

RECENT DEVELOPMENTS

RI receives two FinanceAsia awards

Jakarta (ANTARA News) - Indonesia has received two awards from the Hong Kong-based FinanceAsia magazine for its success in issuing US dollar-denominated state bonds in May 2011 and November 2011.

The awards called `Best Sovereign Bond-Republic Indonesia \$2,5 Billion 10 Year Bond` and `Borrower of the Year 2011` were received respectively in December 2011 and January 2012, Head of the Communication and Information Service Bureau at the Finance Ministry Yudi Pramadi said on Thursday.

FinanceAsia representative Stuart Wadsworth symbolically gave the awards to Deputy Finance Minister Mahendra Siregar here on Wednesday.

Indonesia won the two awards for its achievement in issuing 10-year, US dollar-denominated global bonds worth US\$2.5 billion in May 2011 and 7-year, US dollar-denominated global sharia state bonds worth US\$1 billion in November 2011.

According to the magazine, the issuance of the US\$2.5 billion global bonds showed impressive performance because it could attract total subscriptions of US\$6.9 billion.

It said the bonds offered competitive yields, and had low costs of issuance.

Likewise the issuance of global sharia state bonds worth US1 billion was also quite impressive because it received subscriptions worth US\$6.5 billion.

Indonesia was also seen as a professional and experienced bond issuer in Asia. The evaluation was based on a survey made by FinanceAsia on respondents including investors, bankers, and other market players.(*)

Source: <http://www.antaraneews.com/en/news/80490/ri-receives-two-financeasia-awards>

Government securities worth Rp6 trillion to be auctioned

Jakarta (ANTARA News) - The Indonesian government will sell government securities with an indicative amount of Rp6 trillion, in an auction on March 20 to meet part of the national budget financing target in 2012.

Head of Communications and Information Services Ministry of Finance, Yudi Pramadi, said in a press release here on Friday that the securities or bonds sale will be implemented using

the auction system organized by the central bank, Bank of Indonesia. The auction will be open using a variety of pricing methods.

There are five series of securities to be auctioned; the SPN03120621 series (new issuance) with a discount and interest payments due on June 21, 2012, the SPN12130307 series (resale) with the discount and interest payment due on March 7, 2013.

Others are FR0060 series (resale) with a fixed interest rate of 6.25 percent and maturing on 15 April 2017 with coupon payment to be done every April 15 and October 15, FR0061 series (resale) with a 7.00 percent fixed rate and maturing May 15, 2022 with coupon payments to be made each May 15 and 15 November and FR0058 (resale) with a fixed rate of 8.25 percent and maturing on June 15, 2032 and coupon payments to be made every June 15 and December 15.

The winning bidder submitting non-competitive bids will pay according to the average yield of the competitive bids won. The total non-competitive allocation for two SUN series of SPN03120621 and SPN12130307 is the maximum rate of 30 percent of the indicative target.

The non-competitive allocation for FR0060, FR0061, and FR0058 series is each set at the maximum of 20 percent of the winning total.

The government has the right to sell the five series of securities higher or lower than the indicative amount.

In accordance with Regulation of the Minister of Finance Number 50/PMK.08/2008 about Auction of Government Securities in the Primary Market, the SPN auction series SPN03120621 and SPN 12130307 is participated by the Primary Dealers by submitting competitive bids, as well as Bank Indonesia and the Deposit Insurance Corporation (LPS) with submitting non-competitive bids.

Auction of the FRO60 series, FR0061, and FR0058 state bonds is participated in by the Primary Dealers to submit purchasing offer for and on behalf of parties other than Bank Indonesia and the LPS by competitive and / or non-competitive manner.

The LPS can participate in the auction by submitting a non-competitive bid. The Primary Dealer for the purchase of securities bid for and on behalf of it and or through other bidders can only bid in a competitive manner. (*)

Source: <http://www.antaraneews.com/en/news/80640/government-securities-worth-rp6-trillion-to-be-auctioned>



STATUTORY MANAGERS

by Steffen Hardayanto Hadi

Under the enactment of the Law Number 21 of 2011 (“**OJK Law**”), the functions, duties, and authority to regulate and supervise capital markets and financial service business entities previously held by the Minister of Finance and the Capital Markets Supervisory Board and the authority to regulate and supervise banks previously held by Bank Indonesia shall be transferred to the Financial Services Authority (“**OJK**”) at the latest on (i) December 31, 2012 for capital markets and financial service business entities; and (ii) December 31, 2013 for banks, including the establishment of OJK’s board of commissioners and staff. The OJK Law also grants the authority for OJK to establish Statutory Managers.

- What are the legal grounds of Statutory Managers?

The establishment of the role of a Statutory Manager was mandated by OJK Law. Article 8 of the OJK Law stipulates that OJK has the authority to determine the procedures to appoint Statutory Managers.

- What is a Statutory Manager?

A Statutory Manager may be a person or legal entity and determined by Financial Services Authority (“**OJK**”). The establishment of a Statutory Managers enables the OJK to delegate its authorities in implementing the prevailing laws and regulations, which includes preventing or mitigating losses suffered by consumers, communities, and financial services sector, as well as eradicating financial crimes.

- What are the functions of statutory managers?

In order to perform their designated duties, Statutory Managers shall engage in the following activities:

1. Ensure the business safety of financial service business entities in order to prevent the possibility of causing a negative impact on the Indonesian Financial System;
2. Conduct a complete takeover of the authority and functions of financial service business entities management;
3. Cancel or terminate certain agreements which may impact business activities;
4. Conduct a takeover of an asset portfolio from financial service business entities.

- What will the impact be of Statutory Managers?

The right to establish Statutory Managers indicates that the OJK Law has granted OJK the authority to intervene with management in decision-making, in business relations with third parties, and other internal activities in certain financial service business entities. Statutory Managers may also intervene in either banking or non-banking business conducted by financial service business entities, which potentially could have a negative impact on financial activities in Indonesia. With respect to such authorities, OJK will stipulate technical regulations to provide a further description of Statutory Managers, i.e. the procedures to establish Statutory Managers, prior conditions which should be fulfilled for Statutory Managers to intervene in a financial service business entity.

- What are the sanctions set out in the Statutory Managers' provision?

The enforceability of Statutory Managers can be seen in Article 54 of the OJK Law, where the sanctions for the failure to comply with or respond to a written warning and/or the obligation to use a Statutory Manager are 2 (two) years of imprisonment and a minimum fine of Rp 5.000.000.000, - (five billion Indonesian Rupiah) or 6 (six) years of imprisonment and a maximum fine of Rp 16.000.000.000,- (sixteen billion Indonesian Rupiah).

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