	48,575.00	48,575.00	48,575.00	48,575.00	48,575.00
29	Bendera condensed milk (200 gr)	Can	11,750.00	11,750.00	11,750.00	11,750.00	11,750.00	11,750.00	11,750.00
30	Enak condensed milk (200 gr)	Can	11,160.00	11,160.00	11,160.00	11,160.00	11,160.00	11,160.00	11,160.00
31	Margarine Blueband Cup (250 Gr)	Can	9,873.00	9,873.00	9,882.00	9,882.00	9,882.00	9,882.00	9,882.00
32	Margarine Blueband Cup (200 gr)	200 Gram	6,791.00	6,791.00	6,791.00	6,782.00	6,782.00	6,782.00	6,791.00
33	Potato (medium)	Kilogram	11,818.00	11,818.00	11,818.00	11,727.00	11,818.00	11,818.00	12,364.00
34	Tomato	Kilogram	11,727.00	11,727.00	11,636.00	11,364.00	11,455.00	11,455.00	12,364.00
35	coconut peeled	Pieces	6,750.00	6,700.00	6,700.00	6,700.00	6,800.00	6,800.00	6,800.00
36	Water melon	Kilogram	7,550.00	7,600.00	7,600.00	7,650.00	7,550.00	7,550.00	7,550.00
37	Orange Medan	Kilogram	23,556.00	23,556.00	23,667.00	23,667.00	23,667.00	23,667.00	23,556.00

Source : PD Pasar Jaya

(BN)

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GOVERNMENT REGULATIONS

FOREIGN EXCHANGE RATES

Jakarta, *Business News*

EXCHANGE RATES ON TRANSACTION

CURRENCY	VALUE	DECEMBER 17, 2015			DECEMBER 16, 2015		
		BUYING	MIDDLE RATE	SELLING	BUYING	MIDDLE RATE	SELLING
AUD (Australia)	1,-	10,021.84	10,077.74	10,133.64	10,057.21	10,110.40	10,163.58
BND (Brunei)	1,-	9,868.50	9,919.05	9,969.59	9,940.98	9,992.19	10,043.39
CAD (Canada)	1,-	10,110.10	10,161.17	10,212.24	10,174.67	10,226.74	10,278.81
CHF (Switzerland)	1,-	14,028.14	14,104.20	14,180.25	14,112.66	14,190.53	14,268.39
CNY (China Yuan)	1,-	2,155.44	2,166.25	2,177.06	2,163.22	2,174.05	2,184.88
DKK (Denmark)	1,-	2,029.93	2,040.26	2,050.59	2,049.76	2,060.18	2,070.59
GBP (United Kingdom)	1,-	20,878.38	20,984.50	21,090.61	21,034.31	21,143.16	21,252.01
HKD (Hong Kong)	1,-	1,800.75	1,809.83	1,818.91	1,803.78	1,812.85	1,821.91
JPY (Japan)	100,-	11,384.99	11,444.44	11,503.88	11,487.26	11,547.17	11,607.07
KRW (Korean)	1,-	11.84	11.90	11.96	11.85	11.91	11.97
KWD (Kuwaiti Dinar)	1,-	45,959.83	46,220.93	46,482.03	46,062.60	46,323.95	46,585.29
MYR (Malaysia)	1,-	3,228.40	3,246.86	3,265.32	3,241.36	3,259.87	3,278.38
NOK (Norway)	1,-	1,584.79	1,594.02	1,603.25	1,609.52	1,617.86	1,626.20
NZD (New Zealand)	1,-	9,407.69	9,456.28	9,504.87	9,437.90	9,487.98	9,538.06
PGK (Papua New Guinea)	1,-	4,574.04	4,701.31	4,828.57	4,578.45	4,707.28	4,836.10
PHP (The Philippines)	1,-	295.03	296.58	298.12	295.56	297.11	298.65
SAR (Saudi Arabian Riyal)	1,-	3,718.96	3,738.76	3,758.56	3,726.11	3,745.52	3,764.93
SEK (Sweden)	1,-	1,632.71	1,641.19	1,649.66	1,645.48	1,653.96	1,662.43
SGD (Singapore)	1,-	9,868.50	9,919.05	9,969.59	9,940.98	9,992.19	10,043.39
THB (Thailand)	1,-	386.86	388.97	391.07	388.87	390.93	392.99
USD (United States)	1,-	13,958.00	14,028.00	14,098.00	13,980.00	14,050.00	14,120.00
EUR (Europe)	1,-	15,147.22	15,223.89	15,300.56	15,292.72	15,372.12	15,451.52

NOTE : The middle rate is based on Business News calculation

**EXCHANGE RATES BASIS FOR THE PAYMENT OF
IMPORT DUTY, VALUE ADDED TAX ON GOODS
AND SERVICES AND SALES TAX ON
LUXURY GOODS, EXPORT TAX AND
INCOME TAX FOR THE PERIOD OF
DECEMBER 16, 2015 TO DECEMBER 22, 2015
(Decree of the Minister of Finance KMK 59/KM.10/2015
dated December 15, 2015)**

THE MINISTER OF FINANCE,

Considering :

- a. as payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax, on goods imports, tax debts connected with value added tax on goods and service and sales tax on luxury goods, export tax, and income received or earned in the form of foreign currencies, must first be valued in the rupiah;
- b. that it is therefore necessary to stipulate a decree concerning the exchange rates as the basis for the payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax for the period of December 16, 2015 To December 22, 2015.

In view of :

1. Law No. 7/1983 (BN No. 4009 pages 1A-3A and so on) on income tax (Statute Book of 1983 No. 50, Supplement to Statute Book No. 3263) as already amended the latest by the No. 10/1994 on the amendment of Law No. 17/2000 (BN No. 6513 pages 15A-18A and so on) (Statute Book of 2000

No. 127, Supplement to Statute Book No. 3985);

2. Law No. 8/1983 (BN No. 4013 pages 1A-3A and so on) on value added tax on goods and services and sales tax on luxury goods (Statute Book of 1983 No. 51, Supplement to Statute Book No. 3264) as already amended by Law No.42/2009 (Statute Book of 2009 No. 150);
3. Law No. 10/1995 (BN No. 5812 pages 19A-20A and so on) on customs affairs (Statute Book of 1995 No. 75, Supplement to statute Book No. 3612) as already amended by Law No.17/2006 (Statute Book of 2006 No. 93, Supplement to Statute Book No. 4661) ;
4. Law No. 11/1995 (BN No. 5813 pages 6A-10A and so on) on Excise (Statute Book of 1995 No. 76, Supplement to Statute Book No. 3613) as already amended by Law No. 39/2007 (Statute Book of 2007 No.105, Supplement to Statute Book No. 4755);
5. Presidential Decree No. No. 84/P Year 2009;
6. Decree of the Minister of Finance No.347/KMK.01/2008 on Delegation of Authority to First-Echelon Officials within the Ministry of Finance to Sign Letters andor Decrees of the Minister of Finance on behalf and for the Minister of Finance;

DECIDES :

To stipulate:

THE DECREE OF THE MINISTER OF FINANCE CONCERNING EXCHANGE RATES AS THE BASIS FOR THE PAYMENT OF IMPORT DUTY, VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON LUXURY GOODS, EXPORT TAX AND INCOME TAX FOR THE PERIOD OF DECEMBER 16,

1	Rp.	13.984,00	per (USD)	1,-
2	Rp.	10.098,96	per (AUD)	1,-
3	Rp.	10.240,49	per (CAD)	1,-
4	Rp.	2.054,39	per (DKK)	1,-
5	Rp.	1.804,27	per (HKD)	1,-
6	Rp.	3.265,49	per (MYR)	1,-
7	Rp.	9.380,48	per (NZD)	1,-
8	Rp.	1.607,71	per (NOK)	1,-
9	Rp.	21.186,55	per (GBP)	1,-
10	Rp.	9.927,44	per (SGD)	1,-
11	Rp.	1.646,41	per (SEK)	1,-
12	Rp.	14.179,27	per (CHF)	1,-
13	Rp.	11.498,91	per (JPY)	100,-

Article 2

In the case of the absence of other foreign currencies in Article 1, the exchange rates used as the basis of payment shall be the daily spot exchange rates of the foreign currencies concerned on the international market against the United States dollar effective on the previous day's closing and multiplied by the rupiah exchange rate against the United States dollar as stipulated in this decree of the Minister of Finance.

Article 3

This decree shall come into force as from December 16, 2015 To December 22, 2015.

2015 TO DECEMBER 22, 2015.

Article 1

The exchange rates as the basis for the payment of import duty, value added on goods and services and sales tax on luxury goods, export tax and income tax, from December 16, 2015 To December 22, 2015 shall be as listed :

14	Rp.	10,77	per (MMK)	1,-
15	Rp.	209,15	per (INR)	1,-
16	Rp.	46.090,26	per (KWD)	1,-
17	Rp.	134,43	per (PKR)	1,-
18	Rp.	295,90	per (PHP)	1,-
19	Rp.	3.727,30	per (SAR)	1,-
20	Rp.	97,62	per (LKR)	1,-
21	Rp.	387,97	per (THB)	1,-
22	Rp.	9.931,53	per (BND)	1,-
23	Rp.	15.327,98	per (EUR)	1,-
24	Rp.	2.171,47	per (CNY)	1,-
25	Rp.	11,84	per (KRW)	1,-

For public cognizance, this decree of the Minister of Finance shall be announced by publishing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On December 15, 2015

On Behalf Of THE MINISTER OF FINANCE

Caretaker Head Of Fiscal Policy

sgd.

SUAHASIL NAZARA

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**FINANCIAL SERVICE WITHOUT OFFICE IN THE
CONTEXT OF INCLUSIVE FINANCE BY THE BANK
(Circular Letter on Financial Service Authority Number
6/SEOJK.03/2015, Dated February 6, 2015)
[Continued from Business News No. 8790 page 26-48]**

2. For Agent in the form of legal entity possessing retail outlet network in the form of branch office and franchise, in the case that the Operating Bank wishes to enter into joint operation with Franchisee in the form of legal entity, such joint operation with franchisee shall be made in joint operation agreement separate from the joint operation agreement entered into with Franchisor.

What is meant by franchise, refer to the condition stipulated by the competent authority that governs franchise.

3. If the Operating Bank enters into joint operation with individual Agent such as teacher, laborer, or employee of company, then in carrying activity as Agent, the person concerned shall be prohibited from ignoring his/her main duty.

F. Identification Number (Signage/Sign Board) of

Laku Pandai Agent

1. Operating Bank shall provide the Agent with Agent Identification Number.
2. The Identification Number of Agent referred to in figure 1 must at least clear the information as follows:
 - a. Identification Number;
 - b. Name of Agent and/or name of outlet;
 - c. logo of the Operating Bank;
 - d. logo of "Laku Pandai"; and
 - e. statement stating that the saving with BSA characteristic must be guaranteed by Saving Underwriting Institution (LPS).
3. Format and size of Identification Card of the Agent must be adjusted with the policy of the Operating Bank with due observance of the following:
 - a. design that represents the identity of the Operating Bank and Agent of Laku Pandai;

GOVERNMENT REGULATIONS

- b. transparent and legible script; and
 - c. size is adjusted to the area of the Agent's business site.
4. Identification Number of Agent must be installed or affixed at the Agent's business site that legible to customers and potential customers of the Operating Bank.
5. In the event that the Agent enters into joint operation with more than one Operating Bank and/or financial service institution, the Agent's identification symbol; must be treated equally and maintain healthy competition amongst the Operating Bank and/or Financial Service Institution.

G. Movement of Location and Mechanism of Agent for Laku Pandai

1. Agent's Location

- a. Agent must domicile within the same area of municipality or regency with the location of office of the Operating Bank where the Agent constitutes its subsidiary company.
- b. If the office's network of the Operating Bank is available in municipality area or regency area where the potential Agent is domiciled such Agent, may be located in municipality area or regency area that is different from the location of the Operating Bank's office where the potential Agent constitutes as subordinate thereof:
 - 1) there is office's network of the Operating Bank available within the municipality or regency bordering with the location of the potential Agent; or
 - 2) there is no office's network of the Operating Bank as referred to in figure 1), but there is office's network of the Operating Bank within the municipality or regency area that is different from the location of the potential Agent and employee of the office's network of Operating Bank but may still exercise direct monitoring and supervision; and
 - 3) at the location where the potential Agent is domiciled no adequate financial service is yet available.

- c. location of Agent of the Operating Bank belonging to Regional Government may only domicile at the same Province as that where the Operating Bank is domiciled.

In the case of new Province as the result of area expansion, the Operating Bank belonging to Regional Government may have Agent at a new Province so long as there is no Operating Bank belonging to the Regional Government resulting from area expansion is present.

- d. Individual Agent may only exercise Laku Pandai in one (1) location based on its permanent business activity.

2. Mechanism for Moving Lokasi Agent

- a. Agent may move location of its business activity if there is a change to the location of permanent business activity of individual Agent or there is a change in the appointment of outlet retail network of Agent in the form of legal entity by submitting application for moving the location.
- b. Agent may move location so long the new location is located in the same rural area or village as set forth in the joint operation agreement, and the application for moving the location of business activity of the Agent has been approved by the Operating Bank.
- c. In granting the approval referred to in letter b, Operating Bank shall take into consideration, among other things, potentiality of the community at the new location and affordability to exercise supervision by the employees of the office's network of the Operating Bank where the Agent constitutes subordinate thereof.
- d. If movement of location of the Agent causes the location to move to the rural or village area as set forth in the joint operation agreement, the Agent at the initial location must be closed and open a new Agency at the new location.

H. Supporting Apparatus for Exercising Laku Pandai

- 1. Operating Bank must provide:
 - a. technical guideline for exercising Laku Pandai to the Agent, such as, in the form of procedure for opening saving BSA account with characteristic, procedure and mechanism for receiving application

document for credit or financment to micro business customer, and mechanism for handing complaint of customer for; and

- b. operational facilities to support the Agent, such as, in the form of leaflet, starter pack, form for opening account opening of BSA characteristic, form for application for credit or financment to micro business customer, Appointment Letter and identification number of the Agent.
- 2. Operating Bank shall be obliged to ensure other available supporting services such as safeguarding cash money either at the Agent's location or during traveling from the Agent's location to the nearest office of the Operating Bank.
- 3. In the context of mitigation of risk encountered by the Operating Bank or Agent and the customer being served, the Operating Bank may consider to look for protection program for the Agent such as in the form of life insurance and/or loss insurance, fire insurance, cash in transit insurance, bulgary insurance, and/or cash in safe insurance.

I. Termination of Joint Operation

- 1. Operating Bank shall be obliged to possess mechanism for stipulating and imposing penalty, and terminate joint operation should the Agent commits actions, such as:
 - a. charge cost to the customer other than those stipulated by the Operating Bank;
 - b. offer financial service other than:
 - 1) those agreed upon in the joint operation agreement with the Operating Bank,
 - 2) has been agreed upon in the joint operation agreement with other financial service institution, and/or
 - 3) has obtained approval from the competent authority;
 - c. fraud, dishonesty, and/or other abuse of power;
 - d. move, relocate or close business without prior notification to the Operating Bank;

- e. fails to extend its business license with the competent authority;
 - f. encounter loss that is anticipated will harm continuous implementation of Laku Pandai; and/or
 - g. violate the provision that governs the Laku Pandai.
2. Operating Bank shall be obliged to announce termination plan of the joint operation with the Agent in the media that justifies with the customer of the Operating Bank and the local community.
 3. Operating Bank shall be obliged to ensure compliance with the rights and obligations of all parties such as the Agent, customer and the local community, within 14 (fourteen) calendar days at the latest as of the date the termination takes effect.
 4. Operating Bank shall be obliged to immediately take back the Appointment Letter Agent, Agent's Identification Number, technical guideline for implementation, operational apparatus, supporting operations, and the Agent's right to access, as soon as the joint operation is terminated and ensure that the Agent concerned no longer operates the Laku Pandai.
 5. The Agent which joint operation is terminated may exercise Laku Pandai activity with other Operating Bank, after the lapse of 20 (twenty) working days effective as of the termination of joint operation is declared takes effect.
 6. Operating Bank shall report termination of joint operation with the Agent in periodical reports on the progress of implementation of Laku Pandai to the Financial Service Authority.
- J. Publication of List of Agents of Laku Pandai
1. Operating Bank shall be obliged to provide facilities and/or checking media of the authenticity of the Agent the customer.
 2. Facilities and/or media as referred to in figure 1 such as in the form of List of Agents as publicized

at the website of Operating Bank, checking feature of Agent that is available in the customer's electronic media in the form of cellular phone, and/or checking information of the Agent at call center.

3. List of Agents being publicized at the website shall at least contain information on:
 - a. name of Agent;
 - b. identification number of Agent;
 - c. location of Agent (village); and
 - d. information on office's network of Operating Bank, where the Agent constitutes subordinate.
4. Operating Bank shall be obliged to update periodically list of Agents at the website, checking feature, and/or call center.

K. Miscellaneous

1. Operating Bank shall be obliged to possess call center to handle all issues encountered by the Agent.
2. In selecting potential Agent, Operating Bank needs to consider the quality of communication network supporting smooth flow of transaction process such as stable signal and no blank spot if the potential Agent uses cellular phone.
3. Operating Bank may use third party to support implementation of Laku Pandai, but limited to work that relates to supervision over the Agent, by keep under the guidance of the provisions in the statutory regulation governing, among other things,:
 - a. principle of prudence by Bank implementing part of the work/job to other party; and
 - b. application of risk management in the use of information technology for the Bank.

VI. INFORMATION TECHNOLOGY

- A. Operating Bank entering into joint operation with an Agent shall be obliged to support facilities of information technology that applies the principles for control and safeguard the customer's transaction and e-banking transaction at electronic system, at least, as cited below:

1. Principle of Confidentiality.

Operating Bank shall be obliged ensure that the method and procedure used must be capable to protect confidentiality of the customers' data.

2. Principle of Integrity.

Operating Bank shall be obliged to ensure that the method and procedure used must be able to protect all data accurately, reliably, consistently, and its authenticity is proven so as to prevent from any fault, error, fraudulence, manipulation, misuse and destruction of data.

3. Principle of Availability.

Operating Bank shall be obliged ensure available service and electronic system for continuous use in the implementation of Laku Pandai.

4. Principle of Authenticity

Operating Bank shall be obliged to be capable to test authenticity of the identity of the customer and Agent to ensure that the information and/or financial transaction is exercised by the rightful customer and/or the Agent appointed.

5. Principle is Non-Repudiated.

Operating Bank shall be obliged to compile and implement procedure to ensure that transaction that has been made by the customer and/or Agent shall not be ignored it it shall be accountable.

6. Principle of authorization control in the database, system and application (authorization control).

Operating Bank shall ensure, among other things,:

- a. existence of control on the rights to accurate access and authorization on the system, database and application utilized in the Laku Pandai operation;
- b. all confidential information and data for Laku Pandai operation may be accessed by the authorized party and must be maintained securely, safely, and protected from possibly known to or modified by unauthorized party.

7. Principle on segregating duty and responsibility (segregation of duties).

Operating Bank shall ensure existence of segregated of duty and responsibility pertaining to system, database and application utilized in the Laku Pandai operation in the implementation of the function of check and balance, such as, segregated duty between the party initialed or input the data and the party that is responsible to verify and/or authorize authenticity of the data.

8. Principle on maintaining audit tract (maintenance of audit trails).

Operating Bank shall ensure availability and maintenance of log transaction in accordance with the policy on data retention and the provisions in the prevailing statutory regulation, so as to present transparent audit tract to assist exhibit session and settlement of dispute and detection of penetrated effort in electronic system.

Operating Bank shall analyze and evaluate the function of audit tract periodically.

B. Operating Bank shall ensure available infrastructure for information technology and other supporting infrastructure, among other things, covering availability of adequate provision on:

1. application system used by the Agent;
2. data center, disaster recovery center and transaction process based on technology for implementation of Laku Pandai existing within the territory of Indonesia;
3. information technology that is capable to process and record real time transaction to the customer's account at the Operating Bank;
4. mechanism for handling problem that may occur at the application system used on electronic media at the Agent's location, such as notification of erroneous message;
5. limit management shall be limit of transaction to be made by the Agent and the owner of BSA Account according to the policy of the Operating Bank that complies with the prevailing provision. Application system must be capable to transmit notification to the owner of BSA account close to the limit as stipulated;
6. security on processing transaction by applying at least two factors of authentication at confirmation of opening BSA Account and/or confirmation of transaction made by the customer;

7. time out management transaction;
 8. application system that is capable to provide proof of transaction or notification in real time to customer and/or Agent on successful transaction and information on transaction nominal or transaction failure;
 9. application system shall analyze transaction narrative in detecting dubious financial transaction;
 10. system to ensure security of data communication at transmitting data from the Agent's system to the Operating Bank's system or the reverse by applying, among other things, messaging security and end-to-end encryption;
 11. system that is capable to ensure security of all customer's data and/or transaction stored in the Agent's electronic media, among other things, by encryption application;
 12. physical and logical security on information technology that the Agent uses in risk mitigation such as theft of electronic media, skimming, man in the middle attack, and key logger;
 13. SOP on handling of failure of the Agent's system and/or Operating Bank, such as, recovery from disaster and planning business subsistence; and
 14. SOP on maintenance of facilities for information technology used at the Agent's location or at Operating Bank's location, including monitoring and evaluation.
- C. Operating Bank may determine use different electronic media other than that used by the Agent by using integrated application system so that transaction may made online at real time.
- D. Operating Bank shall ensure that the electronic media used by the Agent is capable to provide services to customers in accordance with the standard stipulated by the Operating Bank.

- E. Operating Bank shall provide system for information technology to support the use of electronic media and/or instrument used by customers according to the standard stipulated by the Operating Bank.
If Operating Bank determines to use different type of electronic media and/or instrument for customers in different area, the Operating Bank shall provide a system that enables it to use such electronic media and/or instrument.
- F. If the electronic media used by the customer is in the form of cellular phone (handphone/HP), the Operating Bank shall ensure the mobile phone number must be registered and connected to the Account number at the Operating Bank.
- G. If the opening of saving account of with BSA characteristic at the Agent uses electronic form with supporting document (in the form of identity card and photograph) in electronic form (e-document) and signing electronically, then the Operating Bank in stipulating requirements for electronic document and electronic signature must be guided by the statutory regulation that governs electronic information and transaction.
- H. Operating Bank shall audit all facilities for information technology pertaining to Laku Pandai operation with adequate frequency and scope based on the result of risk analysis and shall monitor follow-up action on the audit result.

VII. EDUCATION AND PROTECTION AND CUSTOMER

A. Education

- 1. Operating Bank and/or Agent shall provide education to customer and/or the community, among other things, on:
 - a. the benefit, risk, and production cost of Laku Pandai;
 - b. procedure for using electronic media and/or instrument to be used customer to make financial transaction in the context of minizing potential loss from operational risk;
 - c. procedure for safeguarding must be applied by the customer, such as:

- 1) keep the user name confidential and the password or Personal Identification Number (PIN),
 - 2) update the password or PIN periodically,
 - 3) refrain from providing personal information to other party having no interest, such the name, address, account number and the monther's name;
 - 4) ask (including to keep) evidential proof of transaction or notification on each transaction made,
 - 5) be alert and scrutinize in making transaction, and
 - 6) prevent misuse of electronic media and/or instrument by other party;
- d. procedure for identifying Agent;
- e. procedure for blocking and/or replacing account number under certain condition, such as, losing cellular phone used as electronic media to make transaction pertaining to BSA;
- f. prudent financial management; and
- g. procedure to access call center and/or file complaint to the Operating Bank.
2. the education as referred to in figure 1 may be provided by:
- a. giving verbal clarification or information to the customer and/or potential customer supported by provision of education module in the form of booklet, leaflet or brochure; and/or
 - b. giving information to the local community through mass media or through the local customary figure.
3. The education referred to in figure 1 and figure 2 shall be provided in synergic with education program of the Operating Bank as governed in the provision on consumer protection in financial service sector.

B. Transparent information to Customer

1. Operating Bank shall provide written and legible information placed at a spot of the Agent's business location so that the customer and/or potential customer understand it easily.

2. The written information by the Operating Bank, among other things, shall be in the form of:
 - a. name and/or logo of the Operating Bank;
 - b. number of call service for complaint and address of the closest office of Operating Bank as appointed to settle customer's complaints; and
 - c. statement stating that Operating Bank is registered and is under the supervision of Finance Service Authority.

3. Written information concerning the Agent, such as, in the form of:
 - a. letter of appointment of Agent as referred to in part V letter D;
 - b. identification number of Agent as referred to in part V letter F; and
 - c. classification of Agent.

4. Information on products and/or services, such as, in the form of:
 - a. list of services coverage provided by Agent or Office of the Operating Bank and the cost pertaining to the respective service;
 - b. summary of information on product and/or services that at least states the benefit, risk, cost and terms and conditions; and
 - c. information containing matters that draw the customer's attention, such as, what to do or what should not do (do's and don'ts).

Example:

What must be done
(Do's)

What must not be done
(Don'ts)

Customer will receive proof

Customer shall be prohibited from asking any party to make transaction and/or notification identity card (original) every time making transaction with the Agent.

Customer will observe the limit

Customer shall be prohibited from making maximum withdrawal transaction, providing personal identification number, withdrawing cash, making book transfer and/or providing (PIN) password and/or making outgoing transfer to a party. made in one (1) other month other than that including the Agent.

Customer will check the information

Customer shall not make personal payment for input made by the Agent, additional cost other than the cost incurred at opening account set forth in the list of types of services and the relevant cost

Customer shall conduct verification

Customer shall be prohibited from permitting the cash from transaction to be under the Agent's custody if something is wrong with the Agent's system and/or Operating Bank's system at conducting verification.

Customer shall be obliged to remember the call service number of the Operating Bank.

Customer shall be obliged to check the amount of cash withdrawn before leaving the Agent's Laku Pandai Agent.

Such information presented in writing such as, poster, leaflet and/or brochure that are easily viewed and legible by the customer or potential customer when visiting the Agent's location.

C. Confidentiality and Security of Customer's Data and/or Information

1. Operating Bank shall be obliged to request for written approval from the owner of BSA Account if

the Operating Bank needs to provide and/or give the customer's personal data to other party for commercial purpose.

2. In requesting the owner's BSA Account referred to in figure 1, the Operating Bank shall be obliged to first clarify the objective and consequence out of the provision of customer's personal data to other party.
3. The BSA Account Owner shall grant approval to the request of the Operating Bank by signing the form specially provided for such purpose.

D. Handling Complaint

1. The Operating Bank shall be responsible to handle all complaints.
2. The Operating Bank shall be obliged to possess call center to serve all complaints by customer possessing saving account with BSA characteristic.
3. Mechanism for handling and settlement of customer's complaint, particularly in operating Laku Pandai, the Operating Bank may add channel for the customer to file complaints through the Agent other than the channel that is already available at the Operating Bank.
4. The Operating Bank shall inform the customer constituting the owner of saving with BSA characteristic as to the importance of receipt for each transaction that may be used as evidential proof when filing complaint or as needed by the Court.
5. In the case of loss compensation to a customer as owner of saving with BSA characteristic, the Operating Bank shall be obliged to ensure that handling of loss compensation must comply with the provision of protection to consumer in financial service sector.

If the Operating Bank is convinced that the loss is incurred due to the bank's internal issue and the evidential proof presented by the customer is lawful, then the Operating Bank must immediately pay compensation to the customer constituting the owner of saving with BSA characteristic.

6. Operating Bank shall handle and settle any complaint filed by customer in reasonable time based on urgency of the issue and condition encountered by the customer. Maximum period for settlement of complaint shall be as governed in the provision of protection to consumer of financial service.
7. Operating Bank shall monitor the essence of the complaint of customer constituting the owner of saving with BSA characteristic and submit the result thereof in the form of report on the progress of the Laku Pandai operation to the Financial Service Authority.

VIII. REPORTING OF RESULT OF LAKU PANDAI OPERATION

A. Operating Bank shall be obliged to submit:

1. Term for reporting OF accomplishment of Laku Pandai operation for the first time shall be at least 15 (fifteen) working days effective as of the Laku Pandai is operated, that at least contains information on:
 - a. effective date of Laku Pandai operation,
 - b. area of the Agent's domicile (Regency / Municipality), and

c. total number and types of Agents (individual or in the form of legal entity);

2. Annual Report on plan for additional joint operation in Laku Pandai operation in Annual RBB, that at least contains information on:

- a. area of Agent's domicile (Regency/ Municipality), and
- b. total number and types of Agents (individual or legal entity);

3. Report on accomplishment of joint operation with Agent and at the same time report on accomplished RBB as referred to in the applicable provision, that at least contains information:

- a. area of Agent's domicile (Regency/ Municipality), and
- b. total number and types of Agents (individual or legal entity);

4. Report on Progress of Laku Pandai Operation must be submitted quarterly for position in the months of March, June, September, and December.

Format of Report on Progress of Laku Pandai Operation shall be as referred to in the Attachment that constitutes inseparable part of this Circular Letter of the Financial Service Authority;

5. Report on the plan for joint operation with the Agent legal entity for the first time that have been in joint operation with other Operating Bank which business activity is of the same type must be submitted within seven (7) days at the latest prior to entering into joint operation that at least contain information on:

- a. plan on the date of joint operation,
- b. name of potential Agent legal entity,
- c. name of other Operating Bank that has been in joint operation with the potential Agent, and
- d. area of retail outlet network (Regency/Municipality).

Example of time limit for submitting joint operation plan;

Bank B plans to enter into joint operation with Agent W (legal entity) on March 13, 2015. Previously Agent W has been in joint operation with Bank C.

Report on joint operation must be submitted to the Financial Service Authority before or on March 4, 2015.

B. The report referred to in Letter A must be submitted to:

1. The Department of Bank Supervisory, of the Department of Syariah Banking,

of Office of Regional Financial Service Authority in Jakarta, for Operating Bank which Head Office is located within the area of Jabodetabek; or

2. The Regional Office or the local Office of Financial Service Authority, for Operating Bank which Head Office is located off the area of Jabodetabek, with copy to the Department of Banking Research and Governing, in the case as referred to in Letter A Figure 4 is still conducted offline.

IX. CLOSING

The provision in Circular Letter of Financial Service Authority comes to force on the date it is stipulated.

For public cognition, this Circular Letter of the Financial Service Authority shall be announced by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

Dated February 6, 2015

HEAD OF BANKING SUPERVISORY EXECUTIVES
OF FINANCIAL SERVICE AUTHORITY

Sgd.

NELSON TAMPUBOLON

(MA)

Direct State Debt Securities Transactions

(Regulation of the Finance Minister of the Republic of Indonesia No. 95/PMK.08/2014, dated May 28, 2014)

BY THE GRACE OF GOD ALMIGHTY
THE FINANCE MINISTER OF
THE REPUBLIC OF INDONESIA

Considering :

- a. that Regulation of the Finance Minister No. 170/PMK.08/2008 on Direct State Debt Securities Transactions as already several times amended the latest by Regulation of the Finance Minister No. 77/PMK.08/2012, stipulates that an indicator of increasing yield is used as a reference to determine the market condition of State Debt Securities to conduct State Debt Securities transactions with the aim of stabilizing the market for State Debt Securities;
- b. that following provisions on the effort to stabilize the market for State Debt Securities as per Decree of the Finance Minister No. 455/KMK.08/2013 on the Level of the Market Condition of Debt Securities to Realize the Crisis Management Protocol of the Market for State Debt Securities, the indicator of increasing yield is no longer used as a reference to determine the initial indication of the market condition of State Debt Securities to stabilize the market for State Debt Securities but

the reference used is an indicator of index;

- c. that to harmonize the indicator used for direct State Debt Securities transactions with the aim of stabilizing the market for State Debt Securities which uses an indicator of index instead of increasing yield as originally used to stabilize the market for State Debt Securities, it is necessary to revoke Regulation of the Finance Minister No. 170/PMK.08/2008 on Direct State Debt Securities Transactions as already several times amended the latest by Regulation of the Finance Minister No. 77/PMK.08/2012 and replace it with a new regulation of the Finance Minister on direct State Debt Securities transactions;
- d. that based on the considerations as referred to in letters a, b, and c, it is necessary to stipulate Regulation of the Finance Minister on Direct State Debt Securities Transactions;

In view of :

1. Law No. 24/2002 on State Debt Securities (Statute Book of 2002 No. 110, Supplement to Statute Book No. 4236);
2. Regulation of the Finance Minister No. 134/PMK.08/2013 on Main Dealer;

D E C I D E S :

To stipulate :

REGULATION OF THE FINANCE MINISTER ON DIRECT STATE DEBT SECURITIES TRANSACTIONS.

CHAPTER I

GENERAL PROVISIONS

Article 1

Referred to in this Ministerial Regulation as :

1. State Debt Securities, hereinafter abbreviated into SUN, are securities constituting debt acknowledgment instruments in rupiah or foreign currency guaranteed with interest and principal payments by the Republic of Indonesia according to their validity period.
2. State Treasury Notes are SUN maturing up to 12 (twelve) months with discount interest payments.
3. State Bonds are SUN maturing more than 12 (twelve) months with coupons and/or discount interest payments.
4. Primary Market is the sale of SUN for the first time ever.
5. Secondary Market is the trade of SUN already sold in the Primary Market.
6. SUN Series Benchmark are series SUN serving as a reference to meet the obligation of main dealer.
7. Direct SUN transaction is the sale of SUN in the primary market, the sale of SUN in the secondary market or the purchase of SUN in the second-

ary market by the Government from main dealer, Bank Indonesia, or the Deposit Insurance Institute directly through the dealing room facility at the Directorate General of Debt Management.

8. The purchase of SUN in the secondary market is the purchase of SUN in the secondary market by the Government before maturity by cash.
9. Dealing room is a room used to conduct direct SUN transactions, equipped with communication instrument, recorder and other supporting instruments.
10. Main dealer is a bank or stock company appointed by the Finance Minister as a main dealer as referred to in the Regulation of the Finance Minister on Main.
11. Party is a person or a group of persons and/or organized wealth, either legal entity or non-legal entity, main dealer, Bank Indonesia, or the Deposit Insurance Institute.
12. Settlement price is :
 - a. the price paid by main dealer, or the Deposit Insurance Institute to the Government for direct SUN transactions already agreed upon (clean price) by calculating accrued interest if SUN is sold with coupon;
 - b. the price paid by main dealer, Bank Indonesia, or Deposit Insurance Institute to the Government for direct SUN transactions already agreed upon (clean price), if SUN sold by paying discount interest;
 - c. the price paid by the Government to main

dealer, Bank Indonesia, or the Deposit Insurance Institute for direct SUN transactions already agreed upon (clean price) by calculating accrued interest if SUN is bought with coupon; or

- d. the price paid by the Government to main dealer, Bank Indonesia, or the Deposit Insurance Institute for direct SUN transactions already agreed upon (clean price) is SUN is bought by paying discount interest.

13. Settlement is the settlement of direct SUN transactions comprising fund settlement and SUN ownership settlement.

14. Working day is the day when payment system is operated by Bank Indonesia.

15. Director General of Debt Management, hereinafter called the Director General is a leader of echelon one unit at the Finance Ministry overseeing debt management.

Article 2

(1) Direct SUN transactions are realized by the Finance Minister.

(2) The realization of direct SUN transactions as referred to in paragraph (1) is done by the Directorate General in this case the echelon II organizing SUN transactions.

CHAPTER II

AIM OF DIRECT SUN TRANSACTIONS

Part One

General

Article 3

Direct SUN transactions are done with the aim of :

- a. making an effort to stabilize the market for SUN;
- b. managing SUN portfolio;
- c. meeting the need to achieve the net amount of State Debt Securities in the State Budget of the ongoing year;
- d. managing a surplus or deficit of government cash.

Article 4

(1) Direct SUN transactions used to meet the aim as referred to in Article 3, letters a and b are made through the purchase of SUN in the secondary market.

(2) Direct SUN transactions used to meet the need as referred to in Article 3 letter c are realized the sale of SUN in the primary market

(3) Direct SUN transactions used to achieve the aim as referred to in Article 3 letter d are realized through the purchase of SUN in the secondary market or the sale of SUN in the secondary market.

Part Two

Stabilizing the Market for SUN

Article 5

(1) Direct SUN transactions used to meet the aim as referred to in Article 3 letter a can be made by :

- a. the Directorate General of Debt Management

directly; or

- b. the Directorate General of Debt Management at the request of unit assigned by the Finance Minister to buy SUN in the secondary to stabilize the market for SUN.

- (2) The realization of direct SUN transactions with the aim as referred to in paragraph (1) can be done for SUN Series Benchmark and/or SUN non-series benchmark.

Article 6

- (1) Direct SUN transactions with the aim as referred to in Article 3 letter a can be made if the initial indicator of crisis management protocol index of the market for State Securities at least indicates the market condition of State Securities at an alert level.
- (2) The initial indicator of crisis management protocol index of the market for State Securities as referred to in paragraph (1) follows provisions in the decree of the Finance Minister on the Level of Market Condition of State Securities In Realizing Crisis Management Protocol of the Market for State Securities and its implementation rules.

Part Three

Management of SUN Portfolio

Article 7

- (1) Direct SUN transactions with the aim as referred to in Article 3 letter b are made to :
 - a. reduce the nominal value of less liquid series

SUN in the SUN market; and/or

- b. restructure SUN portfolio.
- (2) The realization of direct SUN transactions as referred to in paragraph (1) letter a can only be done for less liquid series SUN.
- (3) The realization of direct SUN transactions as referred to in paragraph (1) letter b is based on the policy referring to debt management strategy.
- (4) Less liquid series SUN as referred to in paragraph (2) do not include SUN series Benchmark.

Article 8

Criteria to determine less liquid series SUN as referred to in Article 7 paragraph (2), are set by the Director General of Debt Management.

Part Four

Amount of Net State Securities

Article 9

Direct SUN transactions with the aim as referred to in Article 3 letter c are made in case of overvalued or undervalued net state securities in the current budget year at a maximum of Rp500,000,000,000.00 (five hundred billion rupiah).

Part Five

The Management of Overvalued or Undervalued Government Cash

Article 10

Direct SUN transactions with the aim as referred to in Article 3 letter c are made upon the

request of the Directorate General of Treasury.

CHAPTER III

REALIZATION OF DIRECT SUN TRANSACTIONS

Article 11

- (1) The Government can make direct SUN transactions with main dealer, Bank Indonesia, or the Deposit Insurance Institute.
- (2) Any party other than Bank Indonesia, or the Deposit Insurance Institute make direct SUN transactions through main dealer.

Article 12

- (1) Main dealer can make direct SUN transactions either for and on behalf of the main dealer or for and on behalf of party other than main dealer Bank Indonesia or the Deposit Insurance Institute.
- (2) Bank Indonesia or the Deposit Insurance Institute can make direct SUN transactions only for and on behalf of the main dealer.
- (3) Bank Indonesia can buy SUN in the primary market through direct SUN transactions only for state treasury notes.

Article 13

Operational provisions to conduct direct SUN transactions realized by the Directorate General of Debt Management in this case echelon II unit conducting SUN transactions are to be provided for in the standard operating procedure at the Directorate General of Debt Management.

CHAPTER IV

ANNOUNCEMENT OF THE RESULTS OF DIRECT SUN

TRANSACTIONS

Article 14

The Director General for and on behalf of the Finance Minister signs:

- a. addendum to the terms and conditions of SUN resulting from direct SUN transactions; and/or
- b. a letter to Bank Indonesia, as the administrative agent and agent paying interest and principal of SUN concerns the result of direct SUN transactions.

Article 15

- (1) The results if direct SUN transactions constitute legal transactions binding the Government and main dealer, Bank Indonesia, or the Deposit Insurance Institute.
- (2) The results of direct SUN transactions as referred to in paragraph (1) are announced to the public on the date of realizing direct SUN transactions, covering at least :
 - a. nominal value; and
 - b. SUN series.

CHAPTER V

SETTLEMENT

Article 16

The settlement of direct SUN transactions is

GOVERNMENT REGULATIONS

done 2 (two) working days after the date of realizing transactions (T + 2).

Article 17

Calculation used in the settlement of direct SUN transactions is based on the formula as contained in the attachment which is an integral part of this Ministerial Regulation.

Article 18

The settlement of direct SUN transactions is technically realized according to the rules at Bank Indonesia.

Article 19

- (1) The settlement of direct SUN transactions in the interests of other parties than Bank Indonesia and the Deposit Insurance Institute is done by the Government and main dealer.
- (2) Main dealer is responsible for carrying out the obligation related to the settlement of direct SUN transactions as referred to in paragraph (1).

Article 20

- (1) If main dealer fails to carry out the obligation related to the settlement of direct SUN transactions until the deadline for the settlement, the direct SUN transactions are declared cancelled.
- (2) Main dealer that fails to carry out the obligation related to the settlement of direct SUN transactions as referred to in paragraph (1) is reported by the Directorate General of Debt Management to the related authority and made public.

Article 21

- (1) The settlement of direct SUN transactions is done by the Directorate General of Debt Management if :
 - a. the direct SUN transactions are aimed at stabilizing the market for SUN as referred to in Article 5 paragraph (1) letter a;
 - b. the direct SUN transactions are aimed at managing SUN portfolio as referred to in Article 3 letter b; or
 - c. the direct SUN transactions are aimed at meeting the need to achieve the value of net State Securities in the State Budget of the current year as referred to in Article 3 letter c.

- (2) The settlement of direct SUN transactions will be done by a unit assigned by the Finance Minister, if SUN transactions are made to stabilize the market for SUN as referred to in Article 5 paragraph (1) letter b.
- (3) The settlement of direct SUN transactions is done by the Directorate General of Treasury if SUN transactions are made to serve the aim as referred to in Article 3 letter d.

Article 22

- (1) SUN bought by the Government through direct SUN transactions with the aim of:
 - a. stabilizing the market for SUN done by the Directorate General of Debt Management directly as referred to in Article 5 paragraph (1) letter a;
 - b. managing SUN portfolio as referred to in Article 3 letter b; or
 - c. meeting the need to achieve the value of net State Securities in the State Budget of the current year as referred to in Article 3 letter c,are declared settled and no longer valid.
- (2) SUN declared settled and no longer valid as referred to in paragraph (1) are made public.

CHAPTER VI

CONCLUSION

Article 23

When this Ministerial Regulation begins to take effect, Regulation of the Finance Minister No. 170/PMK.08/2008 on Direct State Debt Securities Transactions as already several times amended the latest by Regulation of the Finance Minister No. 77/PMK.08/2012, shall be revoked and declared null and void.

Article 24

This Ministerial Regulation shall come into force as from the date of promulgation.

For public cognizance, this Ministerial Regulation shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

GOVERNMENT REGULATIONS

Stipulated in Jakarta

On May 28, 2014

THE FINANCE MINISTER OF THE REPUBLIC OF INDONESIA,

sgd.

MUHAMAD CHATIB BASRI

Promulgated in Jakarta

On June 3, 2014

THE LAW AND HUMAN RIGHTS MINISTER OF

THE REPUBLIC OF INDONESIA,

sgd.

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA

OF 2014 NO. 698

ATTACHMENT

**PRICE CALCULATION FOR THE SETTLEMENT OF
DIRECT STATE DEBT SECURITIES TRANSACTIONS**

1. Settlement price per unit is calculated as follows:

$P_{sc} = (P \times N) + AI$ where ,

P_{sc} = settlement price per unit;

P = clean price per unit of state bond in percentage up to 2 (two) decimals and in denominator of 0.05% (zero point zero five percent);

N = nominal value of state bond per unit;

AI = accrued interest per unit based on actual calculation/actual (except SUN without coupon has no accrued interest), calculated as follows :

$$AI = N \times \frac{c}{n} \times \frac{a}{E}$$

where,

c = coupon rate;

n = the frequency of coupon payments in one year ;

a = the number of actual days calculated 1 (one) day after the starting date of coupon period up to the settlement date;

E = the number of actual days calculated 1 (one) day after the starting date of coupon period up to the date of paying the next coupon where settlement is realized.

Clean price and accrued interest are respectively rounded to full rupiah, on condition if they are lower than or equal to 50 (fifty) cents they will be rounded down to zero, and if they are higher than 50 (fifty) cents are rounded up to Rp1.00 (one rupiah).

2. Example of calculating the settlement price of state bond with coupon

On January 27, 2014, the Government bought state bonds with a nominal value of Rp1,000,000.00 (one million rupiah) per unit and with a coupon of 10.00% (ten percent) per year. The state bonds will become due on February 15, 2028 and coupon will be paid later on February 15 and August 15 every year. If the clean price agreed upon is 103.25% (a hundred and three point twenty five percent) and settlement is done on January 29, 2014.

The settlement price of state bonds per unit is calculated as follows:

P = 103.25% (a hundred and three point twenty five percent);

N = Rp1,000.000.00 (one million rupiah);

c = 10 % (ten percent);

n = twice a year (semiannually), namely every February 15 and August 15;

a = 167 (a hundred and sixty seven) days, namely the number of actual days calculated 1 (one) day after the starting date of coupon period (August 16, 2013) up to the settlement date (January 29, 2014);

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E = 184 (a hundred and eighty four) days, namely the number of actual days calculated 1 (one) day after the starting date of coupon period up to the date of paying the next coupon, in which the settlement occurred (August 16, 2013 up to February 15, 2014);

Step 1: Accrued interest per unit is calculated as follows:

$$\begin{aligned} \text{AI} &= \text{Rp}1,000,000.00 \times \frac{10,00\%}{2} \times \frac{167}{184} \\ &= \text{Rp}45,380.43 \\ &= \text{Rp}45,380.00 \end{aligned}$$

So accrued interest of per unit of state bonds paid by the Government after being rounded is Rp45,380.00 (forty five thousand three hundred and eighty rupiah).

Step 2: Settlement price per unit is calculated as follows:

$$\begin{aligned} \text{Psc} &= (103.25\% \times \text{Rp}1,000,000.00) + \text{Rp}45,380.00 \\ &= \text{Rp}1,032,500.00 + \text{Rp}45,380.00 \\ &= \text{Rp}1,077,880.00 \end{aligned}$$

So settlement price of per unit of state bonds paid by the Government after being rounded is Rp1,077,880.00 (one million, seventy seven thousand, eight hundred and eighty rupiah).

THE FINANCE MINISTER OF THE REPUBLIC OF INDONESIA,

sgd.

MUHAMAD CHATIB BASRI

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